

# Contemporary Trade Issues

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*For presentation to Marin Chapter of the World Affairs Council  
 September 22, 2020*



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## National Economic Education Delegation

- **Vision**

- One day, the public discussion of policy issues will be grounded in an accurate perception of the underlying economic principles and data.

- **Mission**

- NEED unites the skills and knowledge of a vast network of professional economists to promote understanding of the economics of policy issues in the United States.

- **NEED Presentations**

- Are **nonpartisan** and intended to reflect the consensus of the economics profession.



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## Who Are We?

- **Honorary Board: 52 members**

- 2 Fed Chairs: Janet Yellen, Ben Bernanke
- 6 Chairs Council of Economic Advisers
  - o Furman (D), Rosen (R), Bernanke (R), Yellen (D), Tyson (D), Goolsbee (D)
- 3 Nobel Prize Winners
  - o Akerlof, Smith, Maskin

- **Delegates: 520+ members**

- At all levels of academia and some in government service
- All have a Ph.D. in economics
- Crowdsource slide decks
- Give presentations

- **Global Partners: 45 Ph.D. Economists**

- Aid in slide deck development



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## Available NEED Topics Include:

- **Coronavirus Economics**
- **US Economy**
- **Climate Change**
- **Economic Inequality**
- **Economic Mobility**
- **Trade and Globalization**
- **Trade Wars**
- **Immigration Economics**
- **Housing Policy**
- **Federal Budgets**
- **Federal Debt**
- **2017 Tax Law**
- **Autonomous Vehicles**
- **US Social Policy**



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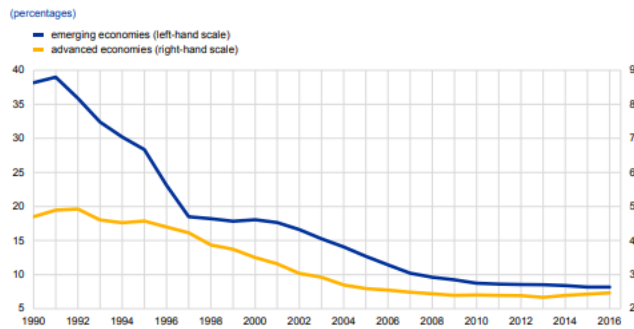
# Trade issues

- Rising protectionism
- China
- Pandemic & perhaps future disease
- IT Conflicts - TikTok et al.
- Intellectual property theft
- Government takings
- Export controls
- Undermining WTO

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# Halt of Liberalization

Average tariffs in advanced economies and emerging market economies

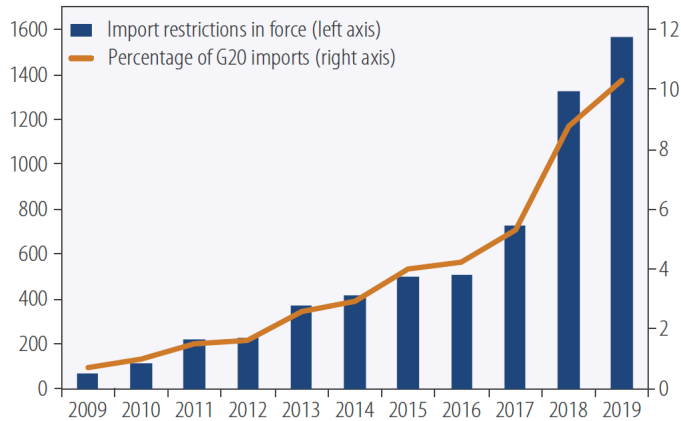


Source: World Bank.  
 Notes: The simple mean of weighted tariff rates is shown. For each individual country, this is computed as the unweighted average of effectively applied tariff rates for all traded goods subject to tariffs. Aggregates are based on the 14 largest countries in the world (according to purchasing power parity GDP weights in 2010).

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## Pre-Pandemic Growing Trade Tensions

Figure 3  
**Trade coverage of G20 import-restrictive measures,  
2009–2019**  
USD billion and percentage of G20 merchandise imports



Source: WTO Secretariat.  
Note: Figures do not include trade remedy measures and COVID-19 trade and trade-related measures.

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## Bottom Line: Growing Uncertainty

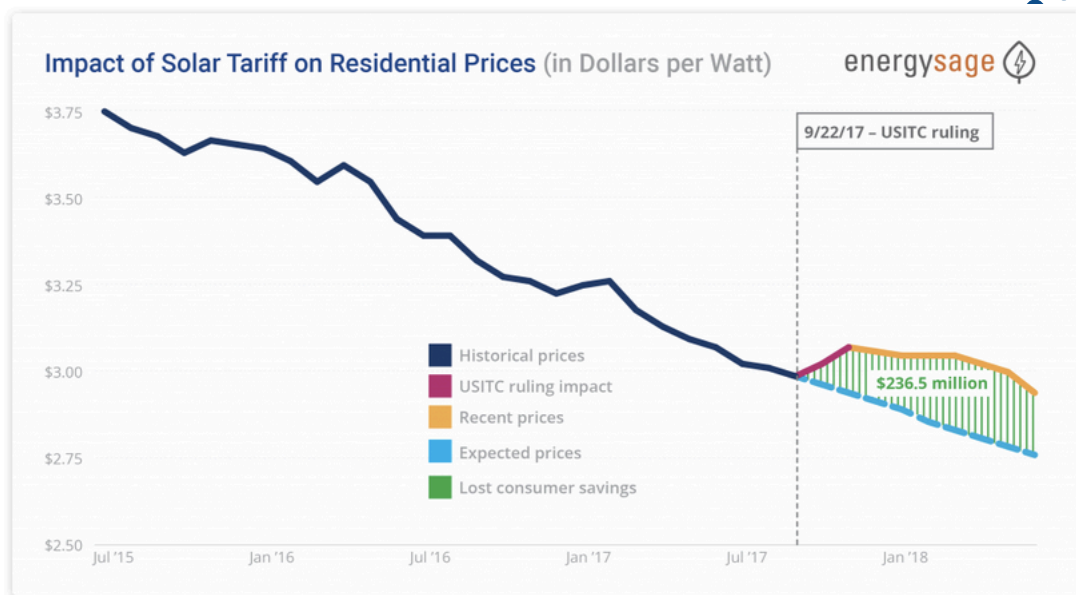
- **U.S. Trade Policy**
  - General protectionism
  - China trade war
- **Pandemic**
  - Supply chains
  - Volume effects
- **WTO**
  - Appellate body
  - US equivocation

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# U.S. Trade Policy – General Protectionism

- **Safeguards**
  - Solar panels
  - Washing machines
- **National Security**
  - Steel and aluminum
  - Car and car parts

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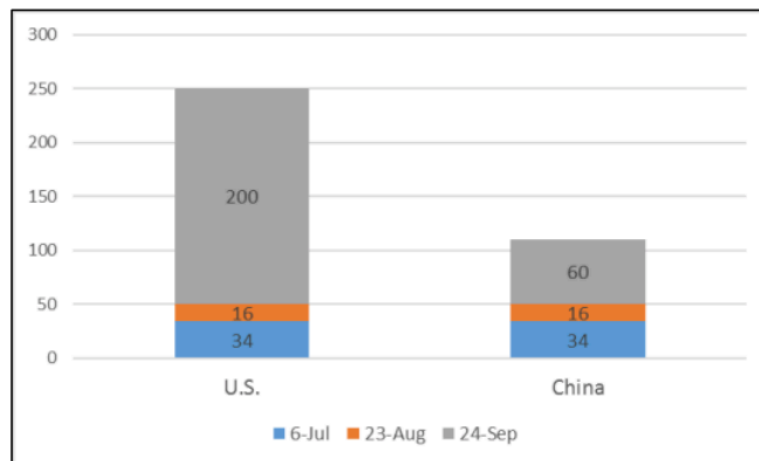
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## Trade War With China

- **Trade Deficit**
- **Concerns about China’s IP practices pre-existed Trump**
  - Theft of technology secrets
  - Forcing investors in China into joint ventures and sharing technology
- **US initiated investigation under Section 301 of US trade law (unfair trade practices)**
  - Aug 18, 2017: Investigation initiated
  - Mar 22, 2018: Report finds unfair trade and recommends tariffs
- **Since then, Trump has announced and then implemented multiple rounds of tariffs**

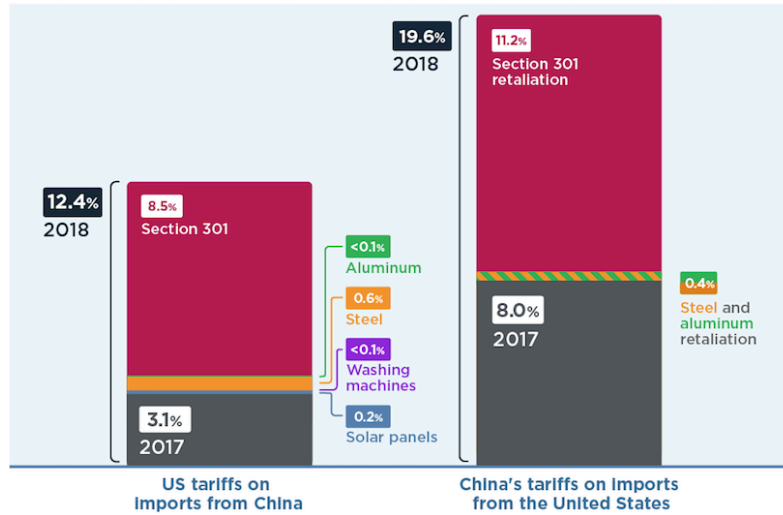
## Three Rounds of Tariff Hikes in 2018

Total Products Affected (\$ in billions) and Effective Dates



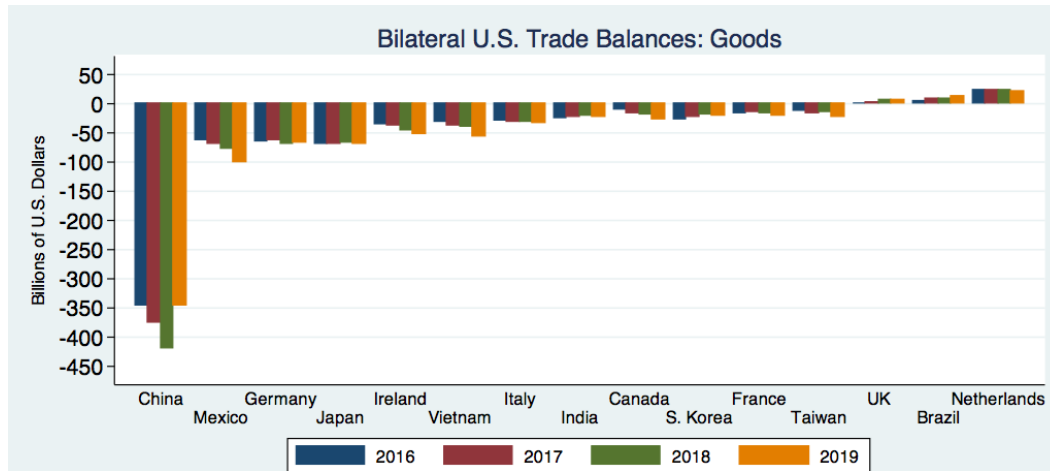
**Source:** USTR and Chinese Ministry of Commerce.

## Average U.S. and China Tariffs: Before and After



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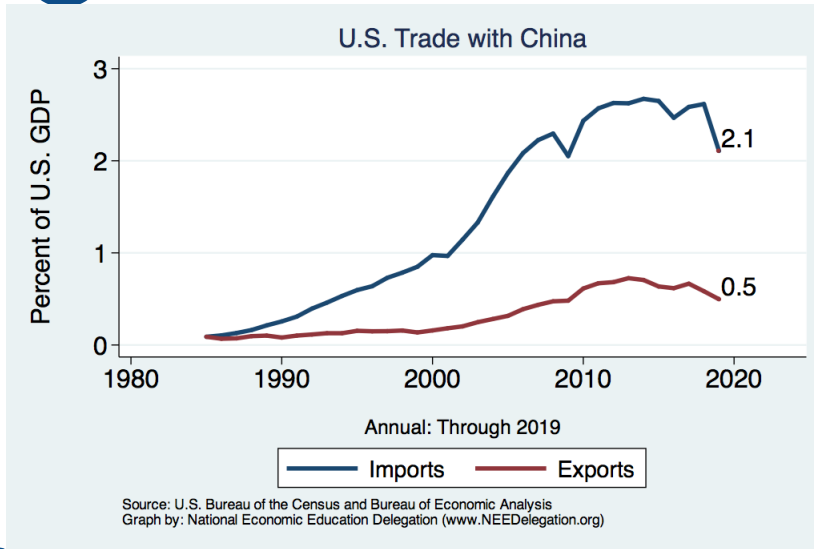
## Deficit: Has It Worked?



Source: U.S. Bureau of the Census  
Graph by: National Economic Education Delegation (www.NEEDelegation.org)

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## Perhaps – But at What Cost?



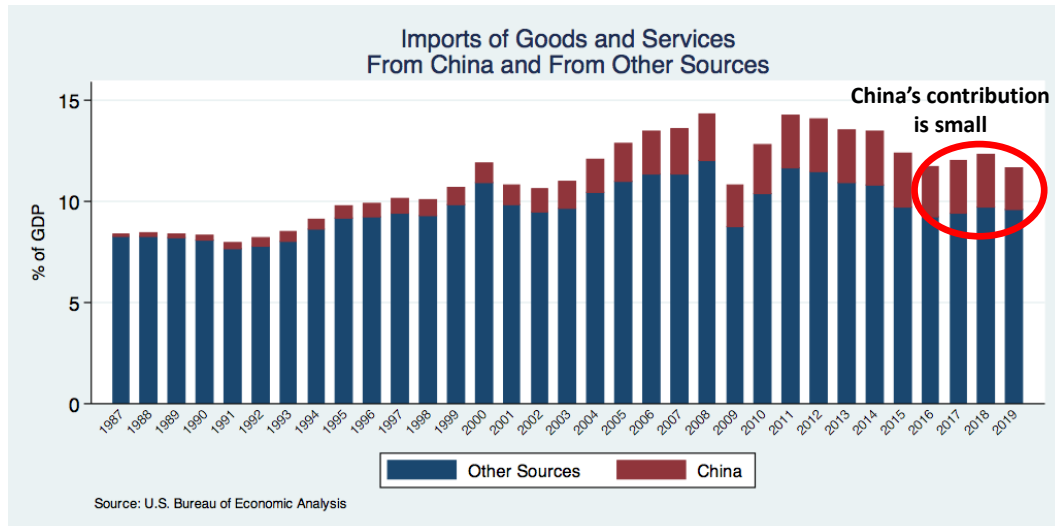
Reduced exports

Higher prices  
- For consumers  
- For producers

Strained trade relations  
For a long time to come

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## Is China the Right Place to Look?



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## Effects of the Pandemic

- **Effects of the Pandemic**

- On Economies
- On Trade Policies



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## Effects on Economies

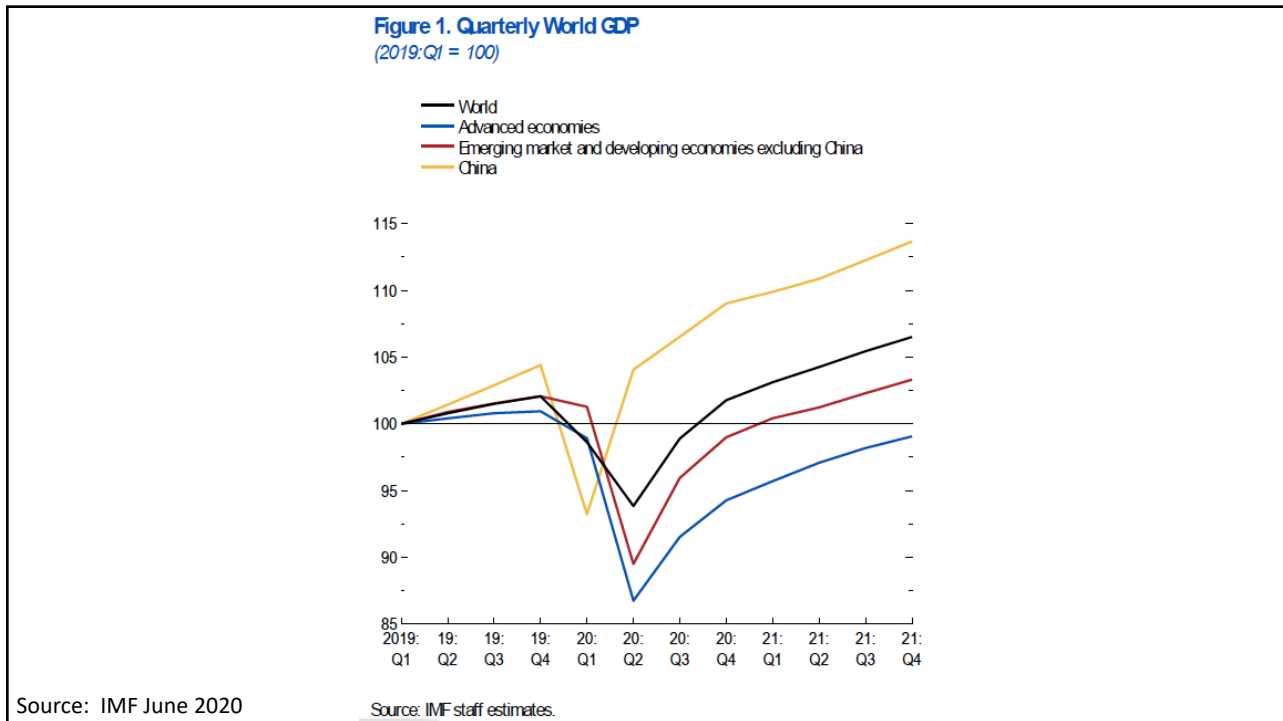
- **Effects of the Pandemic on Economies**

- Reduced GDP
- Trade plummets
- Travel halted
- Stock markets fall
- Factories shut down
- Shipping
- Supply chains interrupted
- Unemployment
- Panic buying and shortages

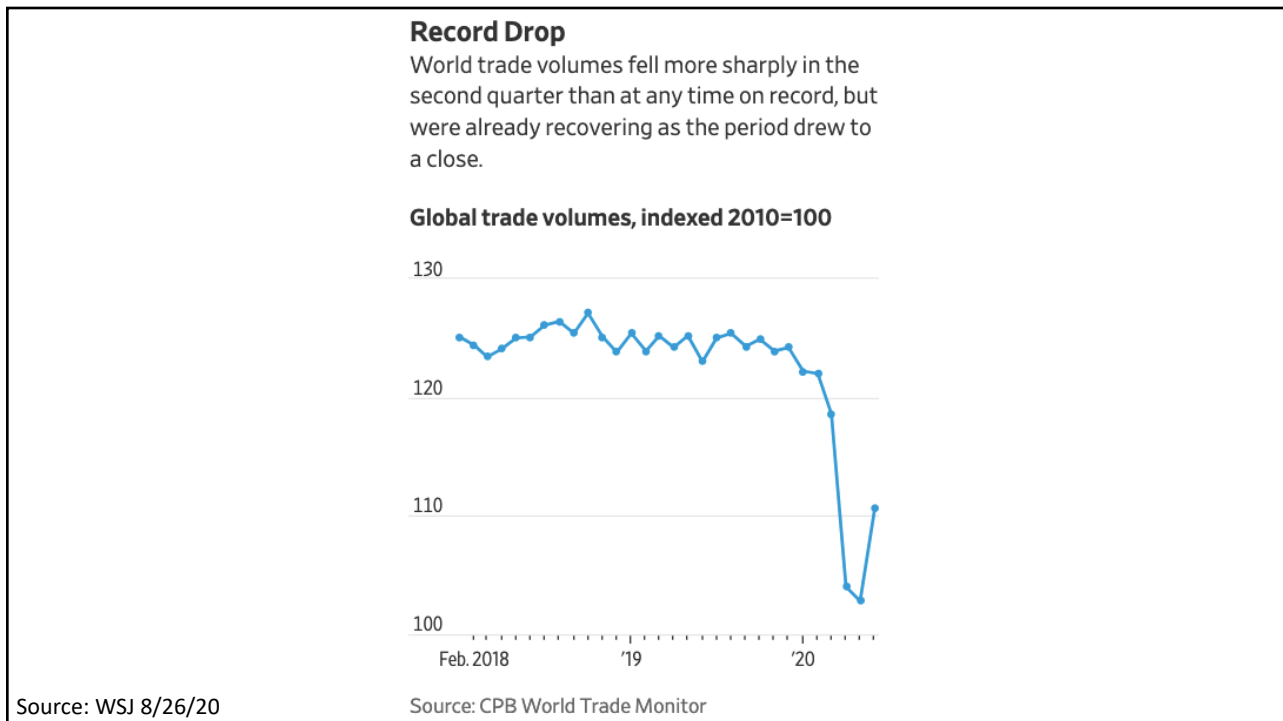


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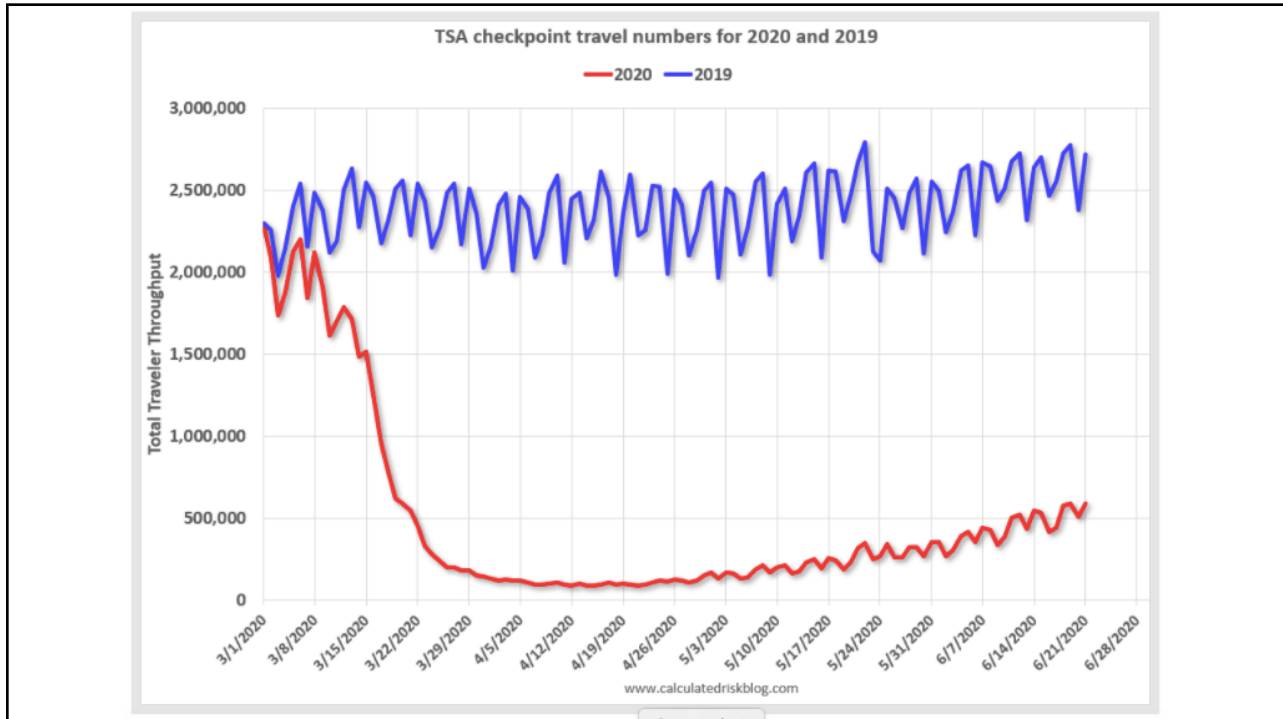
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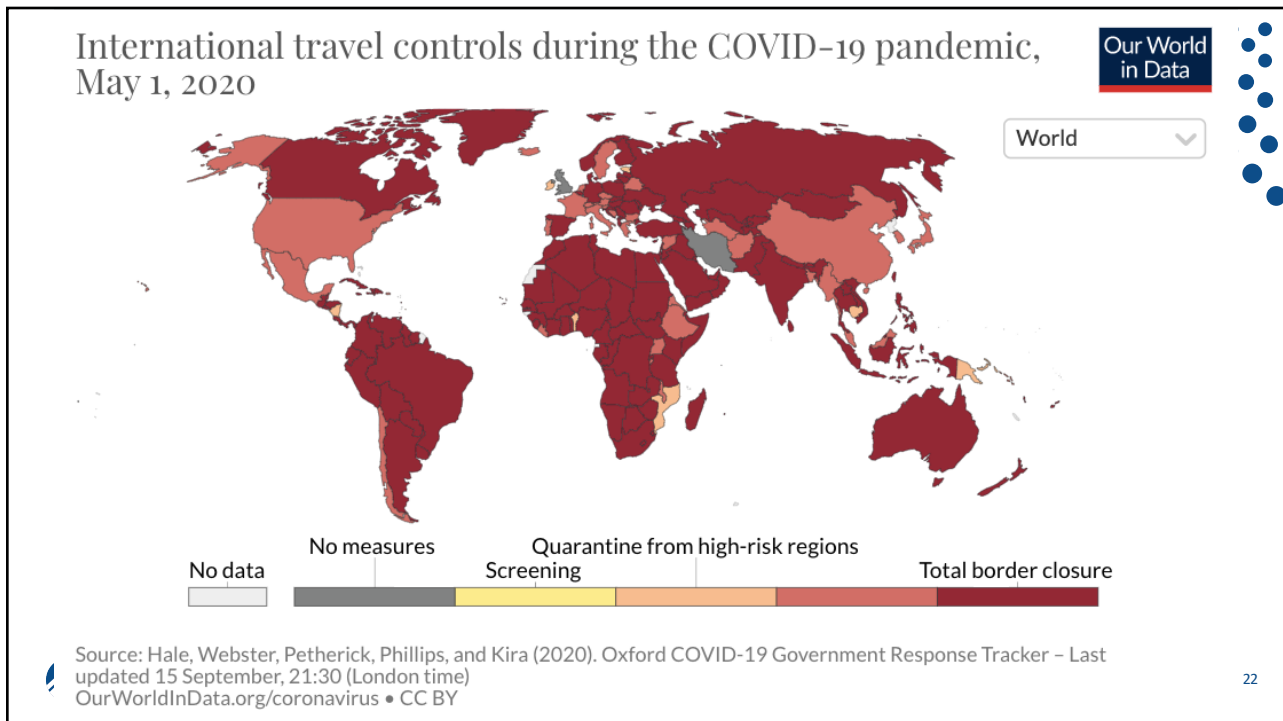
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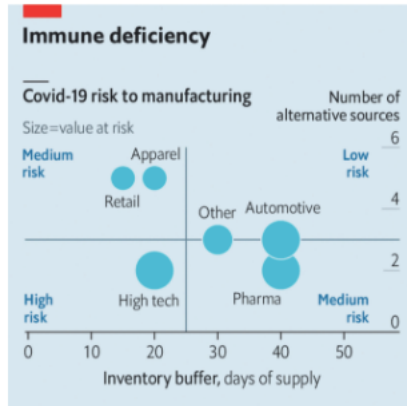


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The new coronavirus could have a lasting impact on global supply chains



What sectors are most vulnerable?  
 Those with small inventories and few alternative sources.

Source: *Economist* Feb 15, 2020

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## Shortages

- **Medical Related**
  - Personal protective equipment
  - Medical devices
  - Sanitizing products
  - ICU beds
  - Diagnostic tests and their ingredients

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## Shortages

- **Lock-down Related**

- Toilet paper, paper towels
- Coins
- Condoms
- Meats
- Soft drinks (due to aluminum shortage)
- Appliances
- Lumber



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## Effects on Trade Policies

- **Effects of the Pandemic on Trade Policies**

- Export Policies
- Import Policies



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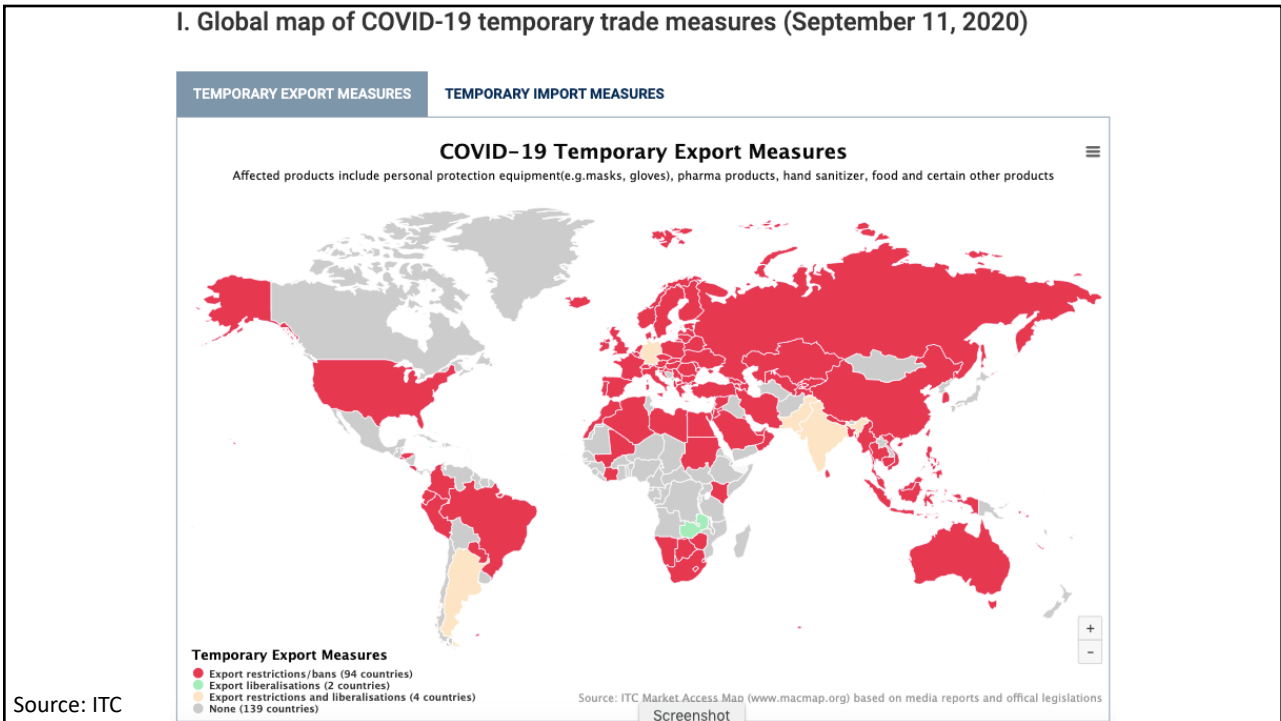
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# Effects on Export Policies

- **Effects of the Pandemic on Export Policies**
  - Export bans on
    - Medical supplies
    - Food

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## Effects on Export Policies

- **Headlines on Export bans**

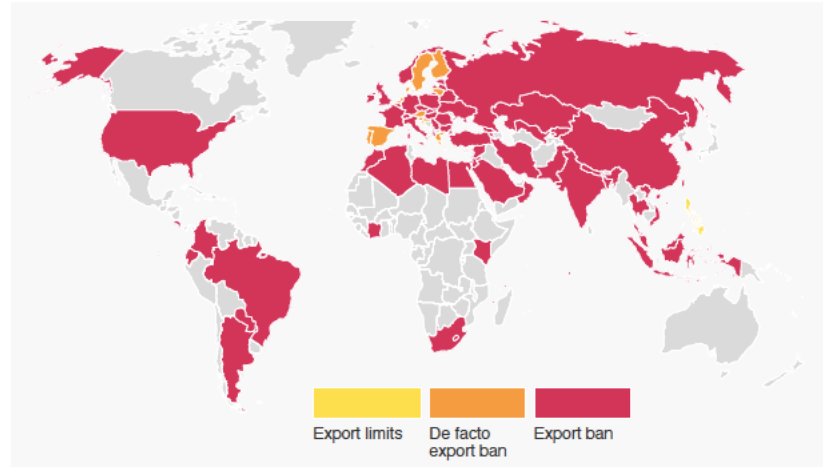
- Apr 10, Bloomberg: Food Supply Fears Are Growing as Romania **Bans Grain Exports**
- Apr 8, WSJ: U.S. to **Restrict Mask, Glove Exports** for Four Months During Coronavirus Pandemic
- Apr 8, WP: As **borders harden** during pandemic, some countries look to hold on to their own food
- Apr 3, Reuters: Trade **Restrictions on Food Exports** Due to the Coronavirus Pandemic
- Mar 19, VOX<sup>EU</sup>: Sickening thy neighbor: **Export restraints** on medical supplies during a pandemic

## Effects on Export Policies

- **Headlines on Export bans**

- Jun 24, NYT: Warren and Booker **Press Meatpackers on Exports** to China
- May 28, WSJ: '**Vaccine Nationalism**': A New Dynamic in the Race to Quash Coronavirus
- Apr 11, WSJ: China **Tightens Customs Checks** for Medical Equipment Exports

**Figure 1** Sicken they neighbour: At some point this year, 76 nations have limited exports of medical supplies



Source: Official documents and media reports assembled by the Global Trade Alert team, University of St Gallen, 20 April 2020.

Source: Evenett 2020

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**US export restrictions on medical supplies put countries in Latin America at risk**



Percent of total imports sourced from US, by product subject to US export restriction

	Respirators and surgical masks	Air-purifying respirators	Hospital gloves
Jamaica	73	93	56
Palau	64	55	44
Belize	61	68	33
Dominican Republic	54	75	28
St. Lucia	67	NA	58
Guatemala	23	77	18
El Salvador	28	78	10
Costa Rica	40	55	18



NA = not available

Note: Average share of a country's total imports of each product sourced from the US over 2016-2018.

Source: Constructed by the author with country-specific import data at 6-digit Harmonized System level from UN Comtrade accessed via World Integrated Trade Solution (WITS). See Bown (2020d).

Source: Bown 2020

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### EU export restrictions on medical supplies put countries in Eastern Europe, northern Africa, and sub-Saharan Africa at risk



Percent of total imports sourced from EU, by product subject to EU export restriction

	Face shields	Mouth-nose-protection equipment	Protective spectacles and visors	Protective garments	Gloves
Cape Verde	91%	87%	89%	75%	91%
Tunisia	86%	63%	35%	89%	41%
Senegal	55%	61%	51%	33%	56%
Republic of the Congo	51%	67%	45%	36%	55%
Albania	77%	74%	12%	58%	14%
Niger	54%	71%	71%	5%	26%
Angola	63%	29%	62%	29%	42%
Macedonia	71%	70%	22%	6%	32%
Morocco	78%	54%	9%	34%	22%
Serbia	73%	72%	17%	7%	20%



EU = European Union

**Note:** Average share of a country's total imports of each product sourced from the EU over 2016-2018.

**Source:** Constructed by the author with country-specific import data at 6-digit Harmonized System level from UN Comtrade accessed via World Integrated Trade Solution (WITS). See Bown (2020b).

Source: Bown 2020

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### Many developing countries rely on imports from China for their medical supplies

Percent of total imports sourced from China by product



	Protective garments	Protective spectacles and visors	Gloves	Mouth-nose-protection equipment	Face shields
Kyrgyzstan	85%	47%	87%	49%	65%
Sudan	71%	89%	44%	55%	46%
Cambodia	61%	70%	58%	68%	39%
Togo	89%	79%	31%	77%	19%
Ethiopia	98%	20%	45%	54%	63%
Myanmar	65%	71%	55%	47%	30%
Mauritania	65%	85%	56%	6%	44%
Malaysia	51%	68%	27%	55%	49%
Pakistan	55%	54%	24%	64%	49%
Paraguay	60%	83%	39%	30%	29%
Uzbekistan	43%	70%	54%	43%	20%
Iran	31%	65%	30%	41%	56%
Argentina	71%	54%	29%	37%	30%
Peru	68%	54%	29%	26%	43%
Mexico	49%	56%	50%	45%	16%



**Note:** Average share of a country's total imports of each product sourced from China over 2016-2018.

**Source:** Constructed by the author with country-specific import data at 6-digit Harmonized System level from UN Comtrade accessed via World Integrated Trade Solution (WITS). For product definitions, see Bown (2020b).

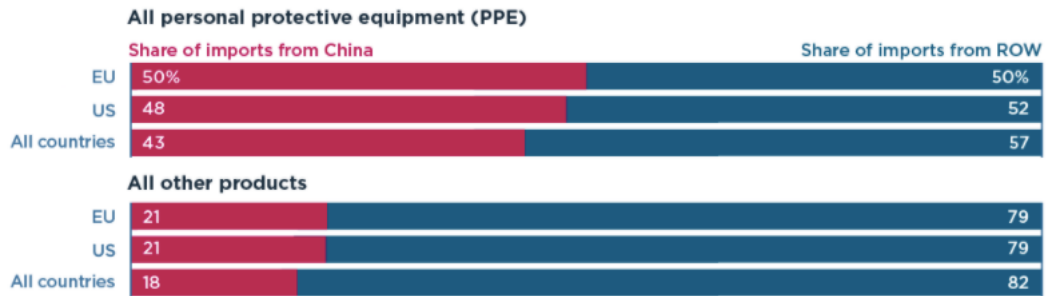
Screenshot

Source: Bown 2020

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## Much of the world's imports of personal protective equipment come from China

Imports by product and source, 2018



Source: Bown (2020)

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## Effects on Import Policies

### • Effects of the Pandemic on Import Policies

- Import expansion
  - Tariff reductions
- Import contraction
  - Tariff increases
  - Import bans
  - Government procurement

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## Effects on Import Policies

### • Headlines on Import Expansion

- Apr 20 FT: **Trump exempts** virus-hit US businesses from import tariffs
- Apr 13 WSJ: U.S. **Tariffs Hamper Imports** of Sanitizer, Disinfectants, Some Companies Say
- Apr 2 NYT: Trump Rebuffs Demands to **Lift Tariffs** as Economy Falters
- Mar 31 FT: Trump to **suspend some tariffs** for 90 days
- Mar 26 WSJ: U.S. Will Approve Some **Delays in Tariff Payments** Amid Coronavirus Crisis
- Mar 24 FT: **Drop the tariffs** and save some lives. Quick
- Mar 19 WSJ: Trump Spurns Business **Plea to Ease Tariffs** Amid Coronavirus
- Mar 16 NYT: U.S. Weighs **Tariff Relief** but Some Fear China Will Take Advantage



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## Effects on Import Policies

### • Headlines on Import Contraction

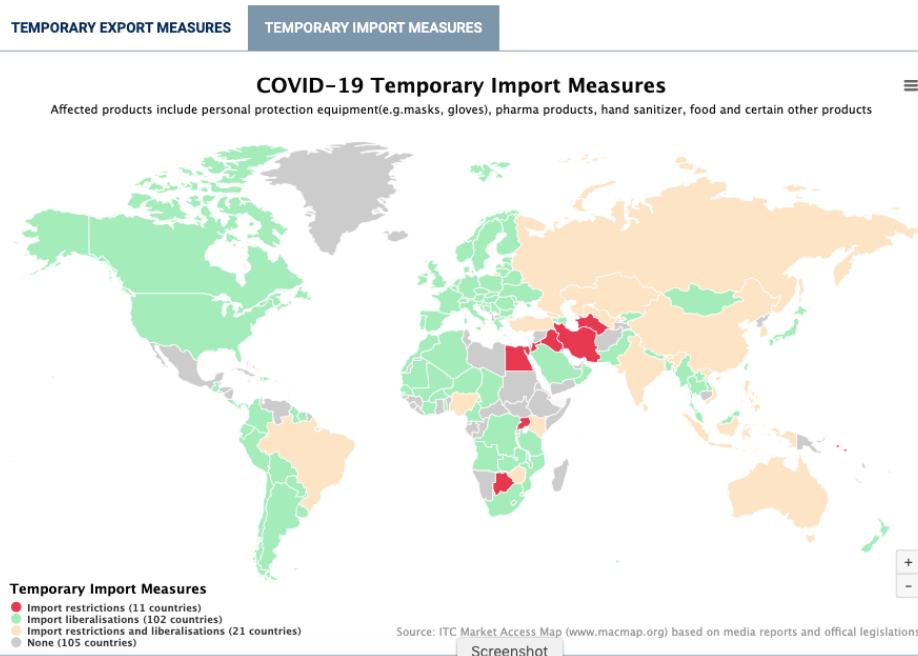
- Aug 23 FT: McCarthy: Pandemic shows US must **make vital products at home**
- Aug 17 FT: Guangzhou **bans frozen meat imports** over virus fears
- Aug 6 FT: Donald Trump to order government to **buy medicines from US** companies
- May 30 WSJ: **Protectionism Spreads** Globally With the New Coronavirus
- May 10 FT: U.S. Multinationals fear **rise in protectionism** because of pandemic



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## I. Global map of COVID-19 temporary trade measures (September 11, 2020)



Source: ITC

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## Conclusion - Pandemic

- **The Covid-19 Pandemic has had:**
  - Devastating effects on the global economy.
  - Serious effects on global trade and supply chains.
  - Mostly adverse effects on international trade policies.
- **How much of this will be permanent remains to be seen.**

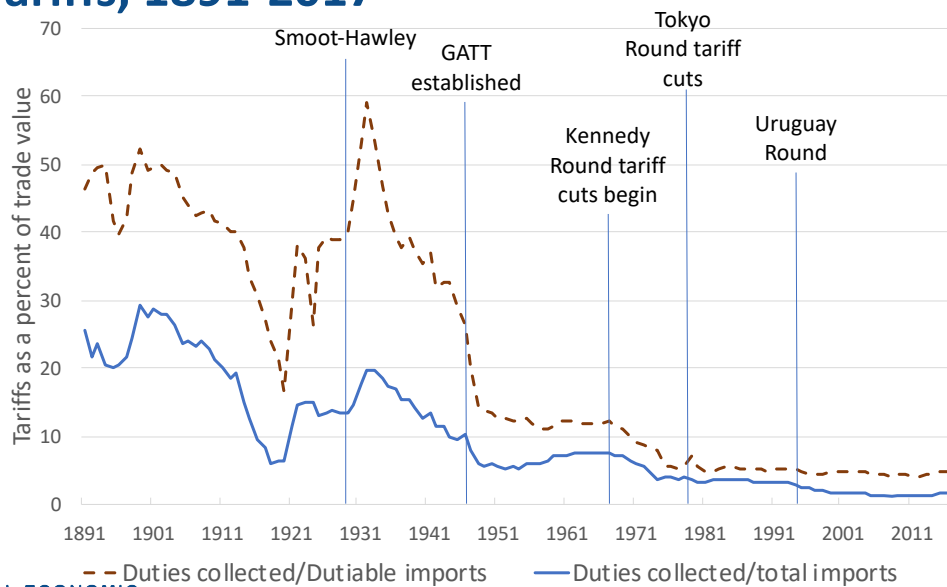
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# World Trade Organization (WTO)

- **Along with its predecessor, the GATT:**
  - Long history of trade liberalization
- **Alone**
  - Good track record of dispute resolution
- **Recent setbacks:**
  - US has shut down the Dispute Settlement Mechanism
    - o Denied it of judges
  - US has hinted at withdrawal from the organization

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# US Tariffs, 1891-2017



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## Summary

- **Global trade is in a precarious position.**
  - There are many reasons for uncertainty.
- **The United States has historically been a leader in multilateral liberalization.**
  - This position has been abdicated. Who will pick it up?
- **The United States is actively undermining global trade.**
- **The pandemic is having widespread, potentially durable effects.**
  - Supply chains
  - Global trust



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## Thank you!

## Any Questions?

[www.NEEDelegation.org](http://www.NEEDelegation.org)

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Jon@NEEDelegation.org

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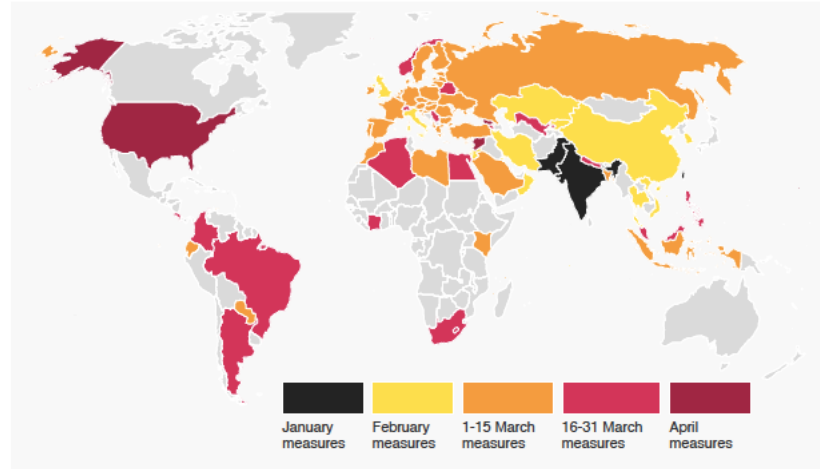


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**Figure 2** New export curbs on medical supplies accelerated in March 2020

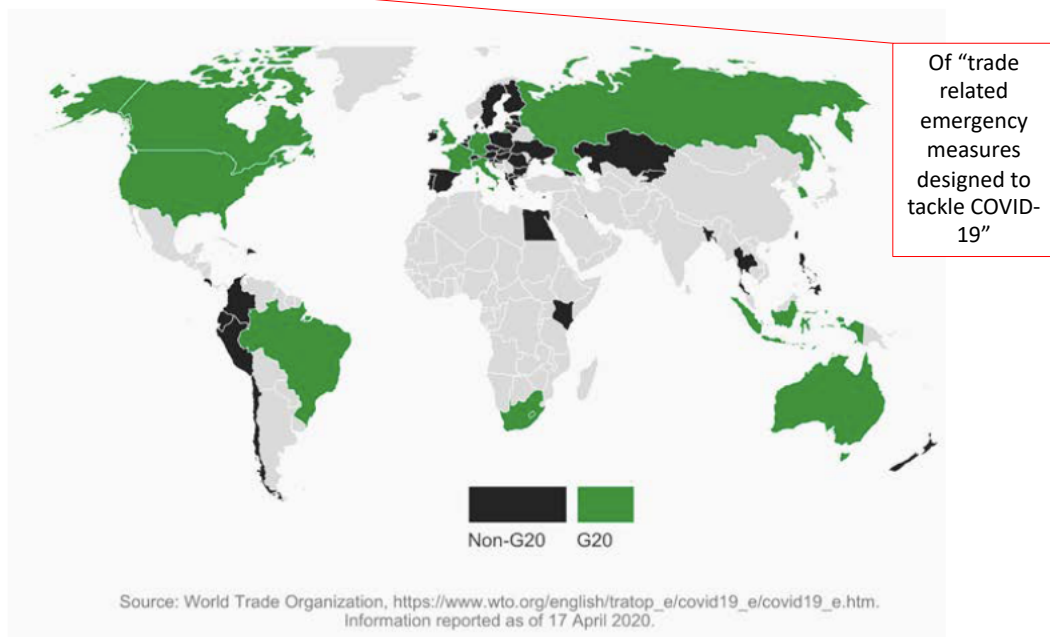


Source: Official sources and media reports assembled by the Global Trade Alert team, University of St Gallen, 20 April 2020. Date of first relevant policy intervention used to prepare this map: 24 January 2020

Source: Evenett 2020

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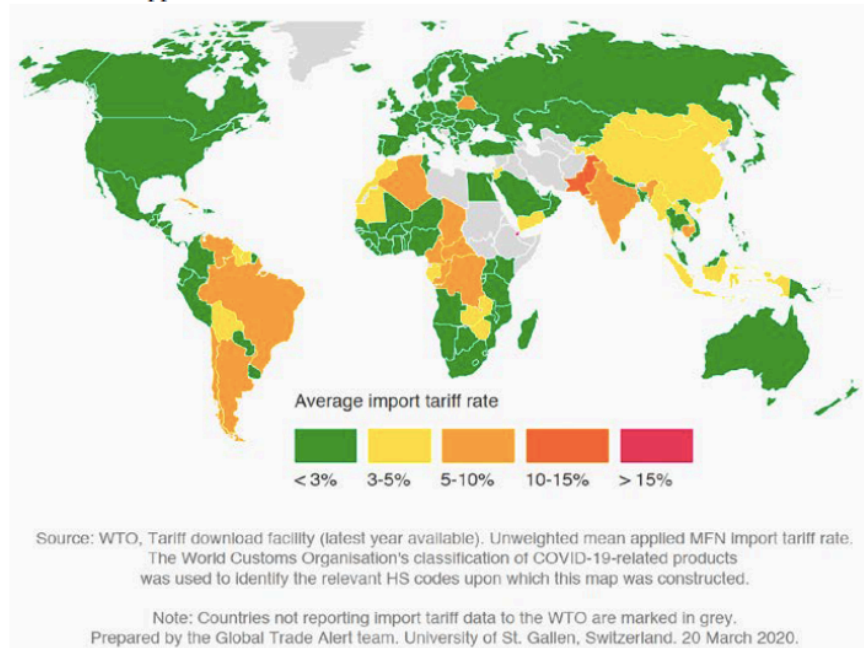
**Figure 1** COVID-19 notifications to the WTO as of 17 April 2020



Source: Wolfe 2020

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**Figure 2** 110 WTO Members still tax imports of COVID-19 test kits and related apparatus

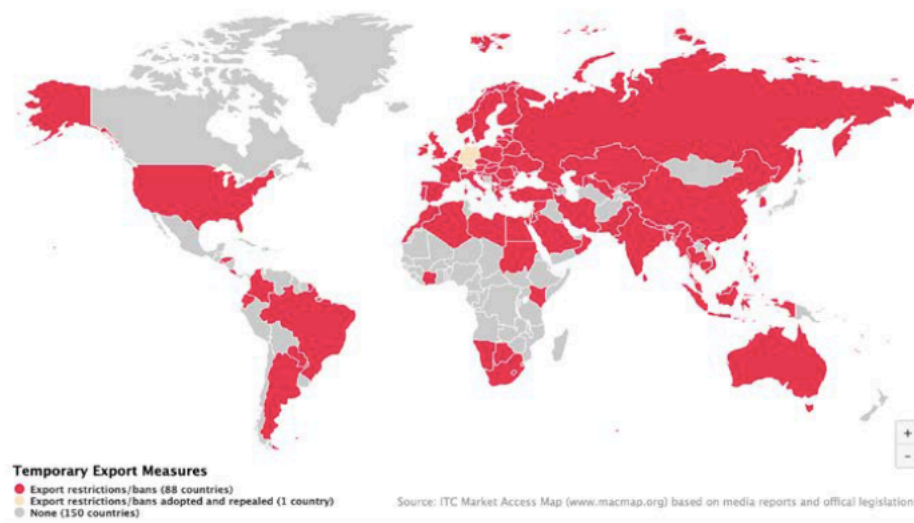


Source:  
Wolfe  
2020

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**Figure 3** Global map of COVID-19 temporary trade measures (18 April 2020)

Affected products include personal protection equipment (e.g. masks, gloves), pharma products, hand sanitizer, food and certain other products



Source:  
Wolfe  
2020

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