

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.


1

International Trade and the Pandemic

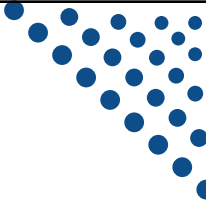
Alan V. Deardorff
University of Michigan

For presentation to Osher Lifelong Learning Institute
Sonoma State University
April 28, 2021


2




Overview




- **Cases**
 - Started in China
 - Spread to the world in two (or three) waves, so far
 - Hit the Americas and Europe especially hard
 - Deaths surged early and then grew more slowly than cases as treatments improved



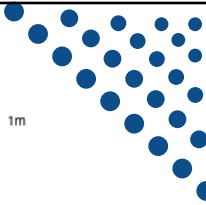
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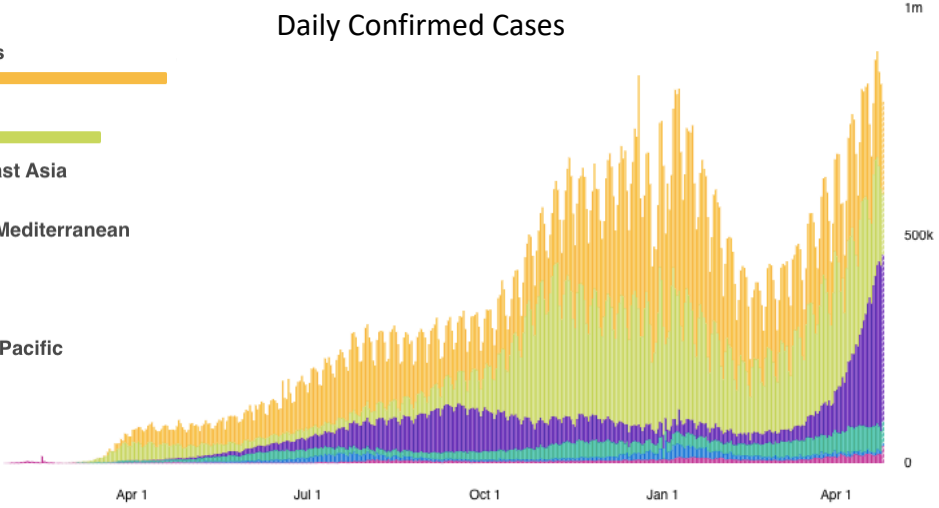
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Cases




Daily Confirmed Cases



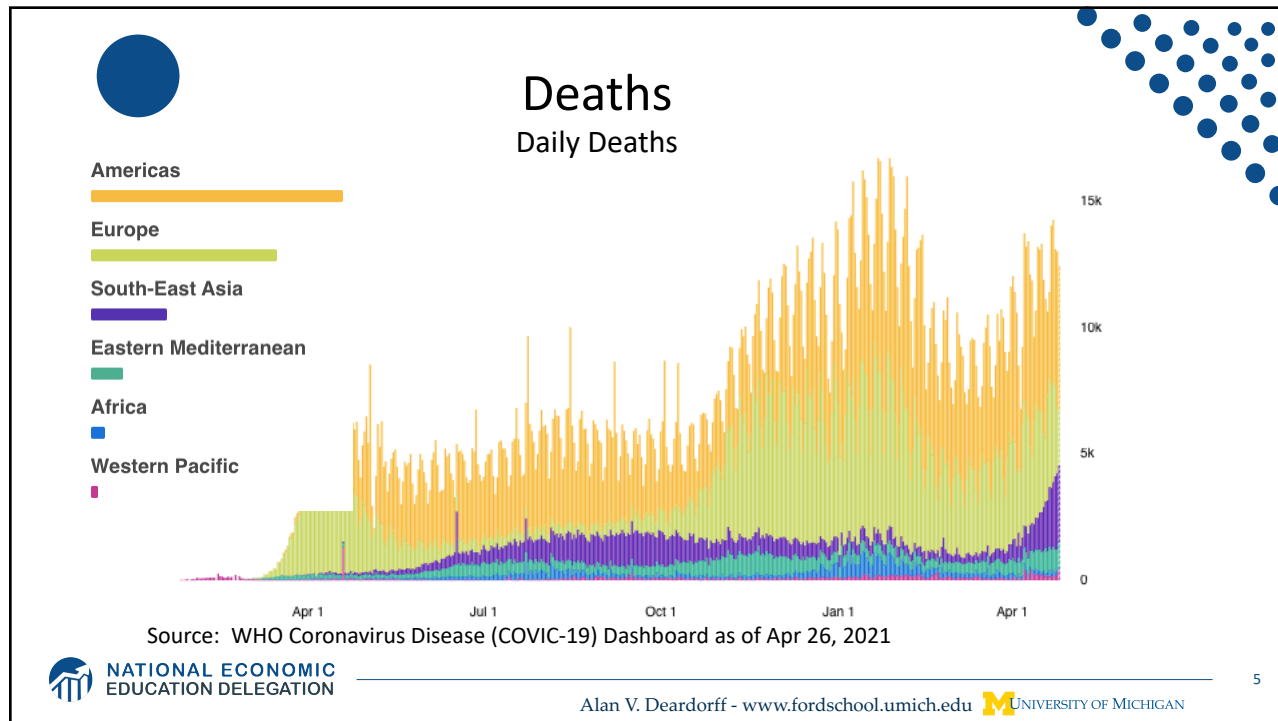
Source: WHO Coronavirus Disease (COVID-19) Dashboard as of Apr 26, 2021



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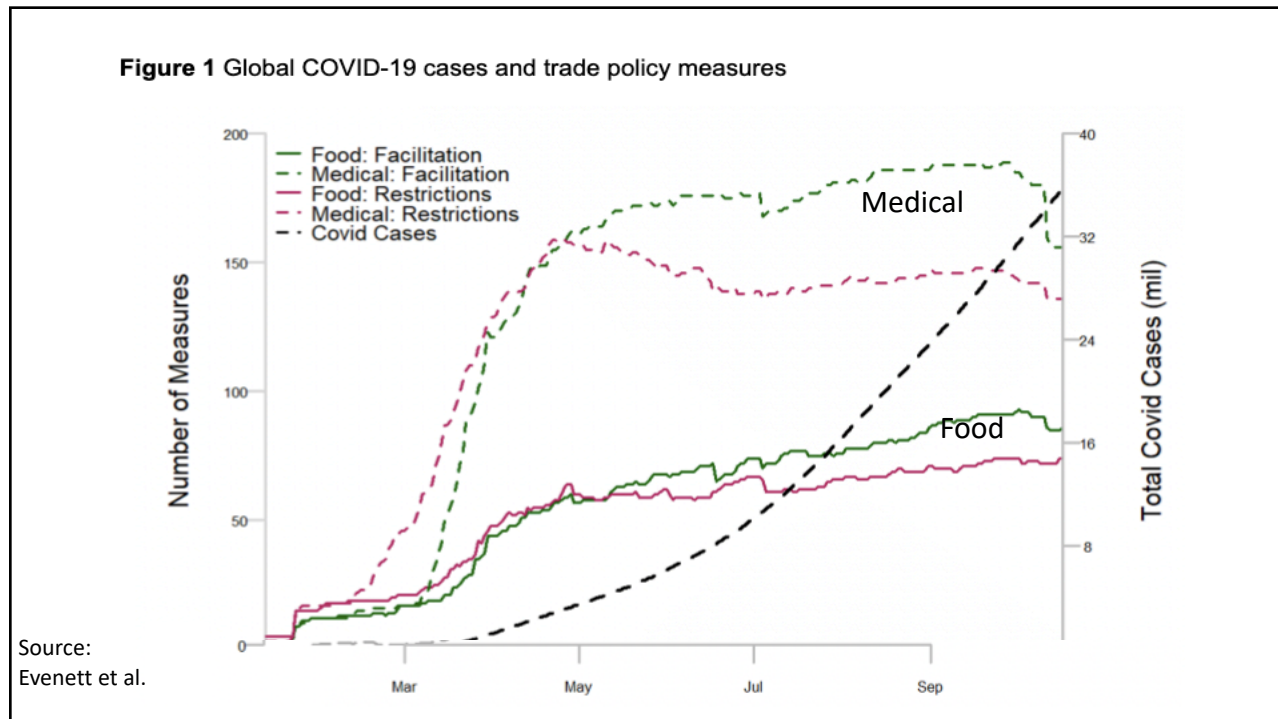
Overview

- **Trade Policy Responses**
 - Included both
 - Import facilitation, and
 - Export restriction
 - Both highest for medical and high for food
 - Facilitation was somewhat more common than restriction
 - Both began before cases surged

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7

International Trade and the Pandemic

Outline

- **Pros and Cons of Trade**
 - Globalization
- **Causes of the Pandemic**
- **Effects of the Pandemic**
 - On Economies, Including Trade
 - On Trade Policies
- **Role of Trade During the Pandemic**
 - PPE and medical supplies
 - Vaccines

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Trade Pros and Cons

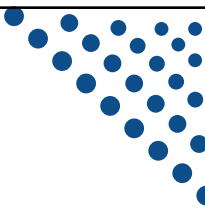
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Pros and Cons of Trade


- **Pros**
 - Reduces cost-of-living world-wide
- **Cons**
 - Changes internationally hurt some while helping others
- **Economists' almost universal view: Pros > Cons**
 - Trade is beneficial overall for all countries
 - Trade restrictions are harmful
 - Tariffs on imports, export taxes
 - Bans on exports, imports
 - But there are always losers from changes in trade who need policies to help them


10



Pros of Trade

- **Comparative advantage**
 - Source goods where relative costs are lowest
 - Each country produces and exports what they do best
 - Costs and prices fall world-wide
- **Increased competition**
 - More firms compete, reducing monopoly pricing
- **Economies of large-scale production**
 - With larger markets firms reap economies of scale
 - Costs fall

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Pros of Trade

- **Access to greater variety**
 - Products can be better-tailored to users needs
 - Consumers get what they want most
 - Producers get what they need most
- **Increases productivity**
 - Firms learn state-of-the-art technologies from foreign firms
 - Most productive firms expand while others contract

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Cons of Trade

- **Changes in trade (up or down) disrupt**
 - Businesses
 - Jobs
 - Communities that lose factories to
 - Imports
 - Movement to produce abroad



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Cons of Trade

- **Dependence on foreign supply and demand**
 - Trade can be disrupted by
 - Natural disasters (earthquakes, floods, etc.)
 - Policies (export and import bans or taxes)
 - International cartels (oil crises of the 1970s)
- **Vulnerable to others' economies, diseases**
 - Recession in export markets causes recession at home
 - Exchange rate changes can cause inflation, unemployment
 - Infectious diseases spread through trade



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Globalization

- **How and why trade has grown**
 - Trade grew, then fell, then grew vastly
 - Tariffs and other barriers have fallen

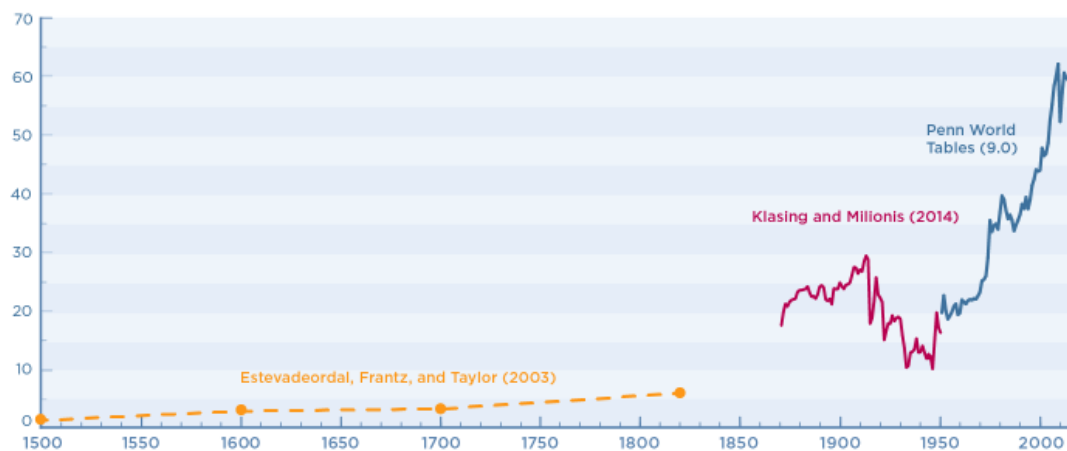


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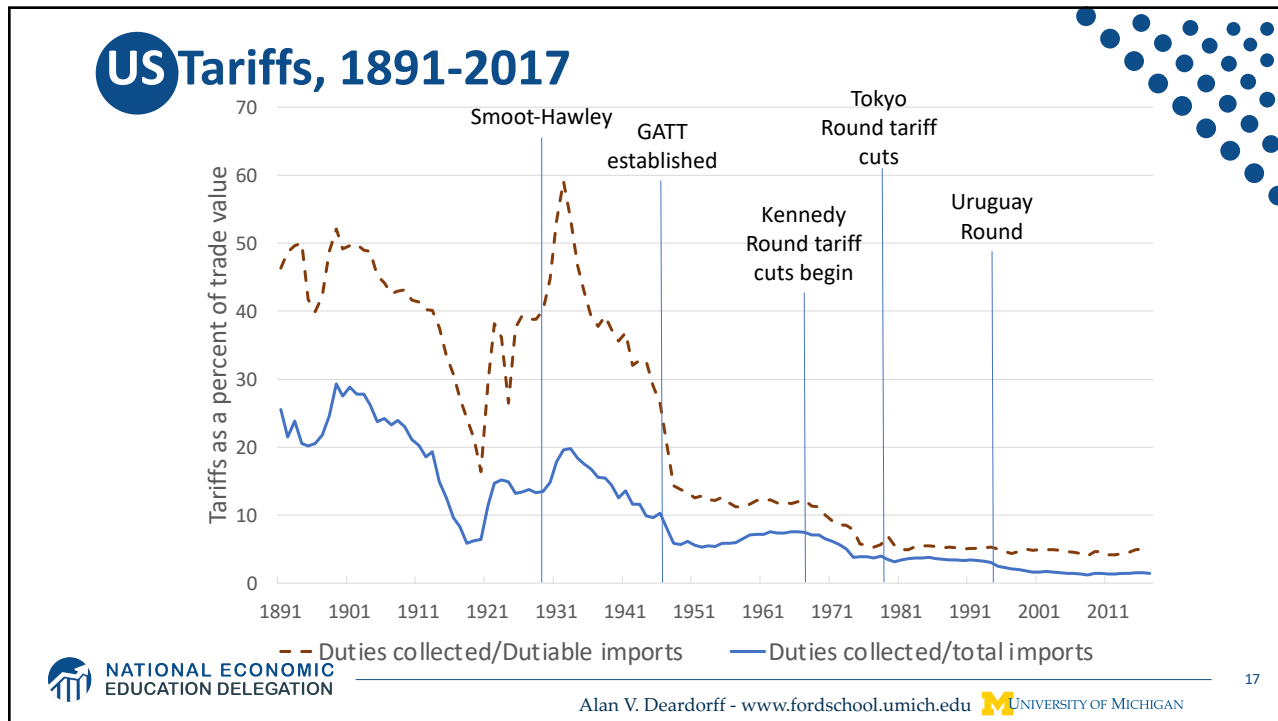
Trade has skyrocketed in the past century

World trade as percent of world GDP (1500–2014)



Note: This chart displays data from three sources. Data from 1500 to 1820 is the average of the upper and lower bound and only includes the years 1500, 1600, 1700, and 1820. Data not available from 1821-1869.
Sources: See chart, "Globalization over 5 centuries," at <https://ourworldindata.org/trade-and-globalization> for full citations.

16



17

Causes of the Pandemic

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Causes of the Pandemic

- **Does trade cause new infections?**
 - No. These arise from mutations, often in animals and then spread to humans
- **Does trade spread infections?**
 - Yes. Trade requires movement of people across borders, carrying infections
 - The Black Death (bubonic plague)
 - “is believed to have been spread by both land and sea, originating in China and following the trade routes to Europe and the Middle East.”
 - The 1918 Spanish Flu: but spread more by soldiers than by trade



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Causes of the Pandemic

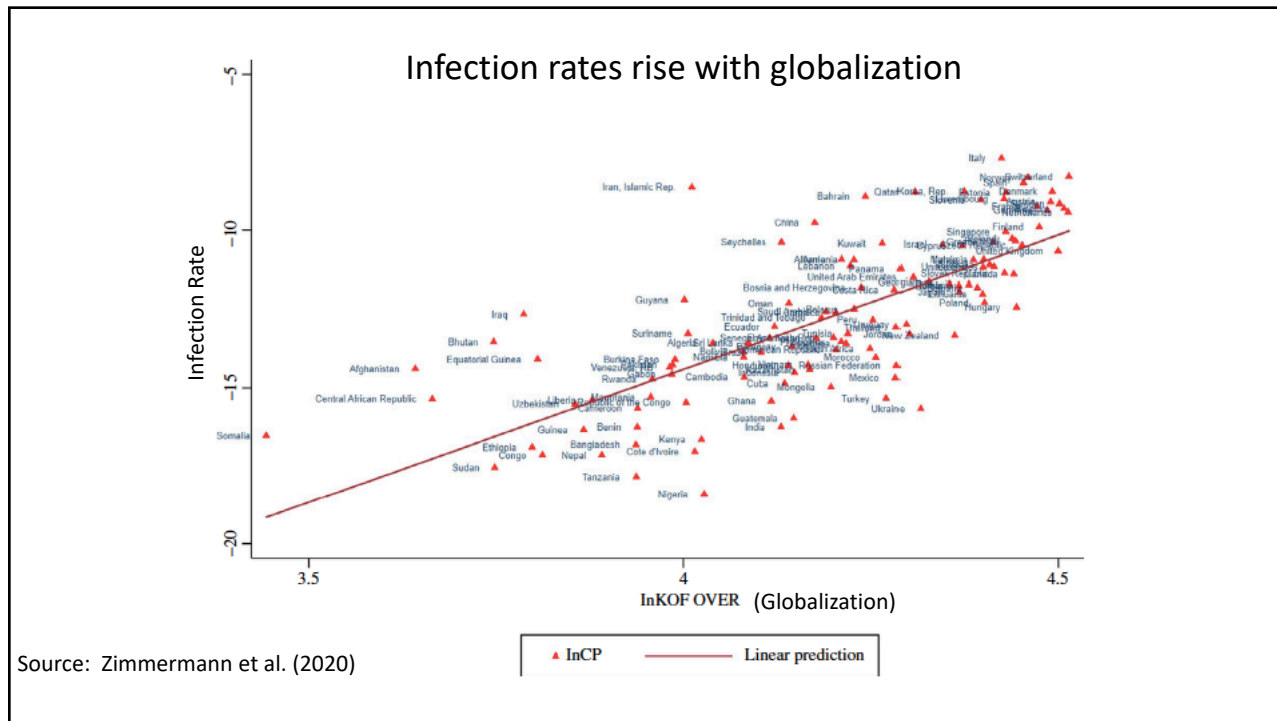
- **Studies Relate Globalization and Spread of Pandemic**
 - Zimmermann et al. find, across countries:
 - Infection rate rises with globalization
 - Transmission speed rises with globalization
 - Fatalities fall with globalization
 - (but probably because globalization is correlated with higher incomes and thus better treatment)
 - Farzanegan et al. report similarly



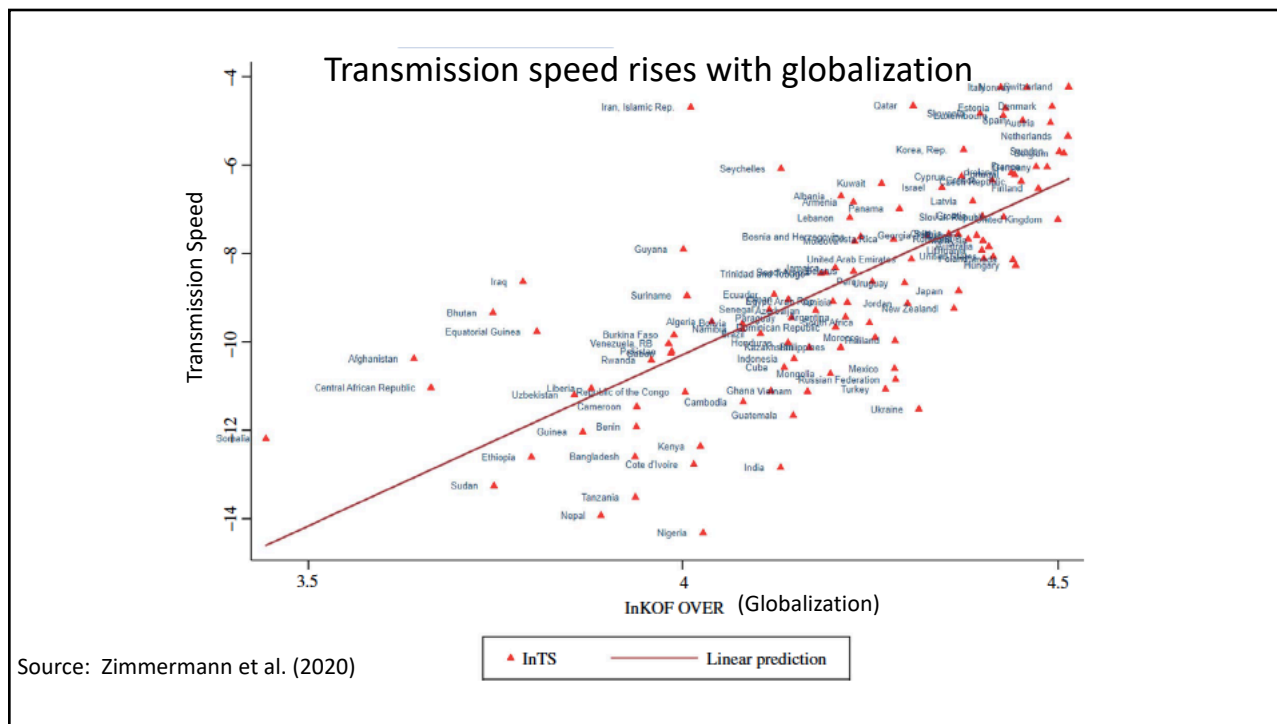
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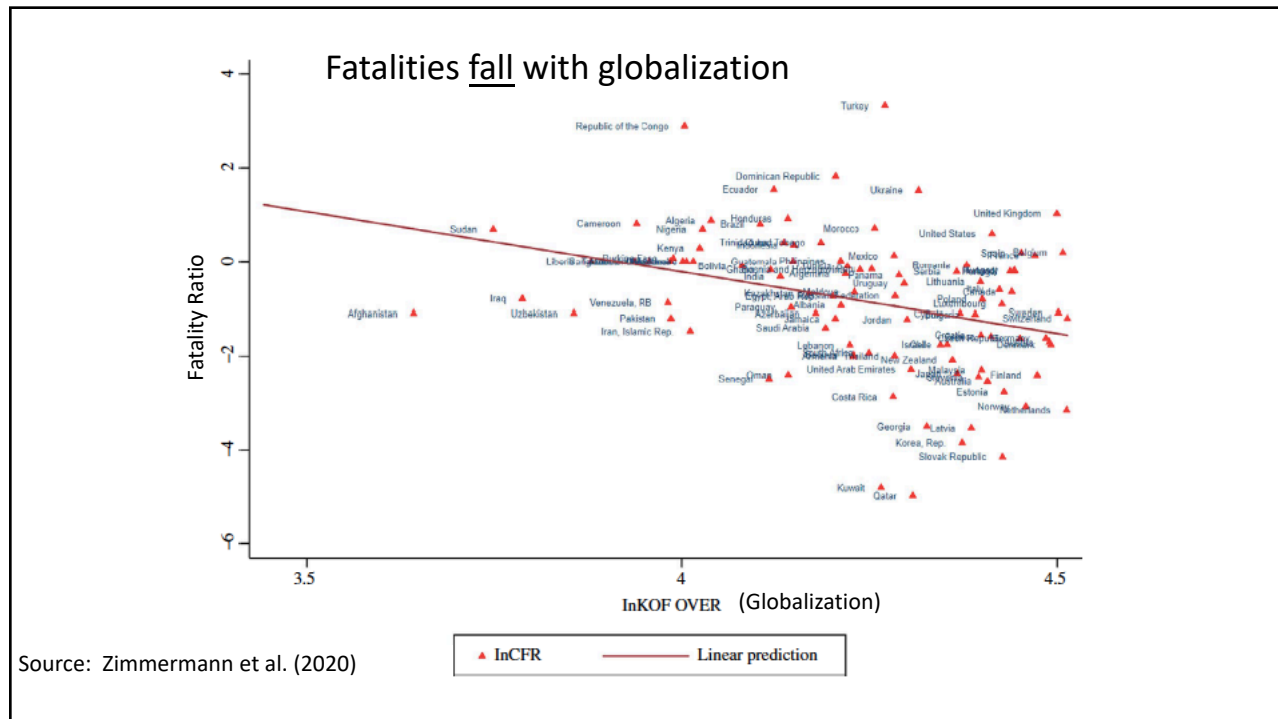
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21



22



23

Causes of the Pandemic

- **Globalization and Spread of Pandemic**
 - Note that globalization is not just trade
 - It includes
 - International trade and investment
 - International tourism
 - International students
 - Migration
 - International transportation

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Effects on Economies

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Effects on Economies

- **Effects of the Pandemic on Economies**
 - Trade plummets
 - Travel halted
 - Shipping declines
 - Supply chains disrupted
 - GDP (if time)
 - Unemployment (if time)

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Effects on Economies

Trade

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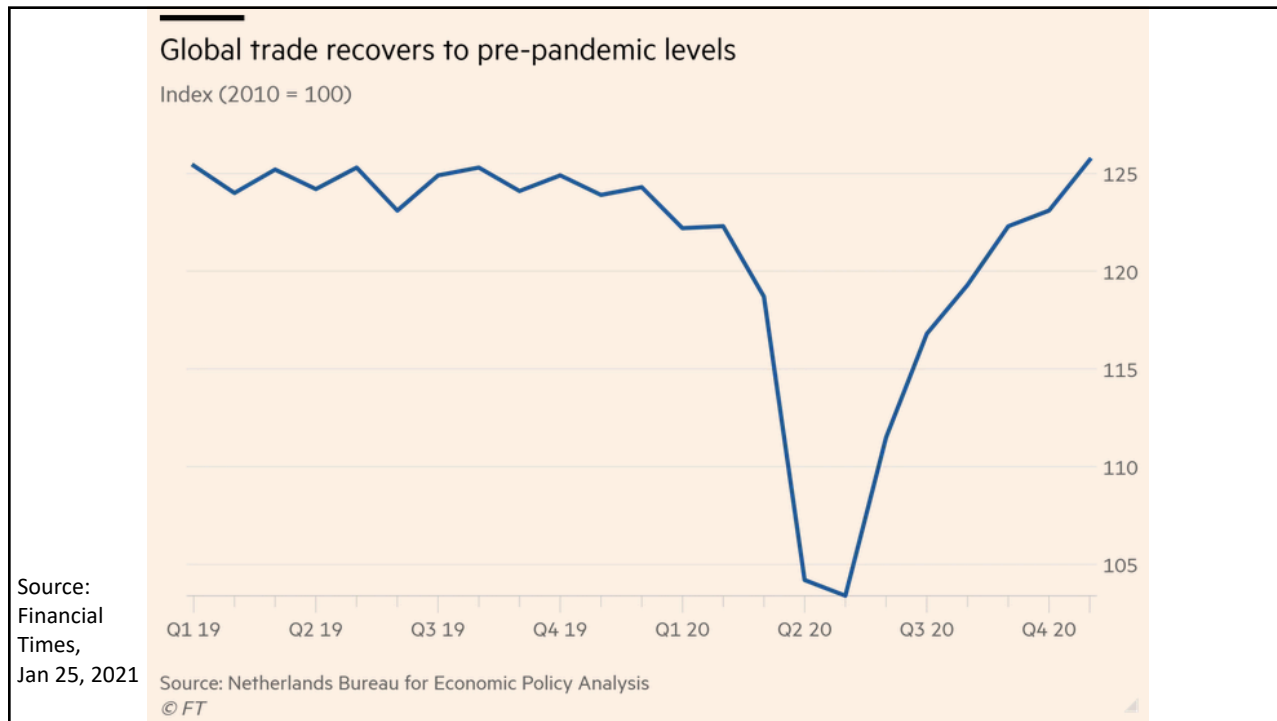
Effects on Economies

- **Trade**
 - Pandemic was expected to reduce world trade, and did
 - US was typical; China, was not
 - Trade with China was crucial for dealing with pandemic
 - Trade in many products were affected
 - Global trade has now recovered

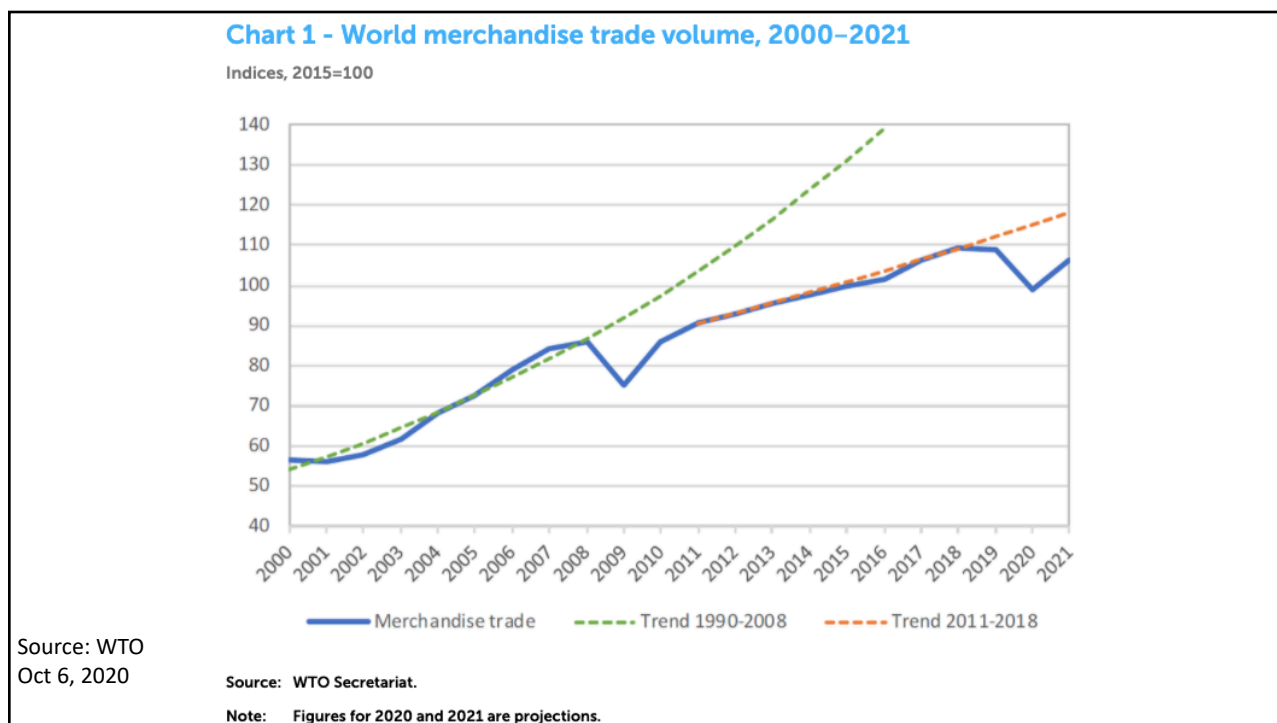
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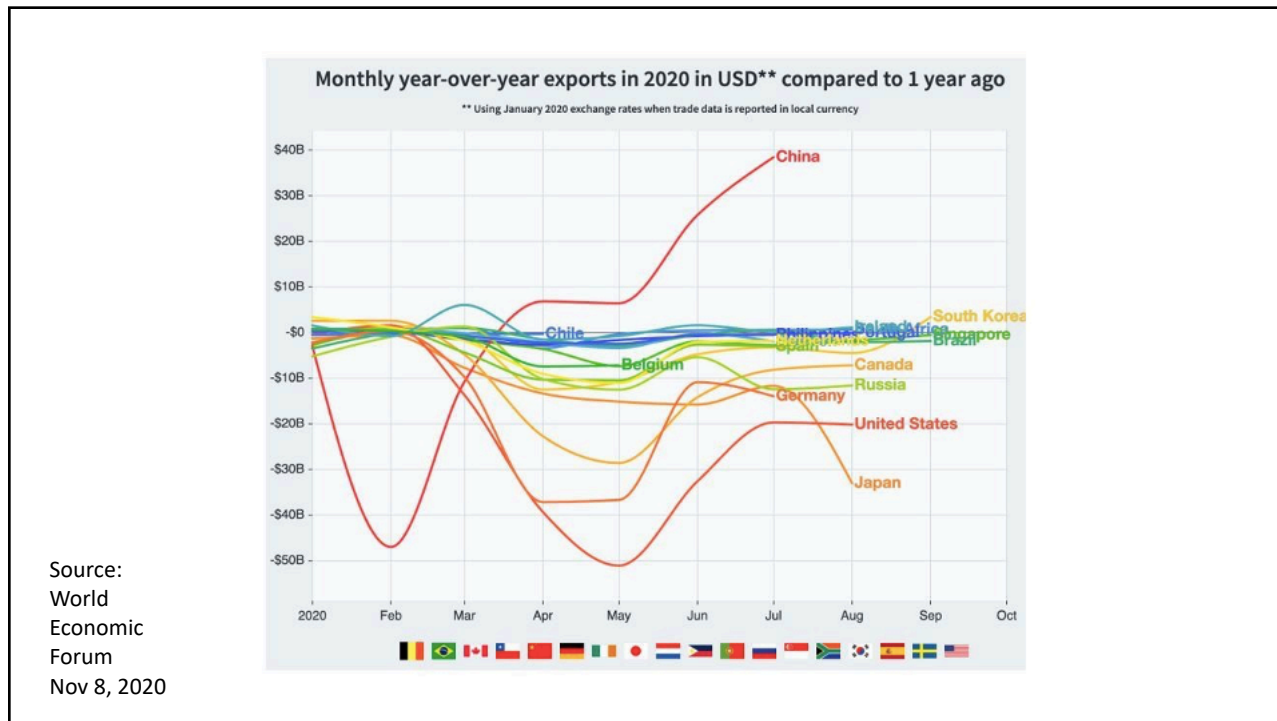
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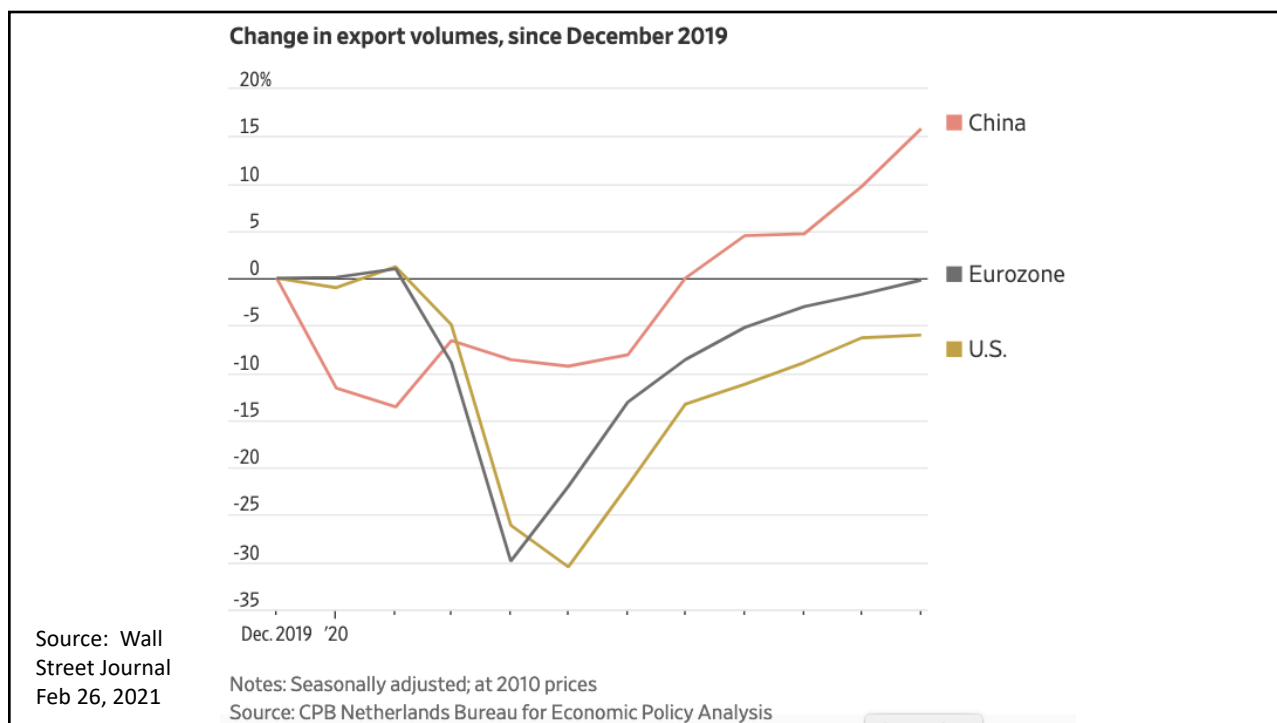
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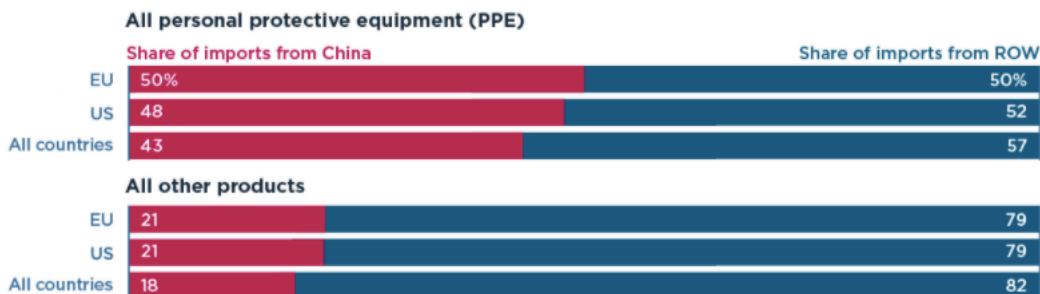
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32

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

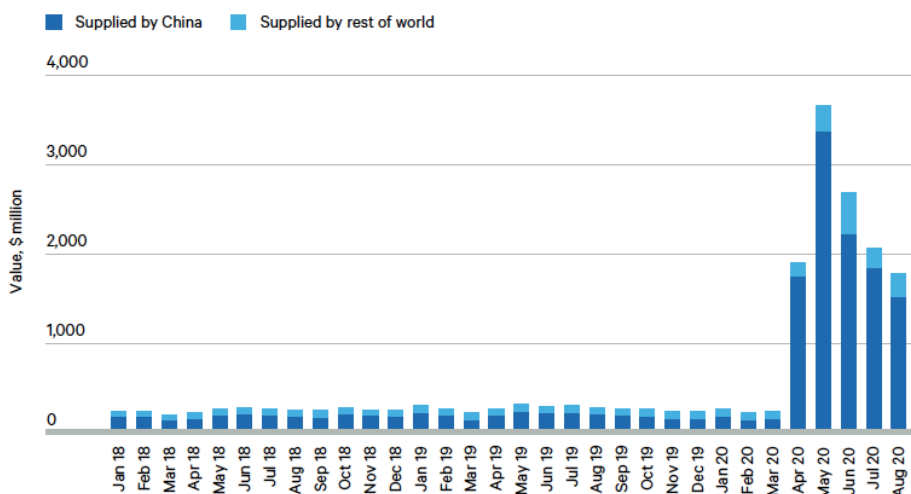
Imports by product and source, 2018



Source: Bown (2020)

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Figure 2. Value of face mask imports into the US in 2018–20, by source, \$ million

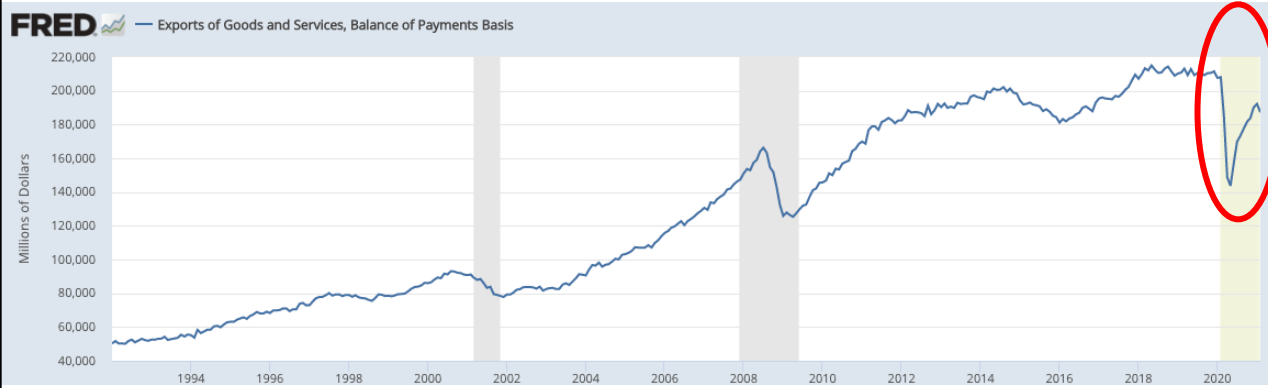


Source: Evenett (2021)

Source: United States International Trade Commission (undated), USITC DataWeb, <https://dataweb.usitc.gov> (accessed 25 Jan. 2021).

34

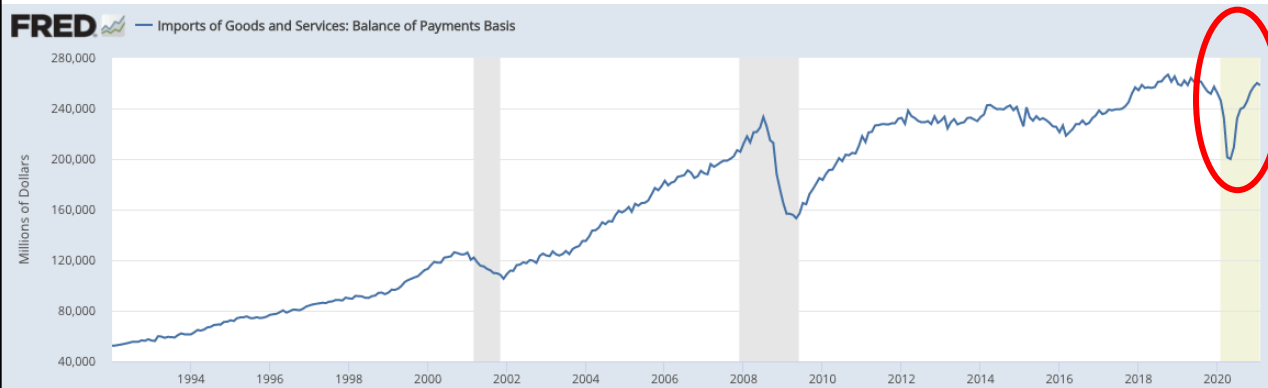
US Exports of Goods and Services, Balance of Payments Basis



Source: FRED Apr 7, 2021

35

US Imports of Goods and Services, Balance of Payments Basis



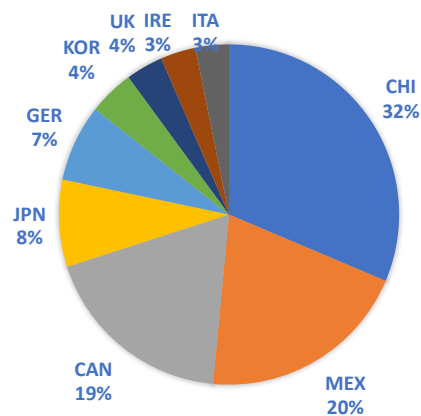
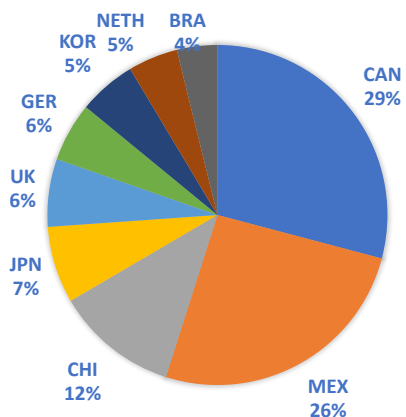
Source: FRED Apr 7, 2021

36

Top US Trade Partners (Goods, 2018)

• Top 10 US export destinations

• Top 10 US import sources



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37

37

Effects on Economies

Travel



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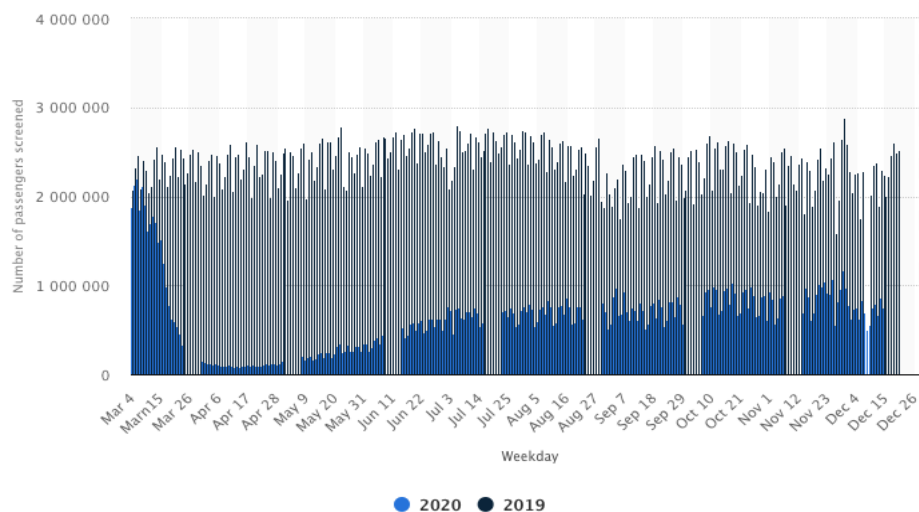
Effects on Economies

• Travel

- Fell drastically and has only partially recovered
- Symptoms
 - Passengers
 - Airline stock prices
- Reasons:
 - Travel restrictions and border closures
 - Delays at border

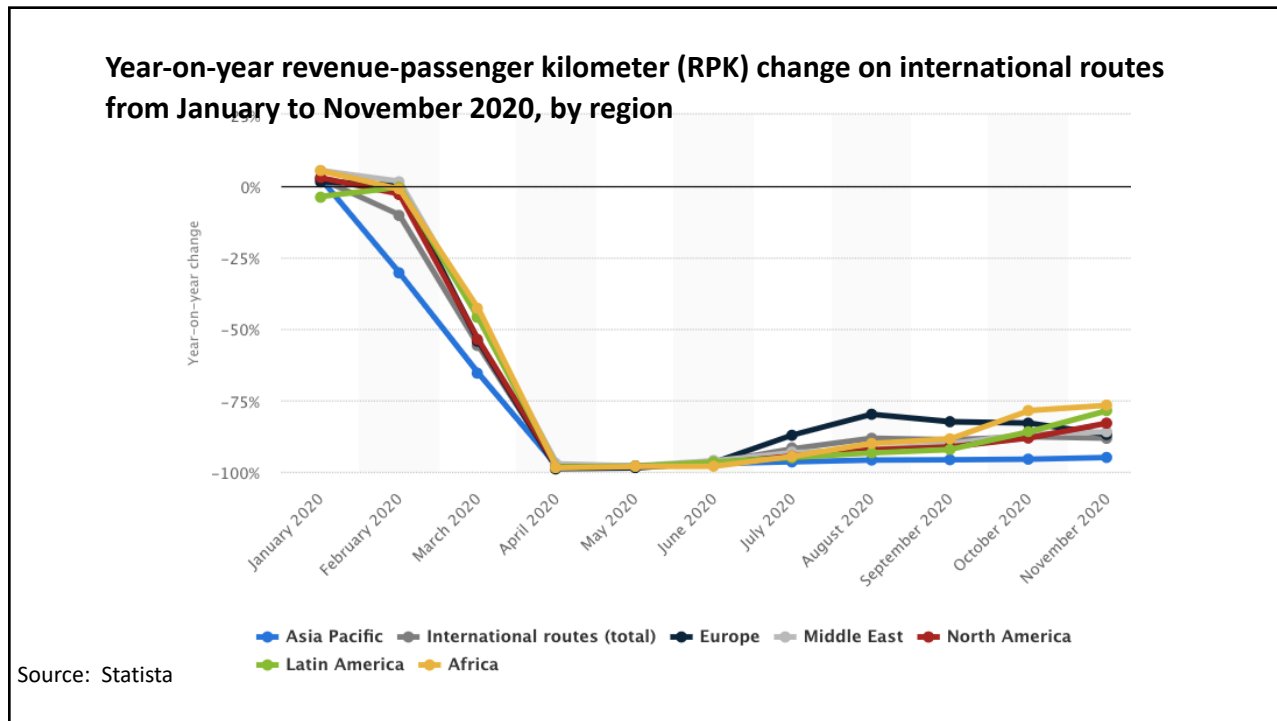
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Daily number of passengers screened at TSA checkpoints in the United States from March 2019 to December 2020

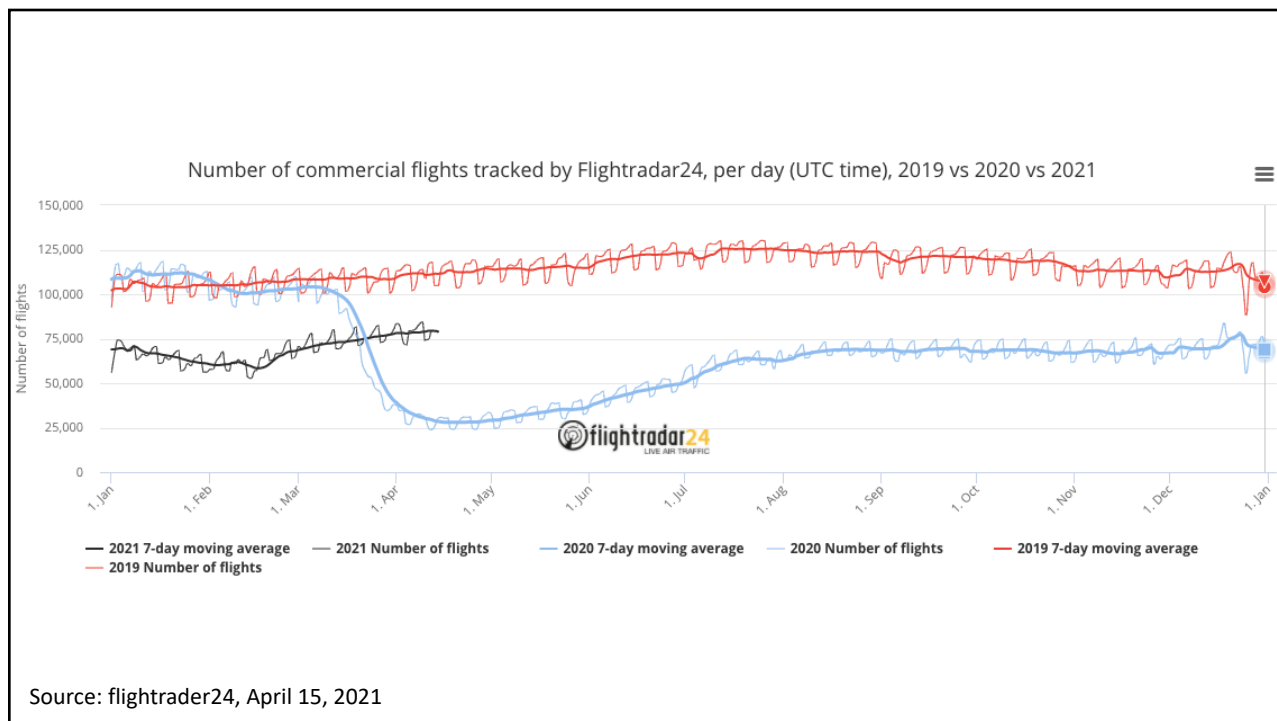


Source: Statista

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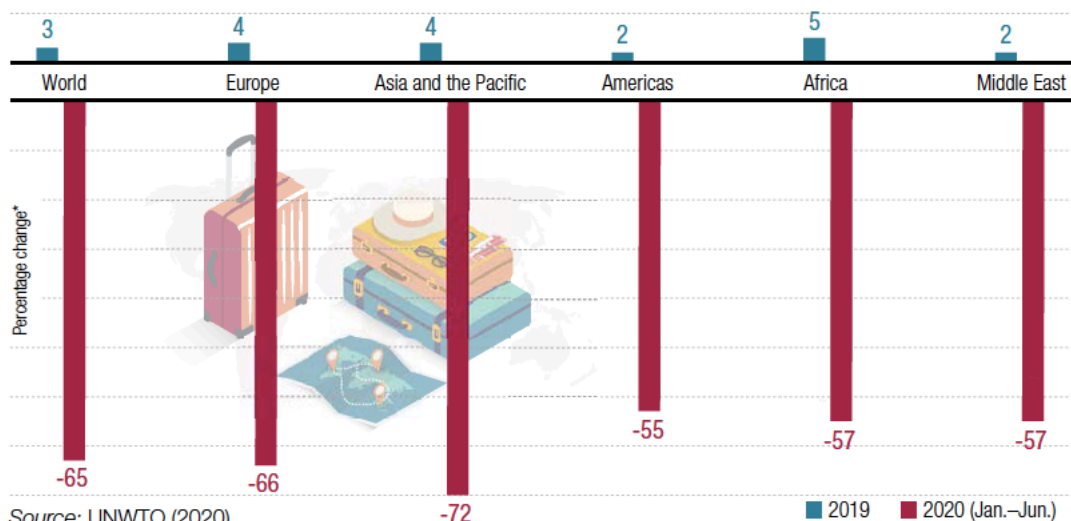


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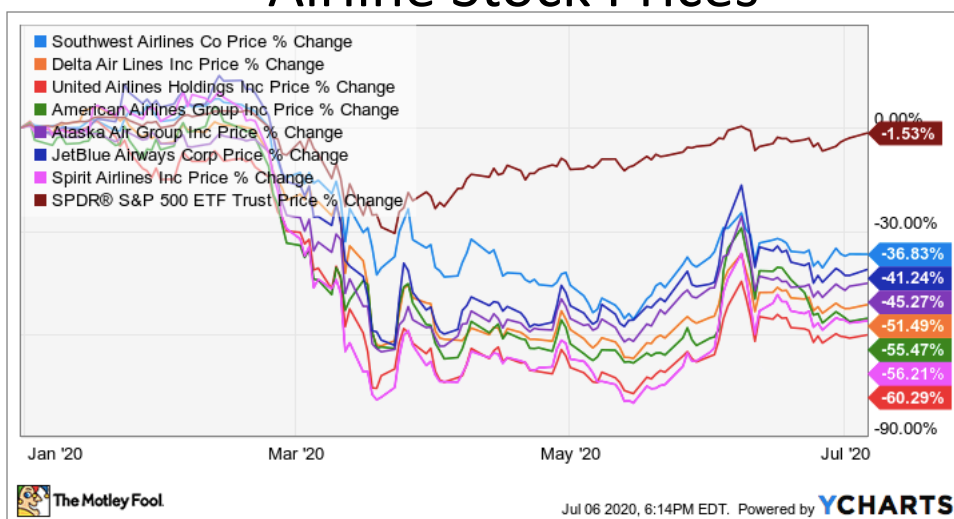
Figure 5.2
International tourist arrivals, January 2019–June 2020



Source: UNWTO (2020).
 UNCTAD * Change over the same period of the previous year.

43

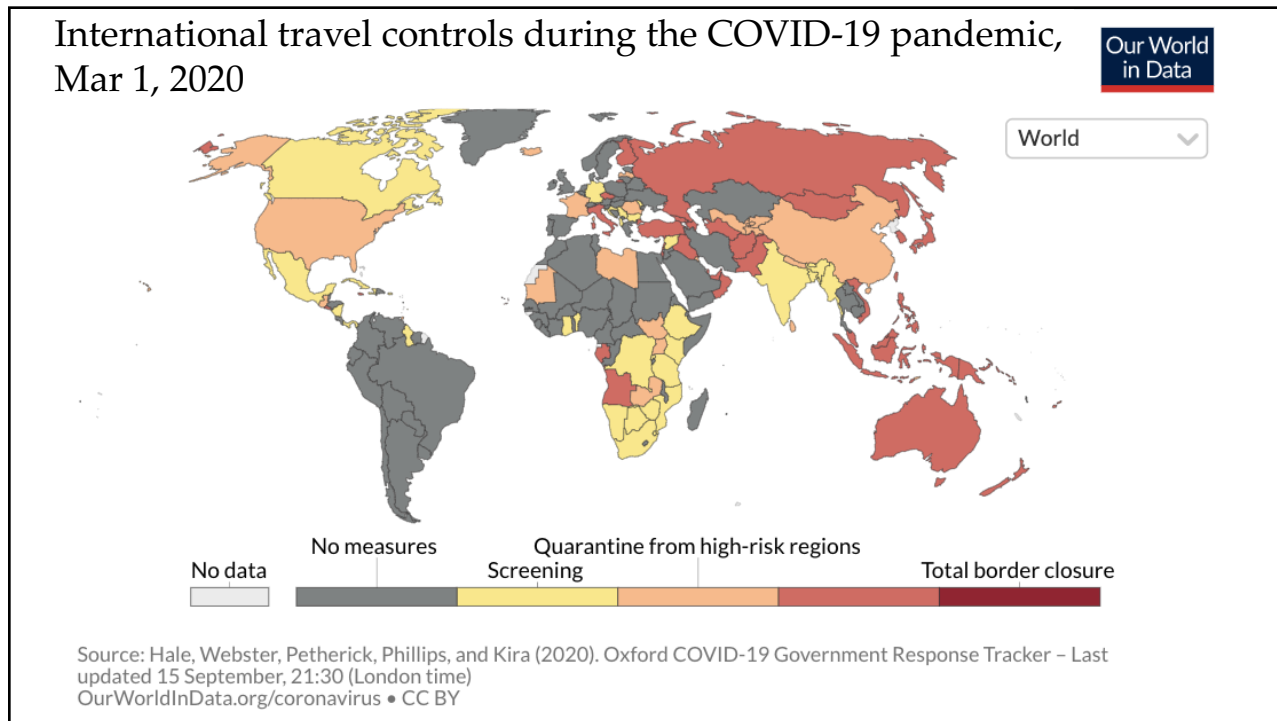
Airline Stock Prices



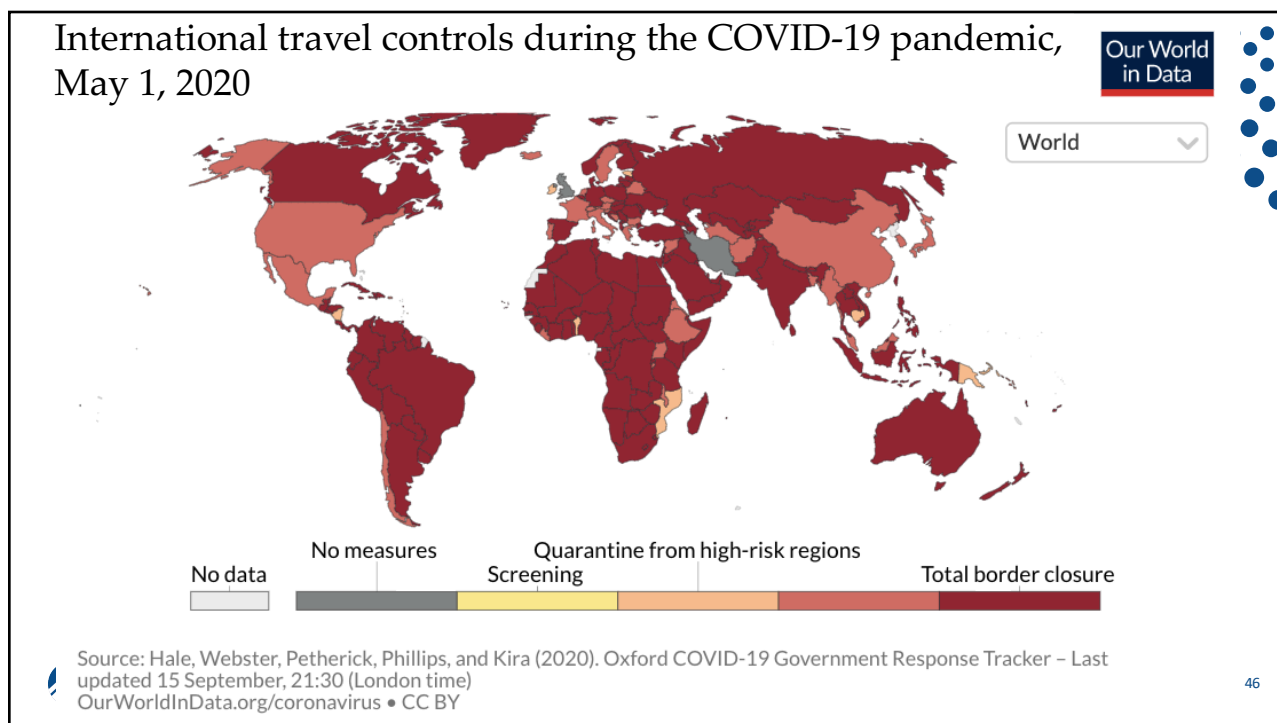
The Motley Fool

Jul 06 2020, 6:14PM EDT. Powered by YCHARTS

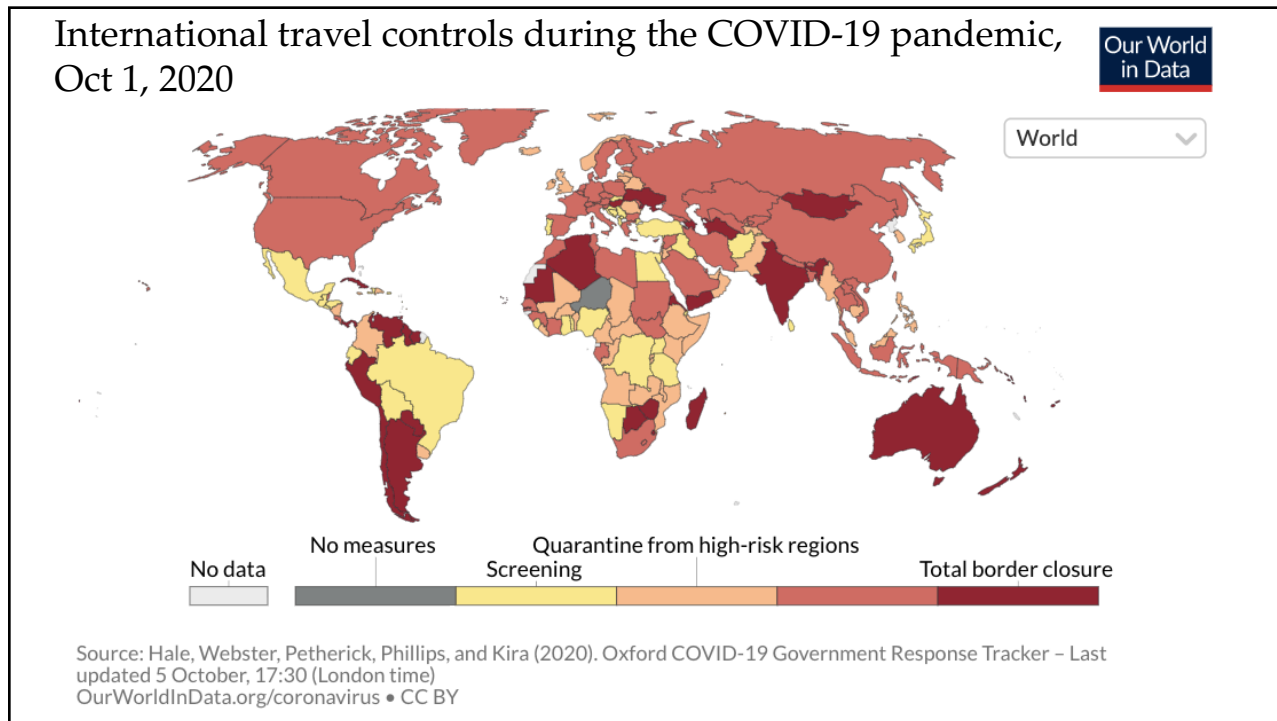
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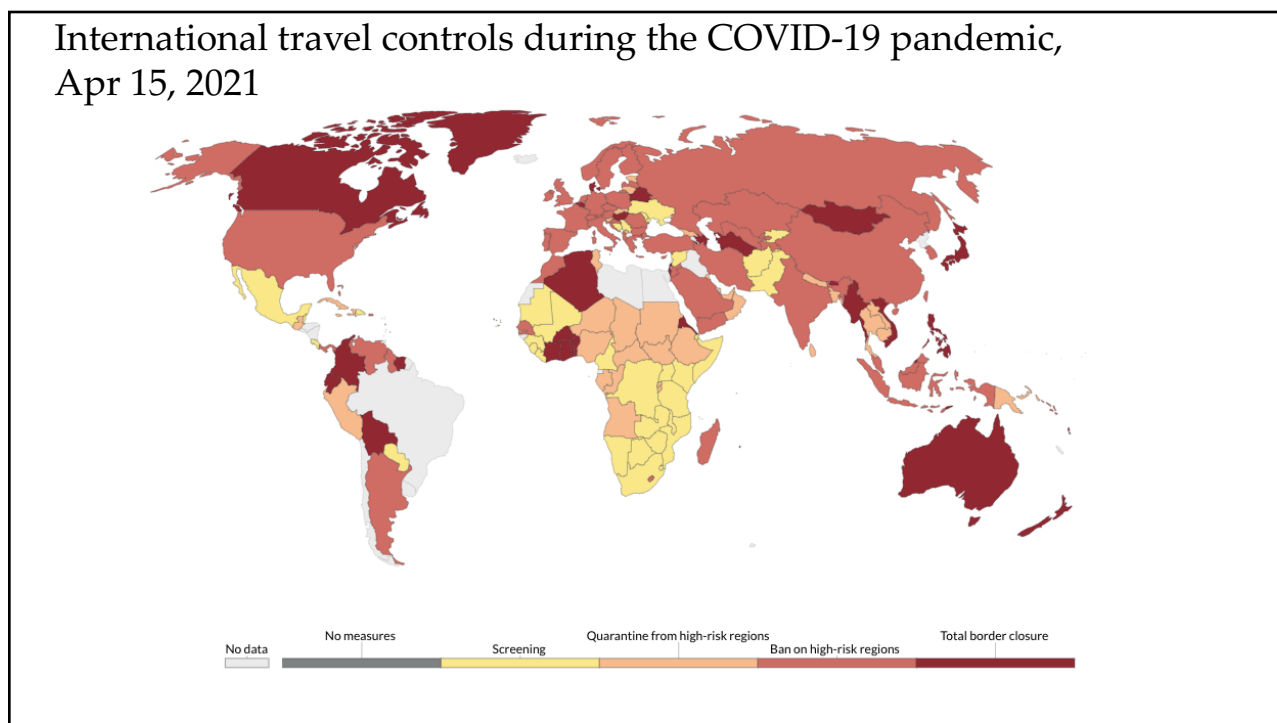
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48



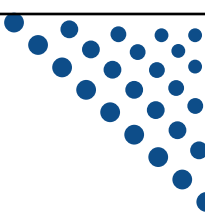
Effects on Economies

Shipping

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Effects on Economies

- **Shipping by Sea**
 - Drop in trade reduced demand at first
 - Then increased demand for restocking
 - Pandemic added restrictions
 - At ports
 - For crews
 - Shipping rates rose

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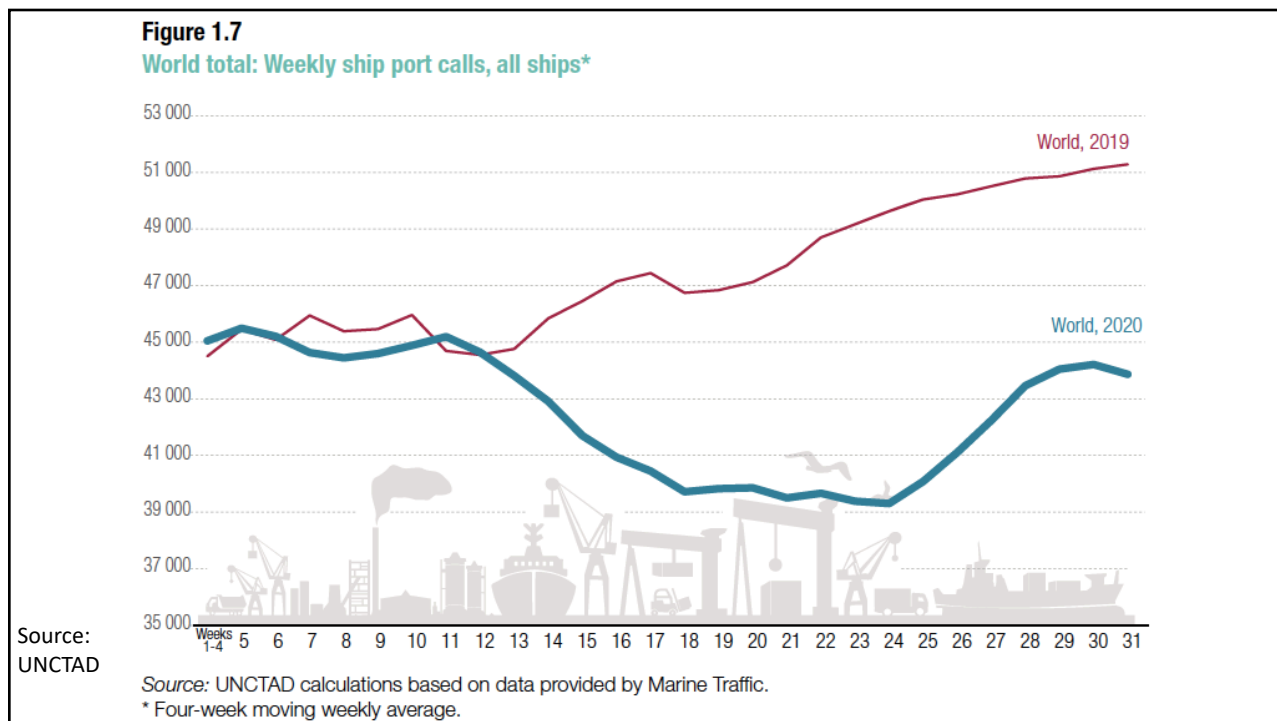
Shipping

- **Headlines on Shipping**
 - 2021
 - Apr 8 WSJ: China's Cosco Shipping Expects Profit Surge as Industry Flourishes
 - Mar 7 NYT: Chaos Strikes Global Shipping
 - Feb 28 FT: China's exporters hit by global shortage of shipping containers
 - Jan 4 WSJ: Covid-19 Shipping Problems Squeeze China's Exporters
 - 2020:
 - Dec 10 FT: Pandemic triggers 'perfect storm' for global shipping supply chains
 - Nov 1 FT: An SOS for the stranded seafarers who ship global trade
 - Oct 10 Economist: How covid-19 put wind in shipping companies' sails
 - Sep 14 NYT: Trapped by Pandemic, Ships' Crews Fight Exhaustion and Despair
 - Jun 7 FT: Shipping industry warns of trade logjam as crews remain stranded
 - Mar 6 WSJ: Coronavirus Snarls Trans-Pacific Shipping and Ripples Through U.S. Business
 - Feb 28 NYT: Virus Disrupts China's Shipping, and World Ports Feel the Impact"

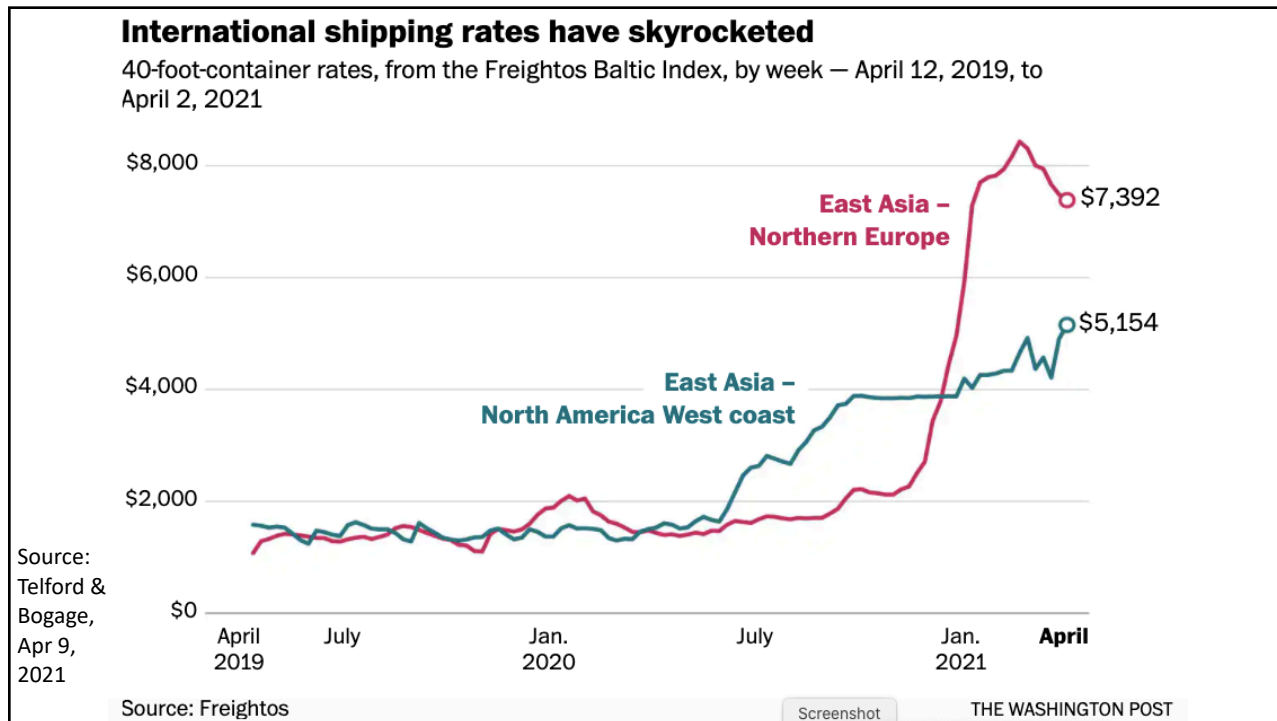
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51



52



53

Effects on Economies

- **Shipping by Air**
 - This too was hurt, as fewer passenger flights also carried less cargo

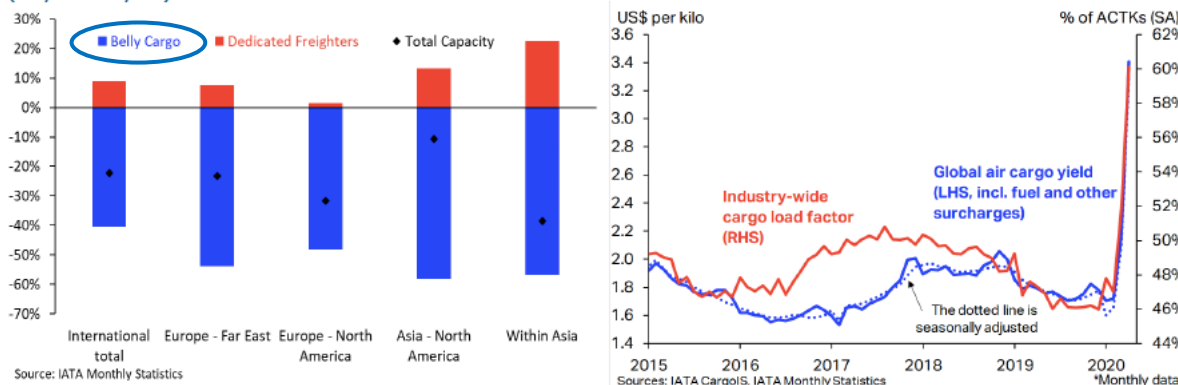
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Figure 6: Global air cargo capacity plummeted, causing a surge in air cargo yields

International air cargo capacity in the three months to April 2020 (% year-on-year) Global air cargo yield (left) and load factor (right)



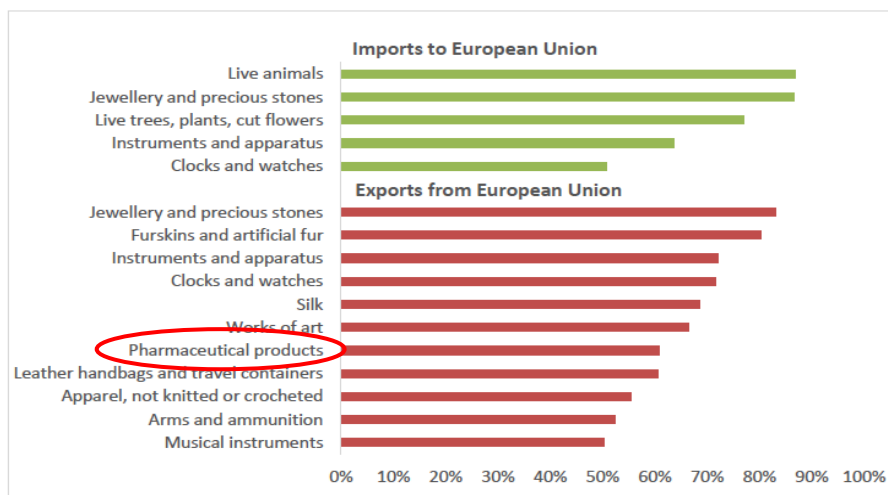
© International Air Transport Association, 2020. [Cargo Chartbook - Q2 2020](#). All Rights Reserved.

Source: WTO (2020)

55

Figure 7: Product categories where air is the dominant transport mode

HS 2-digit product categories where more than 50 per cent of EU external trade value was transported by air in 2019



Source: WTO (2020)

Source: WTO Secretariat's calculations based on Eurostat, "EXTRA EU Trade Since 2000 By Mode of Transport (HS6)" (DS-043328). Consulted on May 18, 2020.

56



Effects on Economies

Supply Chains

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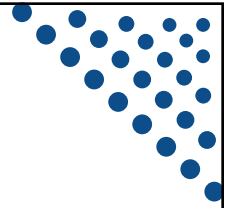
- **Supply Chains**
 - Globalization has created long and complex international supply chains
 - These are vulnerable to the shocks of the pandemic

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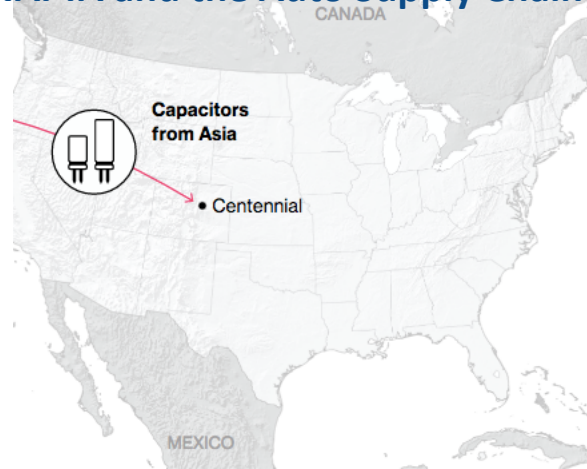
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58

59



NAFTA and the Auto Supply Chain



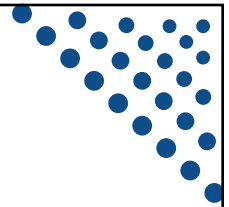
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Black, Diamond, and Merrill, "One Tiny Widget's Dizzying Journey Shows Just How Critical Nafta Has Become," *Bloomberg*, February 2, 2017.

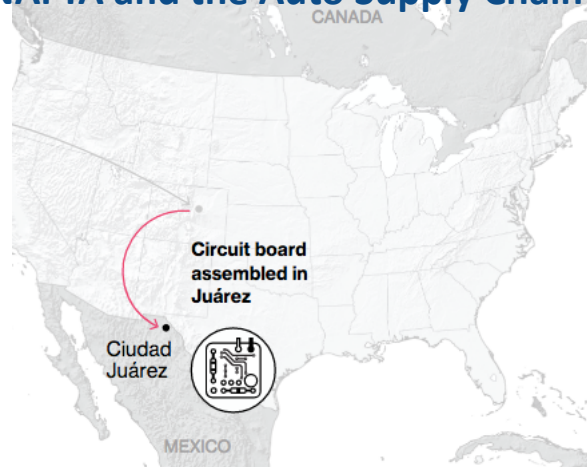
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Black, Diamond, and Merrill, "One Tiny Widget's Dizzying Journey Shows Just How Critical Nafta Has Become," *Bloomberg*, February 2, 2017.

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61

NAFTA and the Auto Supply Chain

A map of North America (USA, Canada, Mexico) with a callout to El Paso, Texas. A circular icon containing a circuit board is shown with a red arrow pointing from the border area towards the U.S. warehouse. The text reads: "Circuit board returns to U.S. warehouse".

NATIO EDUCA Black, Diamond, and Merrill, "One Tiny Widget's Dizzying Journey Shows Just How Critical Nafta Has Become," *Bloomberg*, February 2, 2017.

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62

NAFTA and the Auto Supply Chain

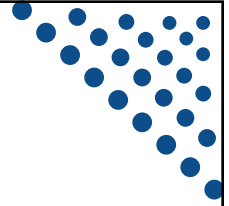
A map of North America (USA, Canada, Mexico) with a callout to Matamoros, Mexico. A circular icon containing a circuit board is shown with a red arrow pointing from the U.S. border area towards Matamoros. The text reads: "Circuit boards attached to automatic seat controls".

NATIO EDUCA Black, Diamond, and Merrill, "One Tiny Widget's Dizzying Journey Shows Just How Critical Nafta Has Become," *Bloomberg*, February 2, 2017.

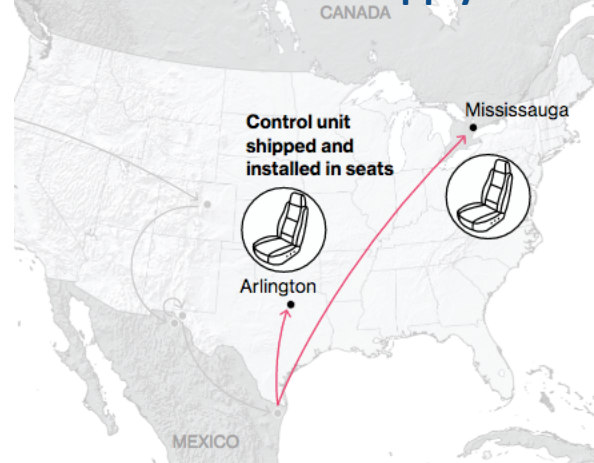
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63



NAFTA and the Auto Supply Chain



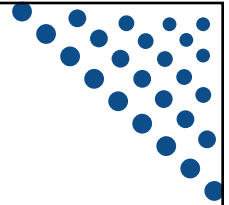
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Black, Diamond, and Merrill, "One Tiny Widget's Dizzying Journey Shows Just How Critical Nafta Has Become," *Bloomberg*, February 2, 2017.

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64



NAFTA and the Auto Supply Chain



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Black, Diamond, and Merrill, "One Tiny Widget's Dizzying Journey Shows Just How Critical Nafta Has Become," *Bloomberg*, February 2, 2017.

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Supply Chains

- Example: The iPhone assembled in China from parts:

Part	Come from
Accelerometers	Germany, the US, South Korea, China, Japan, and Taiwan.
Audio chips	US, UK, China, South Korea, Taiwan, Japan, and Singapore.
Batteries	Samsung (South Korea), which has factories in eighty countries.
Cameras	Qualcomm (US) and Sony (Japan), both with plants in many countries
Chips for 3G/4G/LTE networking	Qualcomm (US)
Compasses	AKM Semiconductor (Japan) with plants in the US, France, England, China, South Korea, and Taiwan.
Glass screen	Corning (US) with plants in twenty-six countries.
Gyroscopes	Switzerland
... and many more	

Source: Krueger 2020



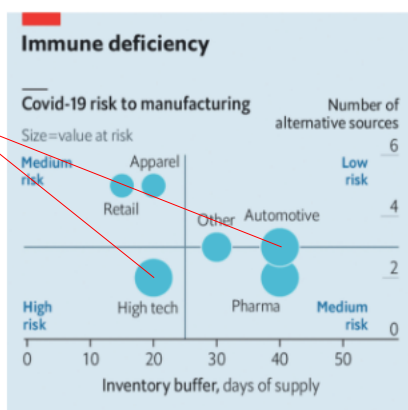
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65

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

2021 Chip Shortage



What sectors are most vulnerable?


Those with small inventories and few alternative sources.


Source: *Economist* Feb 15, 2020

66

Supply Chains

- **Headlines on supply chains:**
 - 2021:
 - Mar 24 FT: Pandemic reveals weak links in global supply chain
 - Mar 22 FT: Unvaccinated sailors risk deepening global supply chain crisis
 - Feb 24: WP: Biden to order sweeping review of U.S. supply chain weak spots
 - 2020:
 - Dec 19 *Economist*: Is a wave of supply-chain reshoring around the corner?
 - Dec 10 FT: Pandemic triggers 'perfect storm' for global shipping supply chains
 - Sep 9 FT: Stranded crews pose a risk to supply chains
 - Aug 23 "Pandemic shows US must make vital products at home" (Kevin McCarthy [House Minority Leader])
 - Aug 8 FT: Covid-19 and other risks mean quarter of products could be sourced from new countries in 5 years
 - May 26 WSJ: Steep Drop in Trade Flows Shows Pitfalls of Cross-Border Supply Chains
 - May 11 FT: Covid-19 crisis has laid bare weaknesses in supply chains


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Effects on Economies

- **Other Supply Chain Vulnerabilities**
 - Brexit
 - Texas storm and freeze
 - Suez blockage
 - Ban on imports from Xinjiang, China
 - Chip shortage

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Effects on Economies

- **Effects on Other Aspects of Economies**
(if time)
 - GDP
 - Unemployment



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Effects on Economies

GDP



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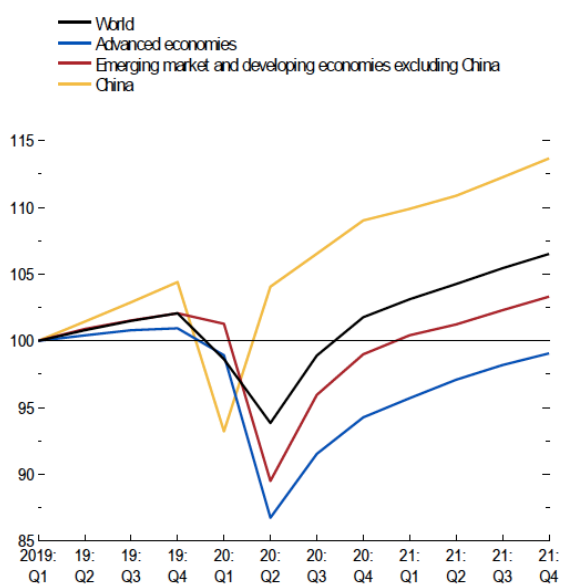
Effects on Economies

• GDP

- World GDP was expected to decline, and did
 - More than in the 2009 recession
 - Although it then rose, it never reached its previous trend, so the loss is ongoing
 - Drop was worst across much of manufacturing
- Fall in income caused fall in migrant remittances

71

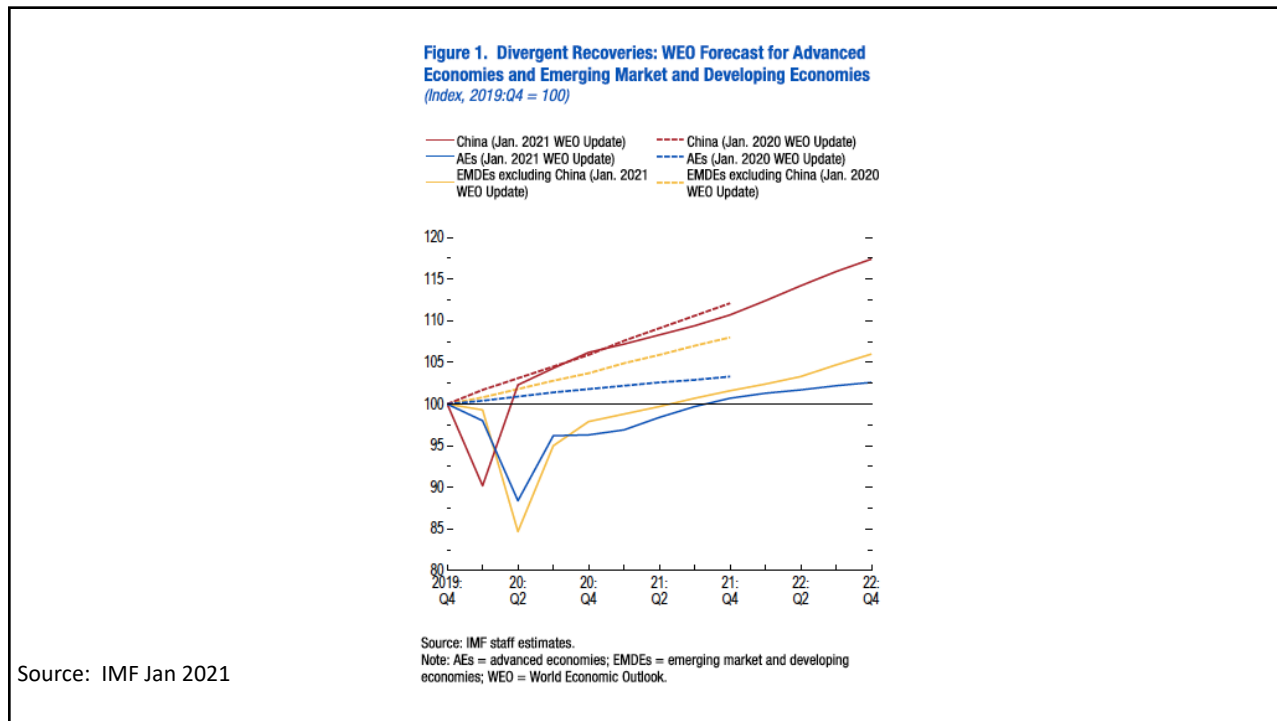
Figure 1. Quarterly World GDP
(2019:Q1 = 100)



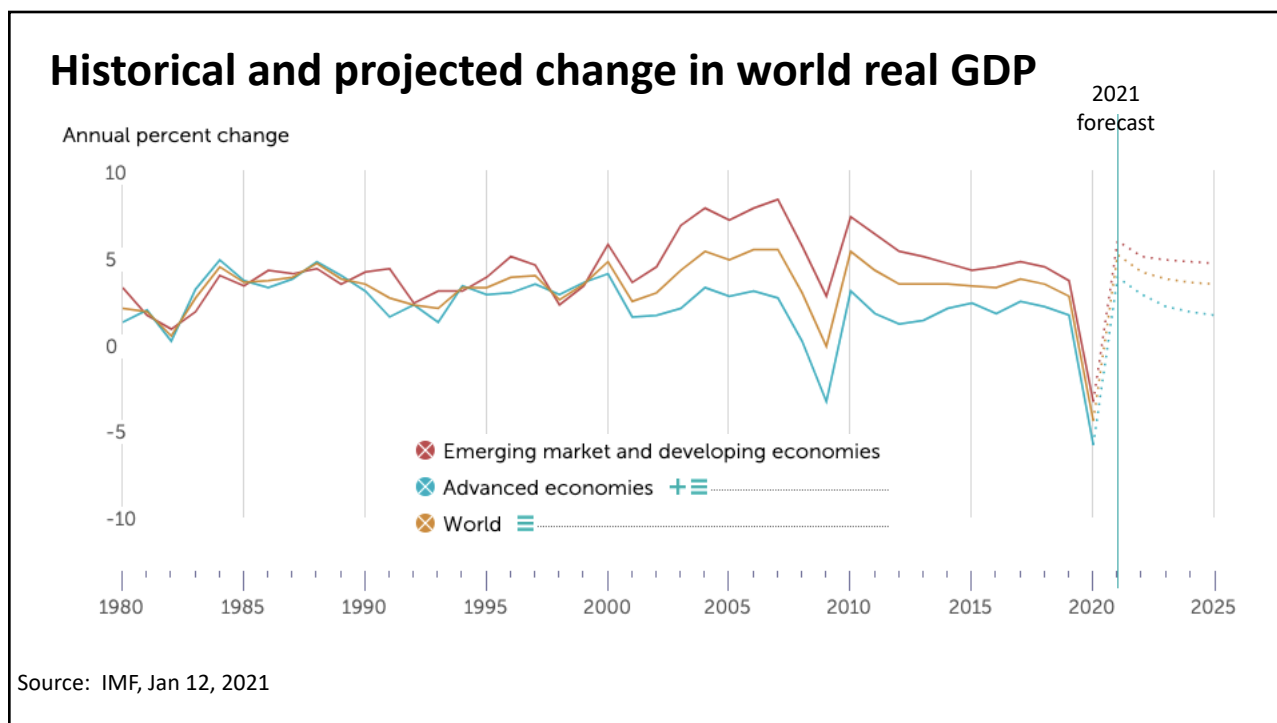
Source: IMF June 2020

Source: IMF staff estimates.

72



73



74

GDP shortfall due to covid:
 2020: 6.6% or \$5.6 trn
 2021+: less but continuing

Also: GDP includes
 production for covid that
 would have been for other
 valued things.



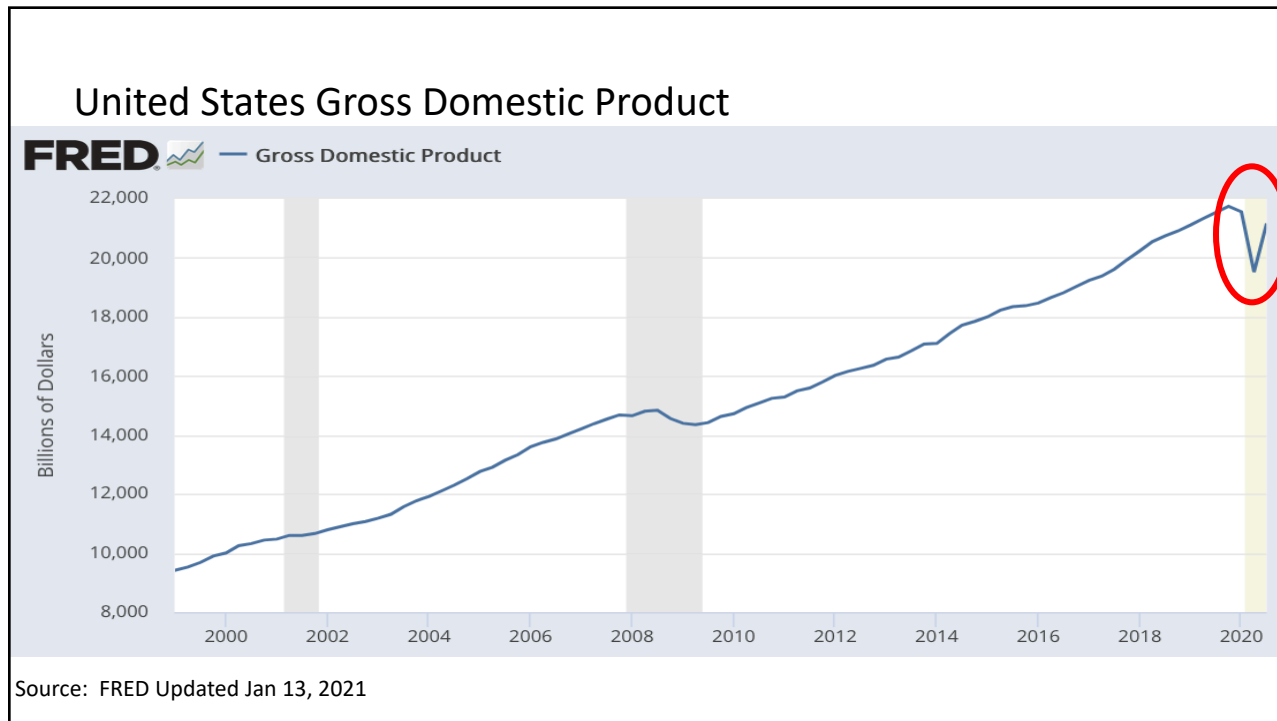
Source: Economist Jan 9, 2021

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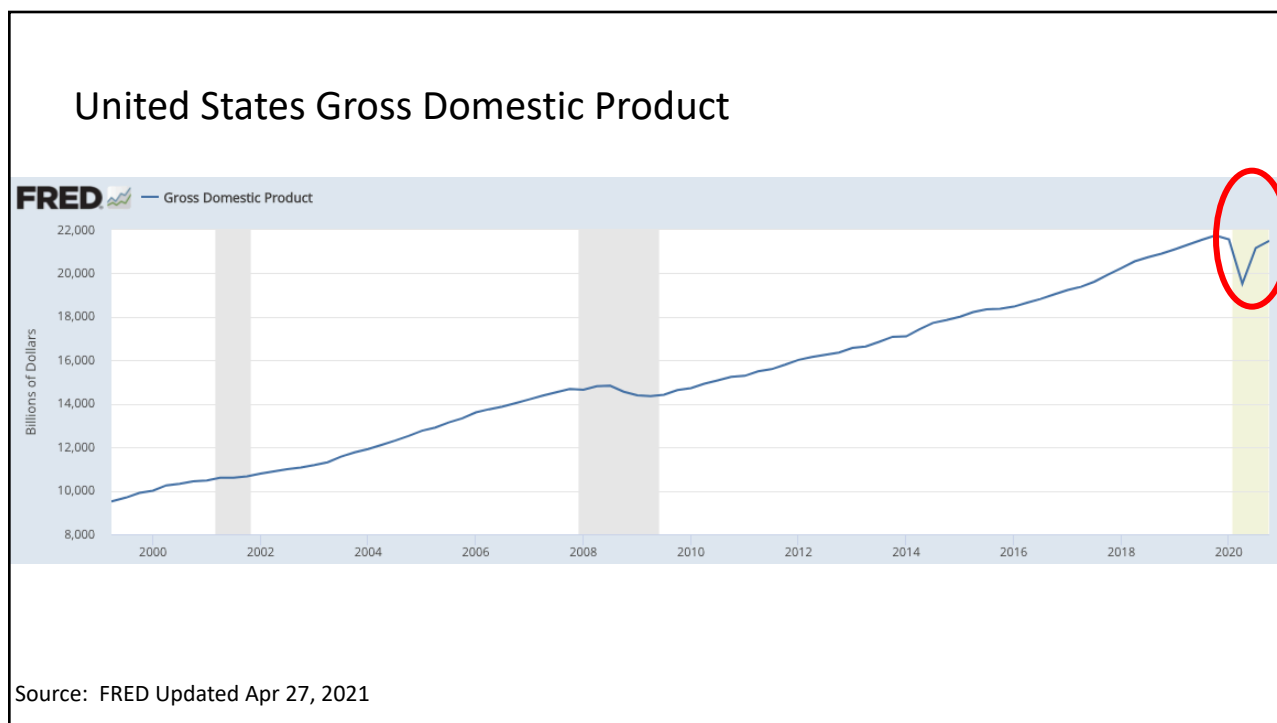


Source: Economist Jan 9, 2021

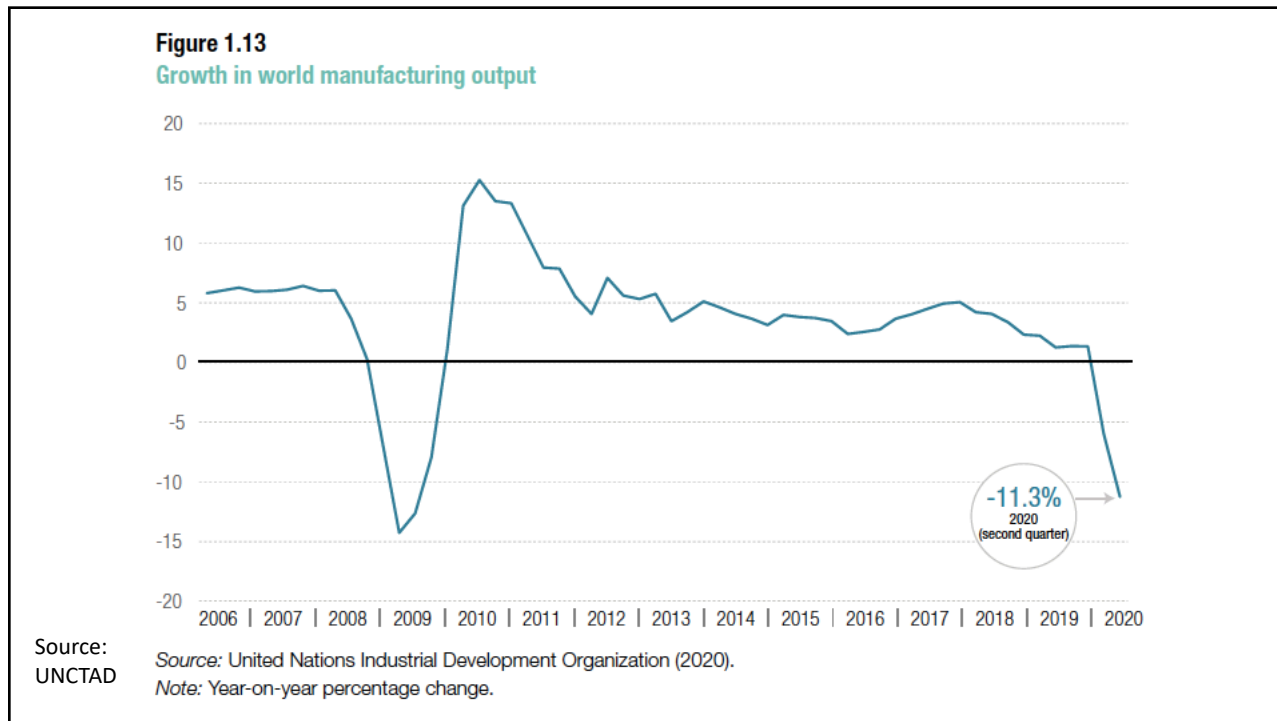
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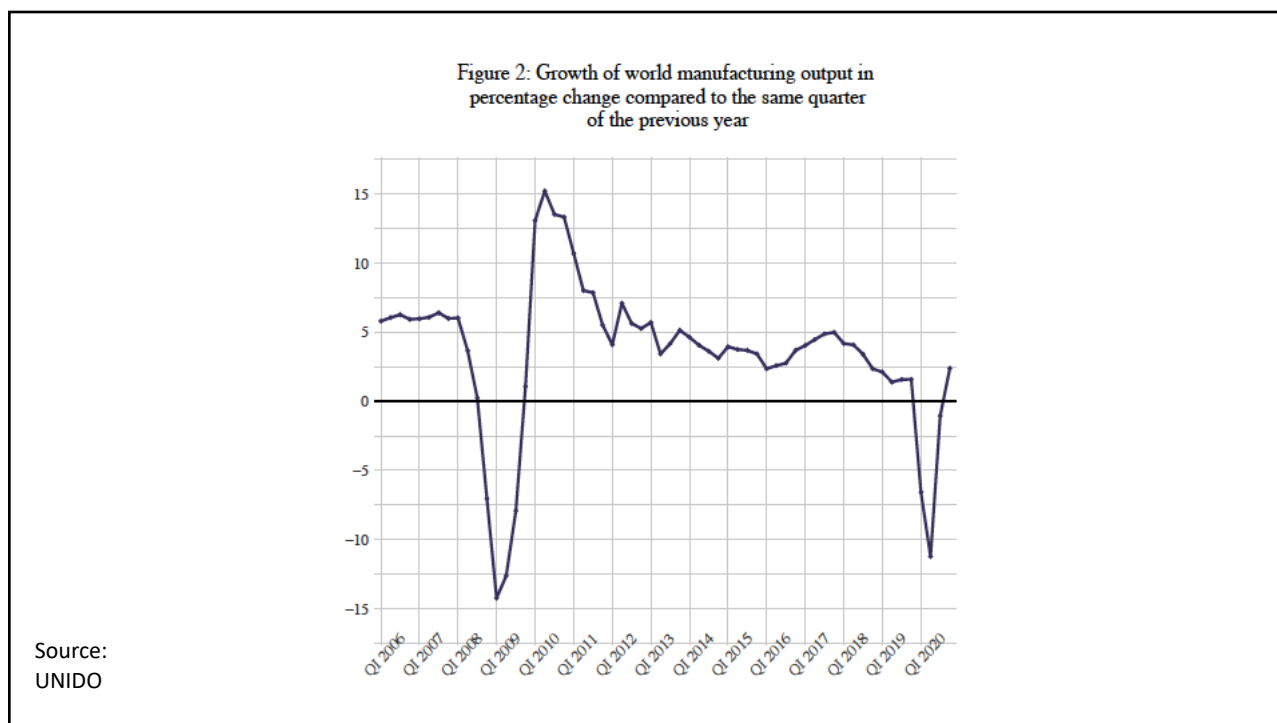
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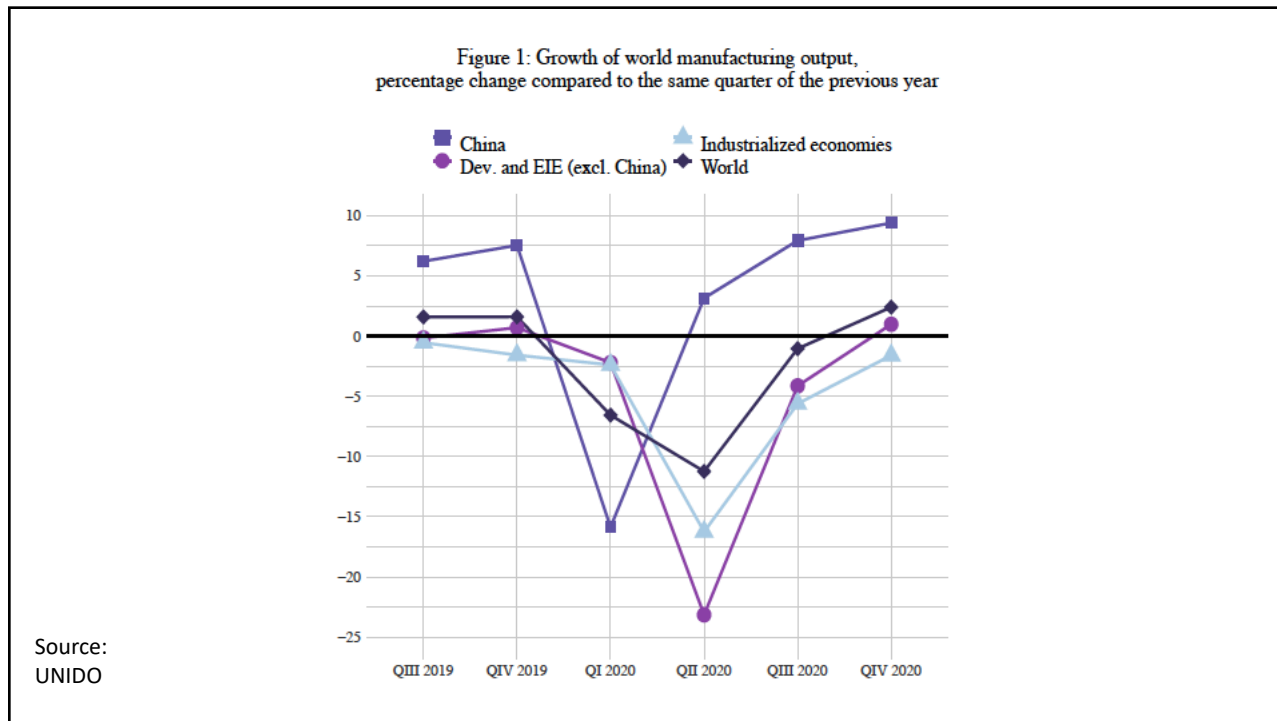
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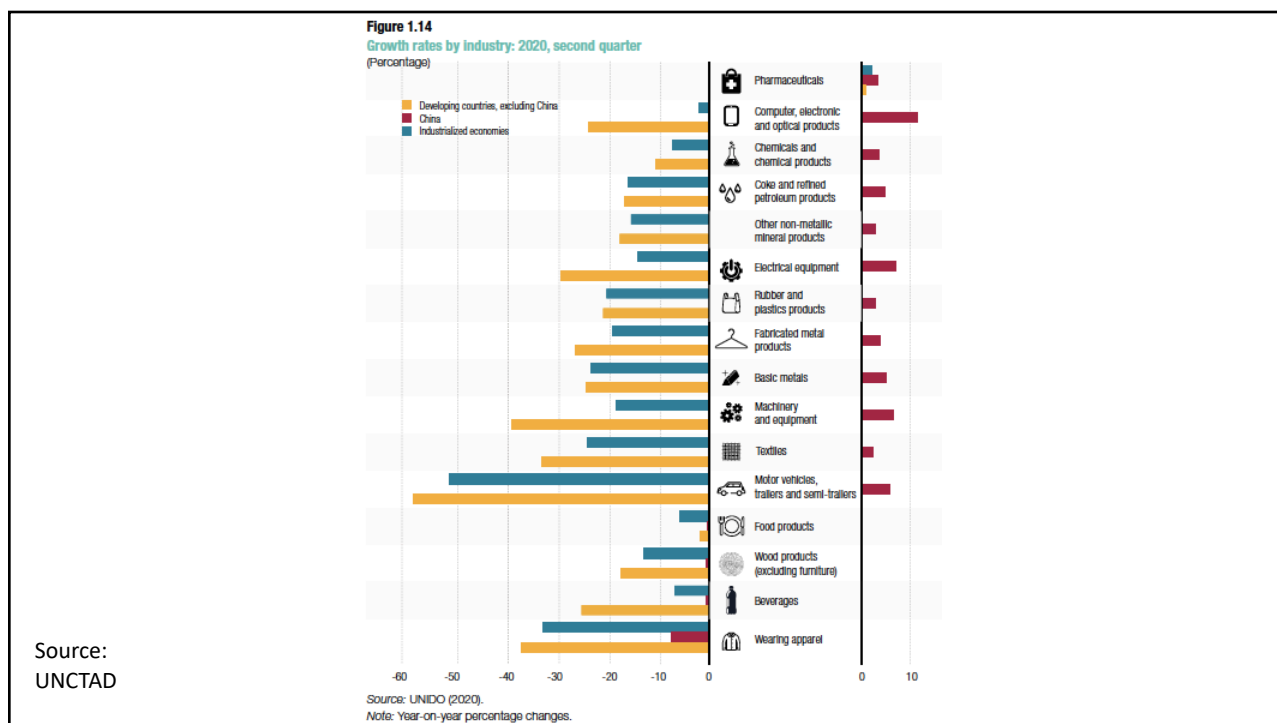
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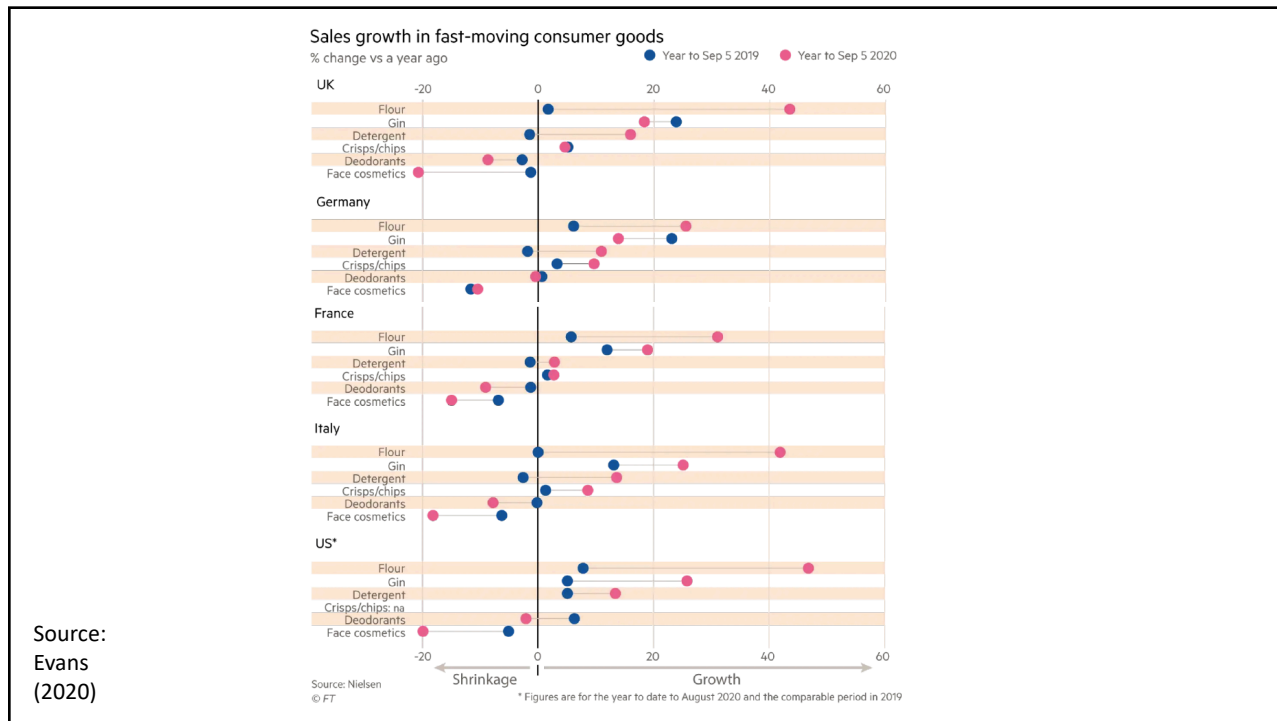
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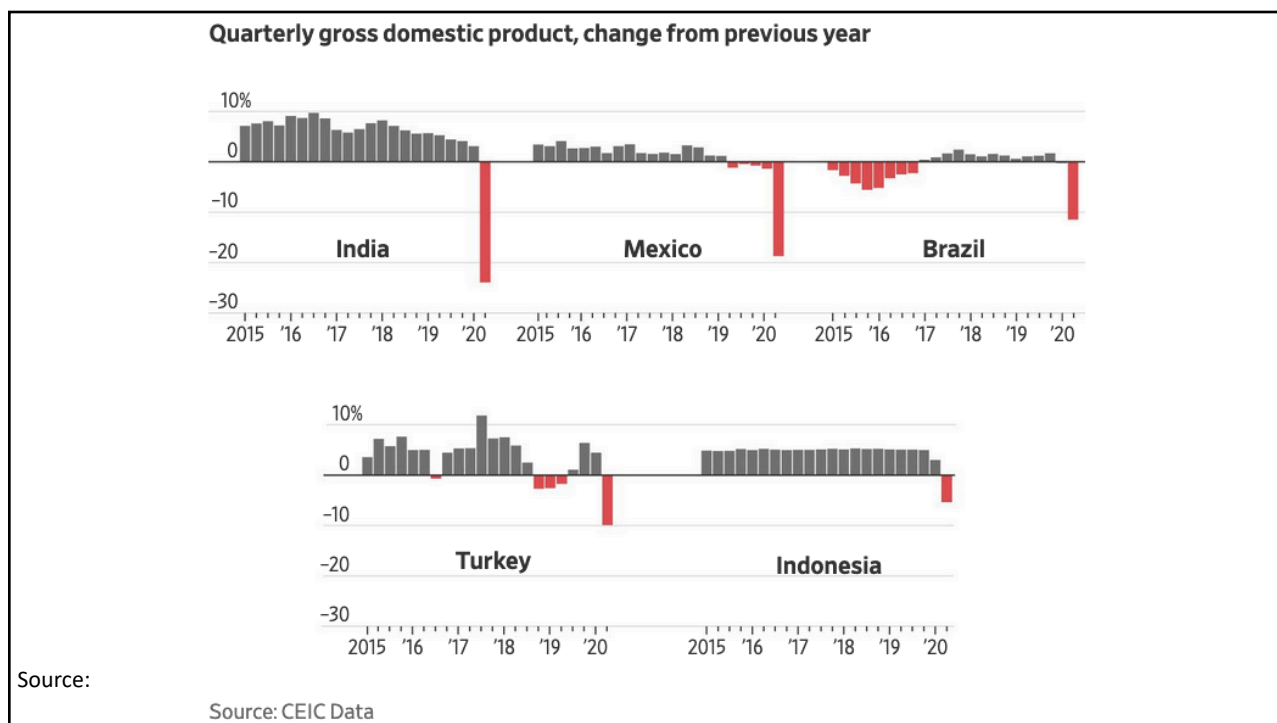


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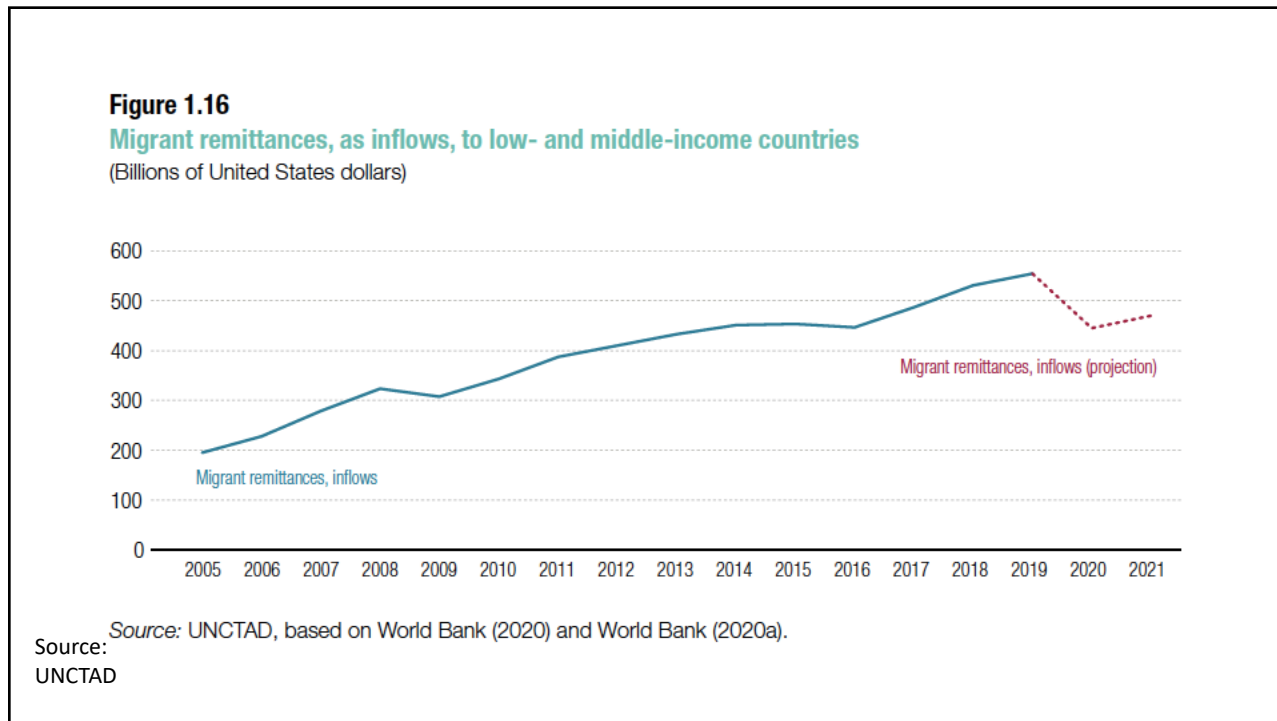
Source: Evans (2020)

83



Source:

84



85

Effects on Economies

Unemployment

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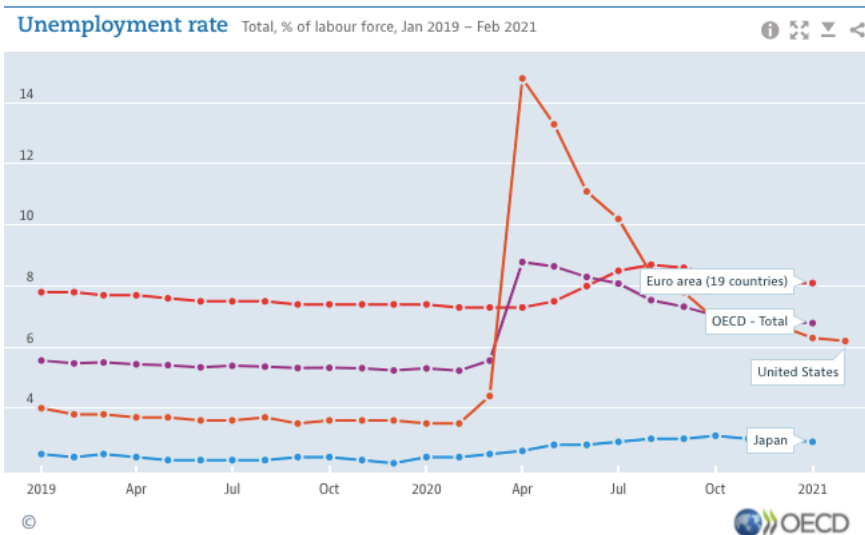
86

Effects on Economies

• Unemployment

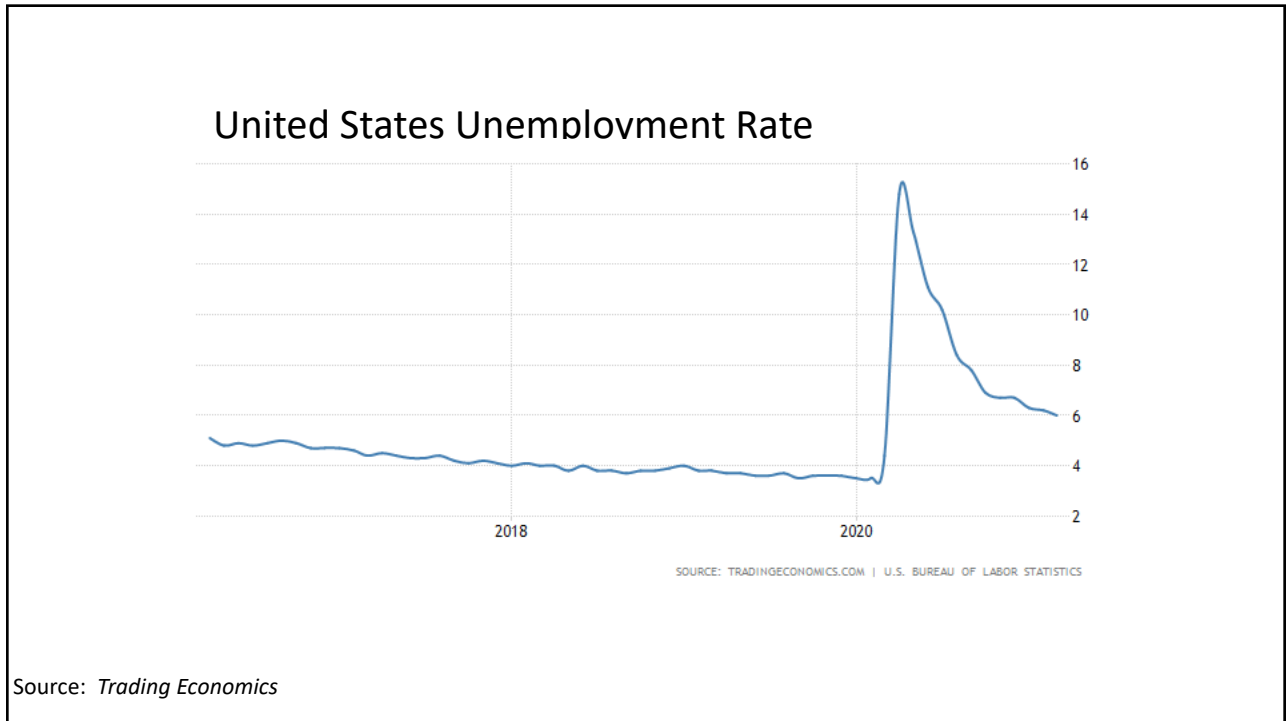
- Pandemic has caused recession in most of the world, and increased unemployment
- US unemployment rose much more than EU and other developed countries
- Internationally, increases rise with Covid-19 cases
- Job vacancies dropped, often by 40% or more, and have only partially recovered

87

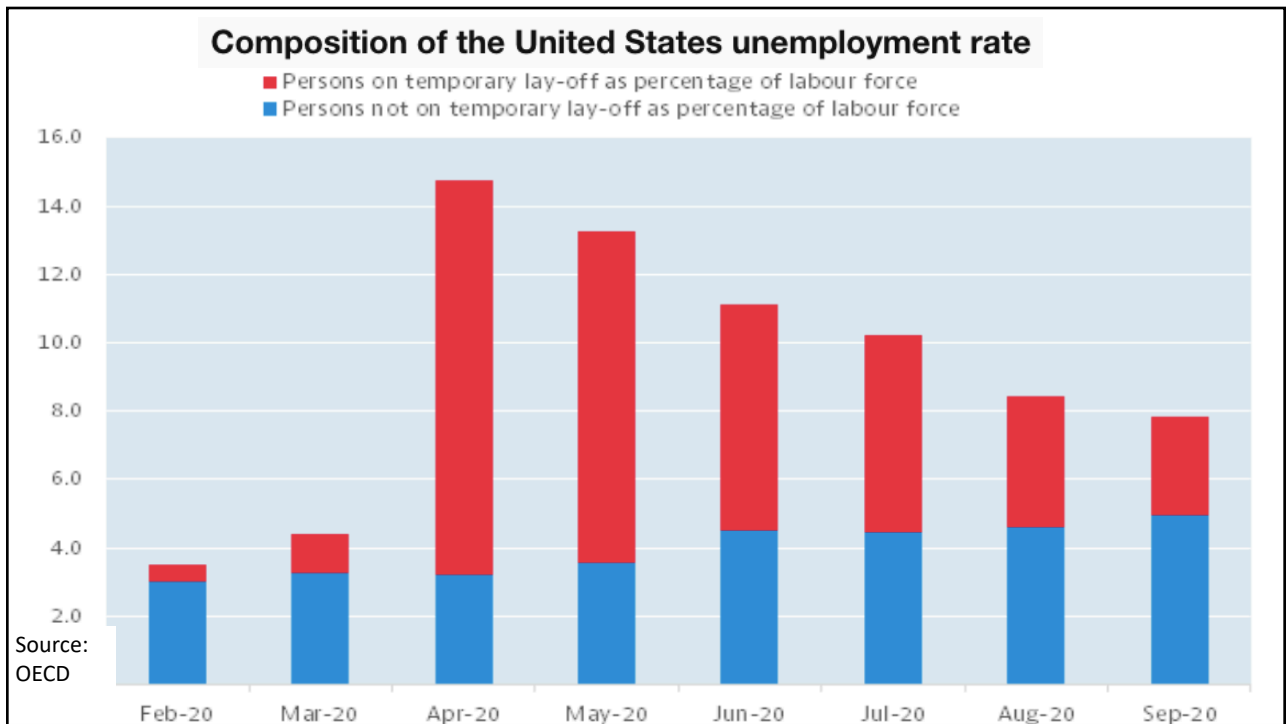


Source:
OECD

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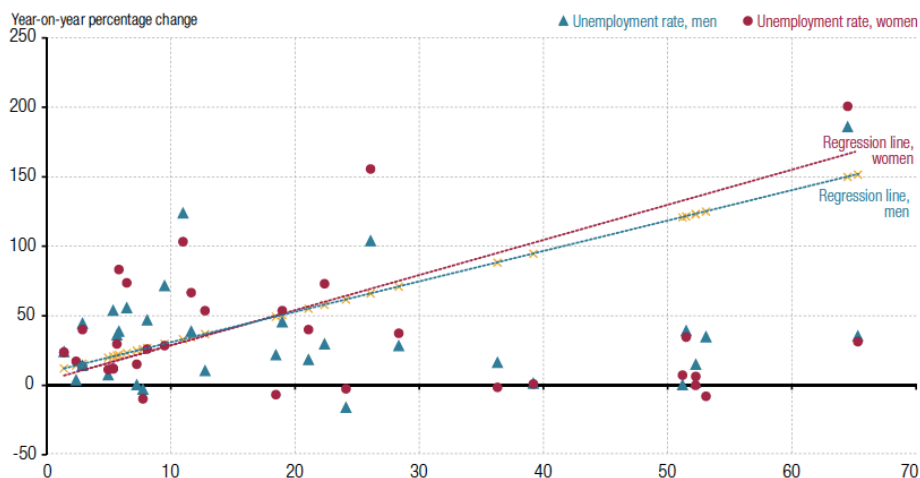


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90

Figure 1.15
Change in male and female unemployment compared with prevalence of COVID-19 per million people, June 2020



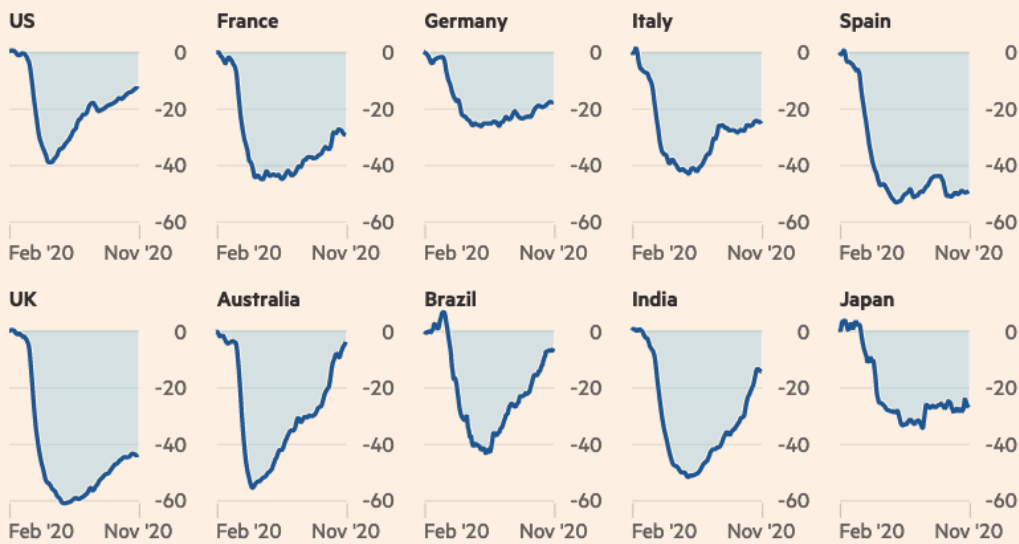
Source: UNCTAD calculations, based on University of Oxford, Blavatnik School of Government (2020), ILO (2020b) and United Nations, Department of Economic and Social Affairs, Population Division (United Nations, 2019).
 Note: The population-weighted regression lines show that changes in male and female unemployment have been positively associated with levels of COVID-19 prevalence among the 32 mostly developed countries for which data are available. While this relationship appears to hold between these countries, it necessarily apply within them.

Source: UNCTAD

91

Vacancies: well below usual levels

Job postings compared to the same week in 2019 (%)



Source: Financial Times January 25, 2021

Sources: indeed.com, last updated Jan 21 2021 using the latest available data.

92



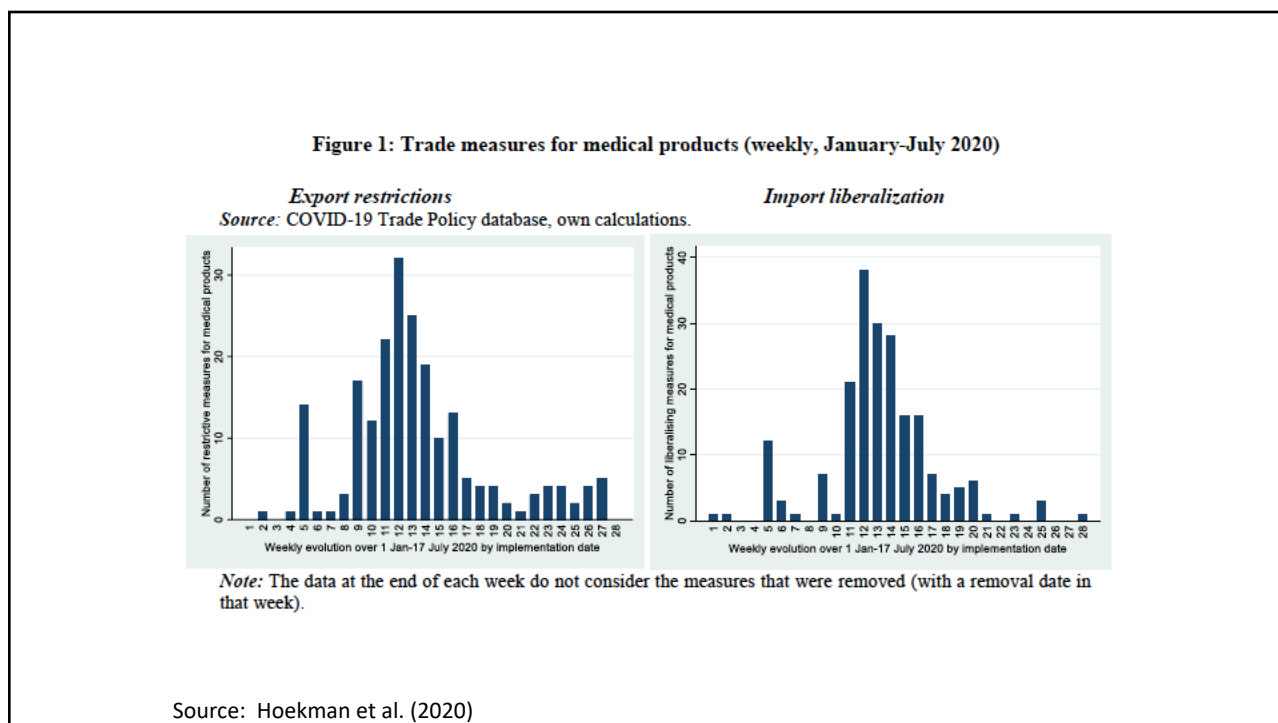
Effects on Trade Policies



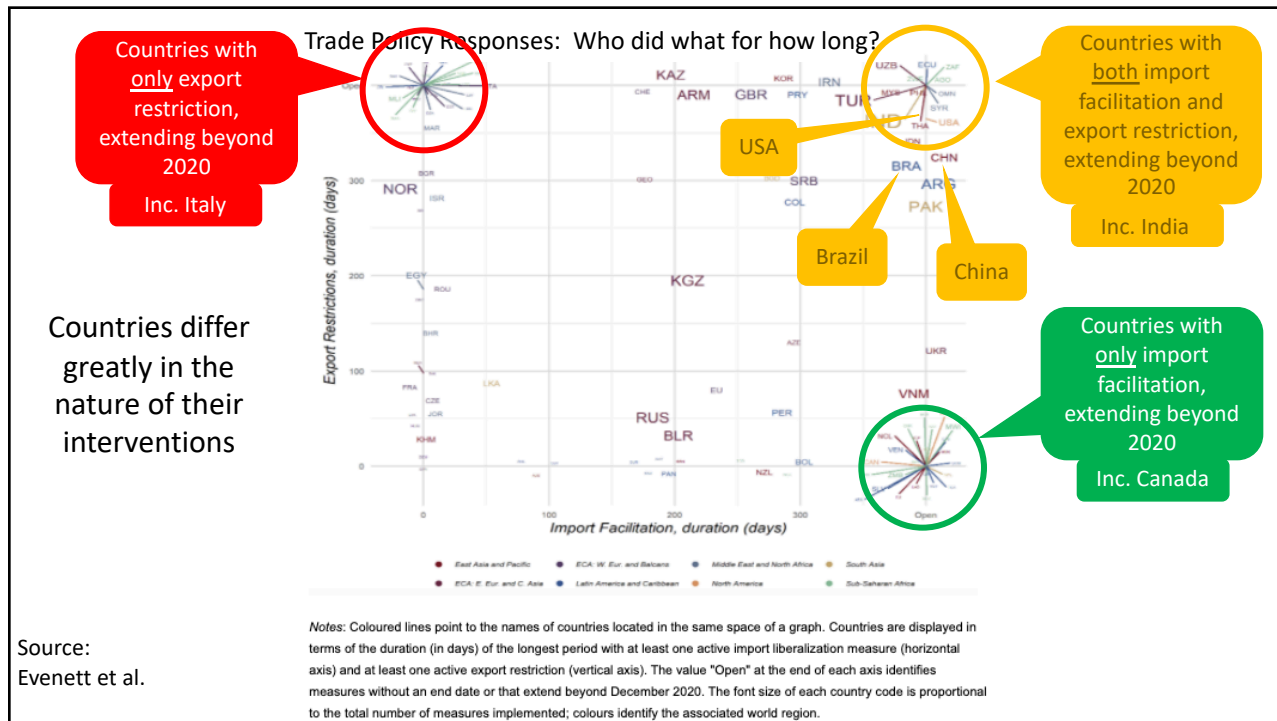
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94



95

Effects on Trade Policies

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

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Effects on Trade Policies

Export Policies

97

Effects on Export Policies

• Export Policies

- There were export bans by many countries on
 - Medical supplies
 - Food
 - Other
- Some were temporary, but many others were not
- Only a few countries had policies to encourage exports

98

Effects on Export Policies

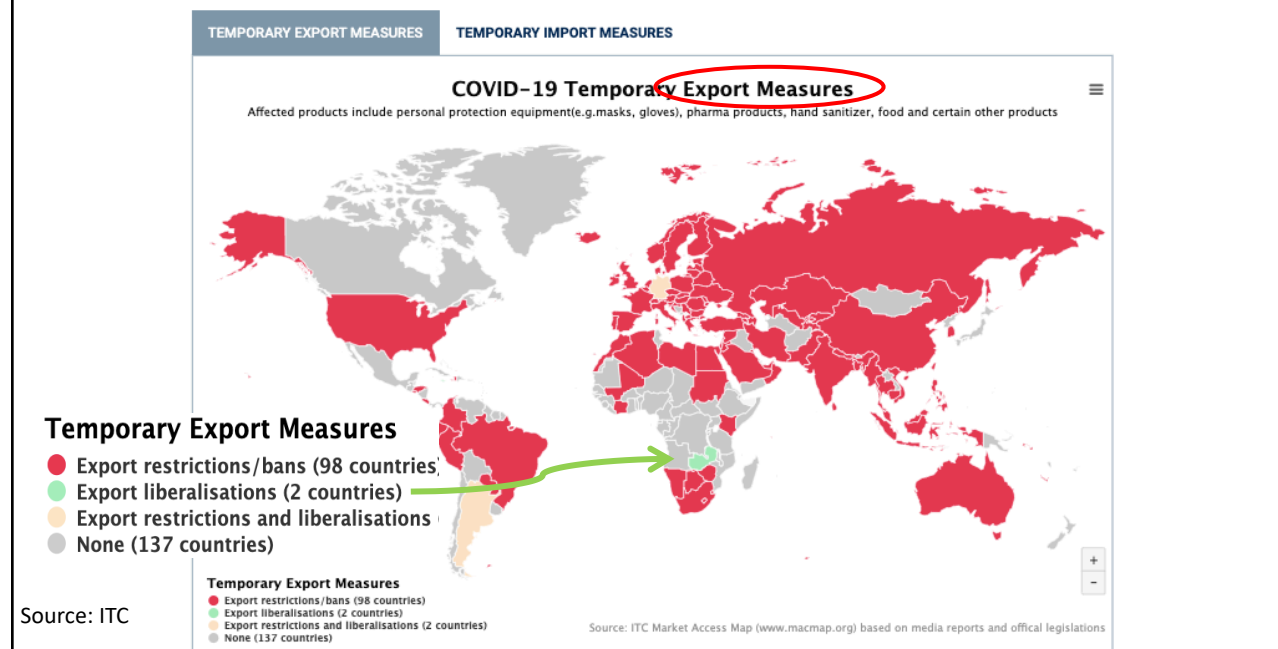
• Headlines on Export bans

- 2020:

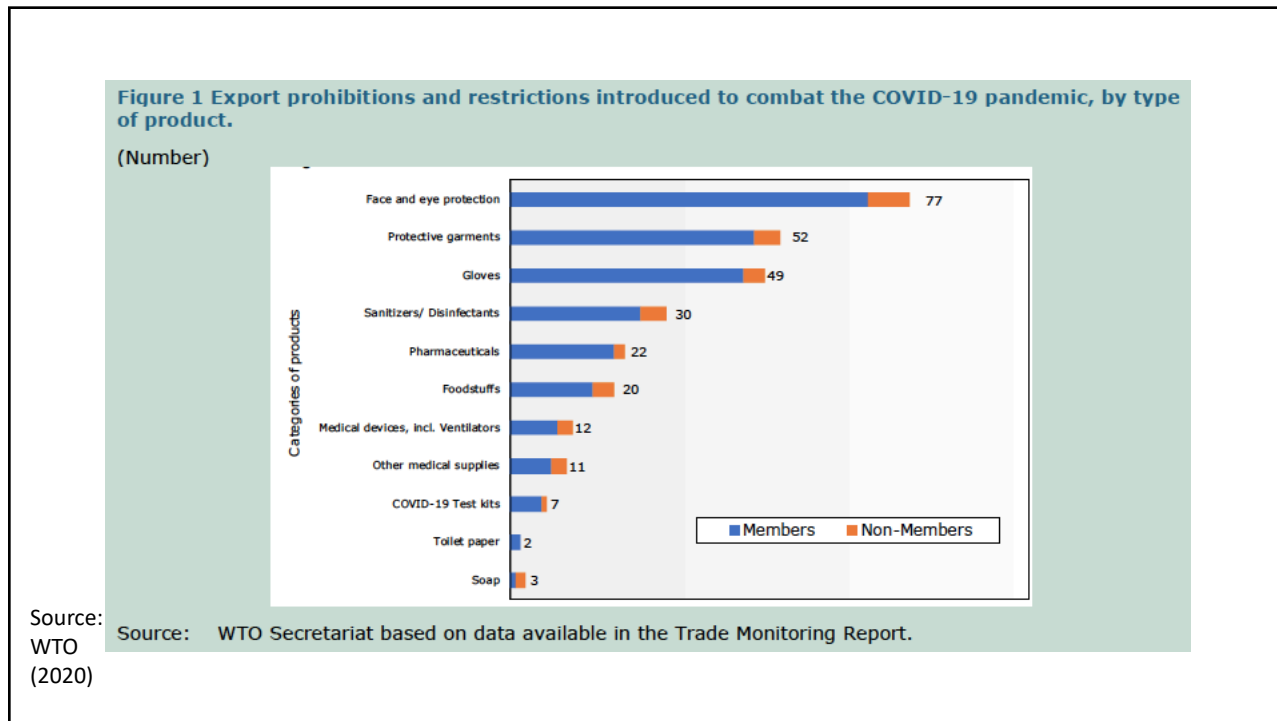
- Jun 24, NYT: Warren and Booker **Press Meatpackers on Exports** to China
- May 28, WSJ: **'Vaccine Nationalism':** A New Dynamic in the Race to Quash Coronavirus
- Apr 11, WSJ: China **Tightens Customs Checks** for Medical Equipment Exports
- Apr 8, WSJ: U.S. to **Restrict Mask, Glove Exports** for 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^{EU}: Sickening thy neighbour: **Export restraints** on medical supplies during a pandemic

99

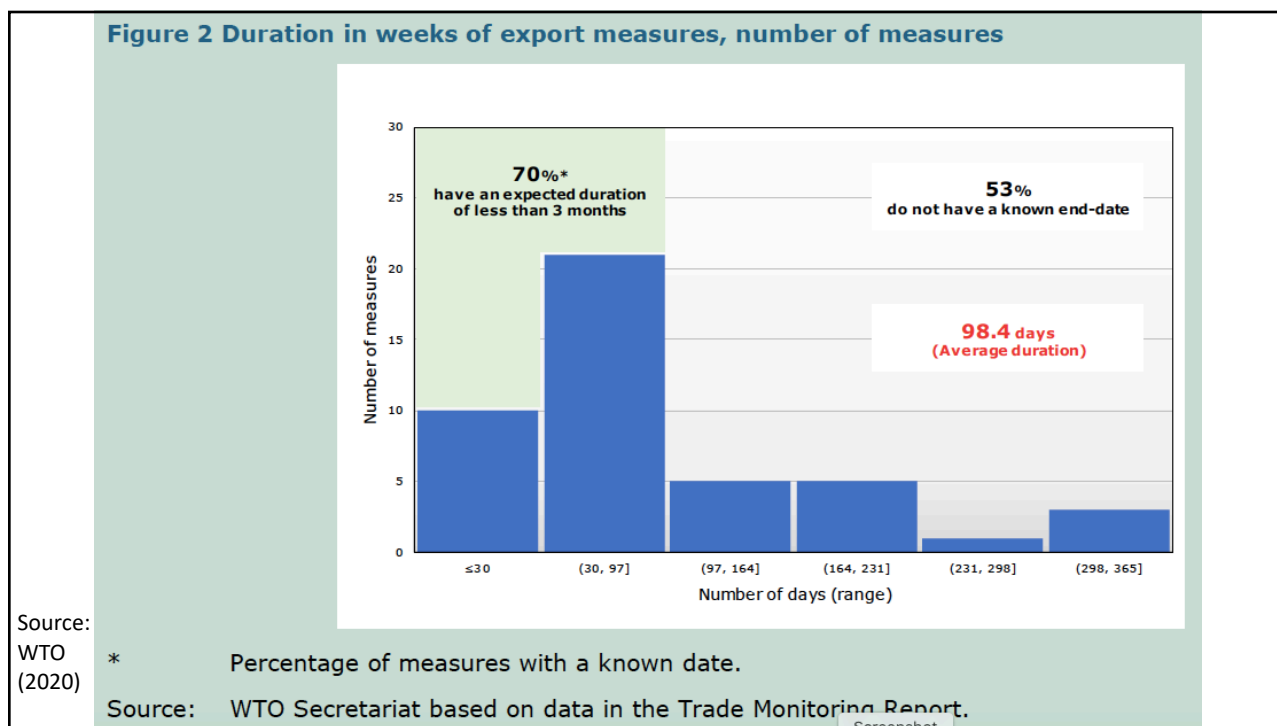
I. Global map of COVID-19 temporary trade measures (March 29, 2021)



100



101



102



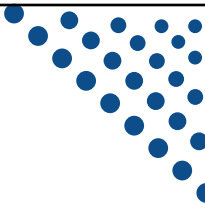
Effects on Trade Policies

Import Policies

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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**
 - 2020:
 - 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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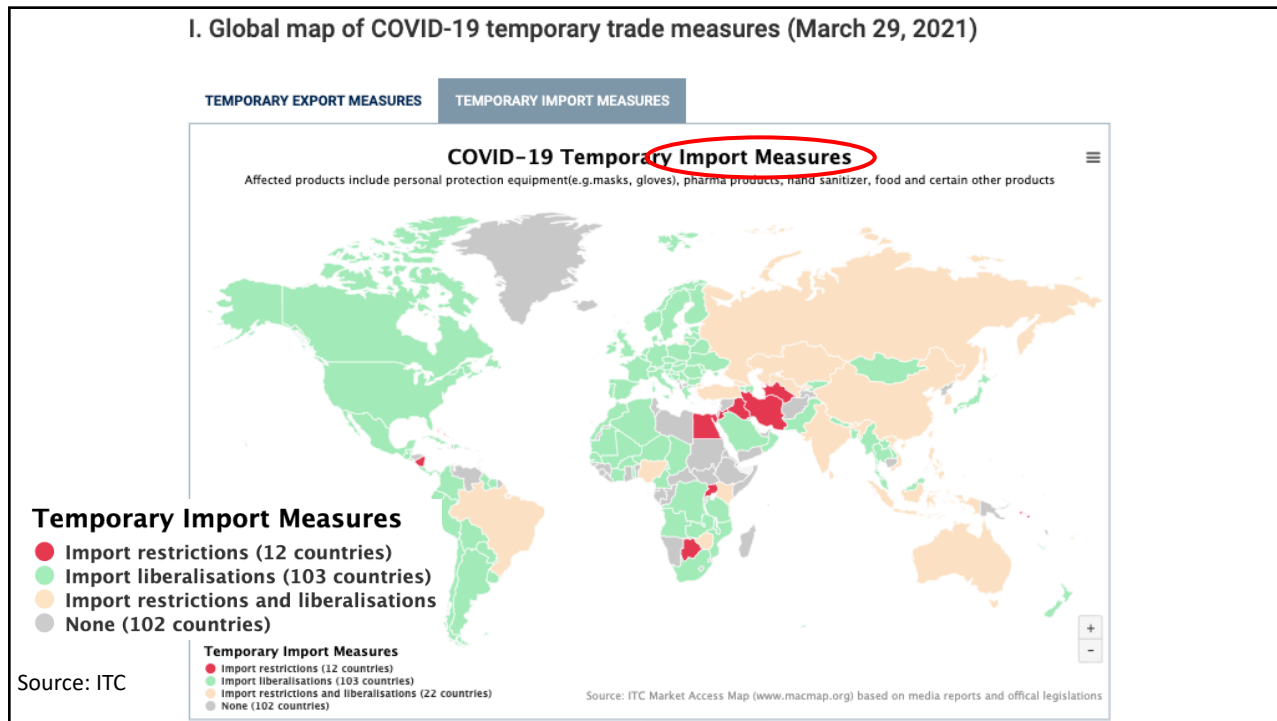
Effects on Import Policies

- **Headlines on Import Contraction**
 - 2020:
 - 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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106



107

Trade during the Pandemic

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108

Role of Trade During Pandemic

• Trade in COVID-19 Critical Goods

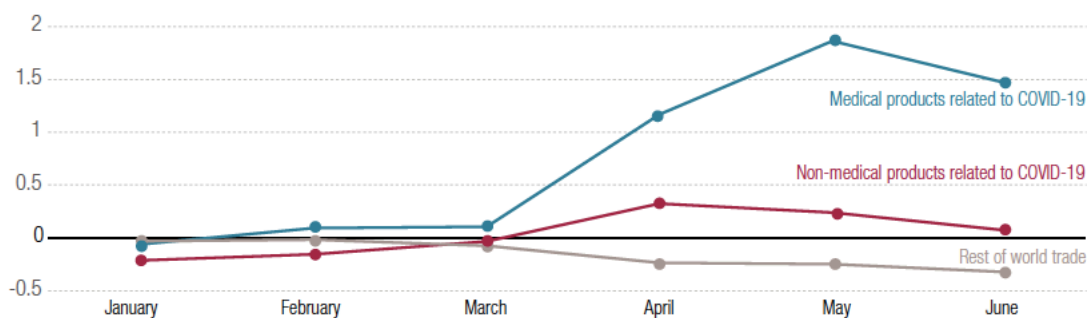
- Trade increased, especially in PPE but also medical
- Largest importer was US, both before and during
- Largest exporter, after a lag, was China
- Facemasks
 - Textile facemasks grew most
 - As did China's imports of the textiles
 - In spite of high import tariffs

109

Figure 1.5

Global merchandise trade of medical products, 2020

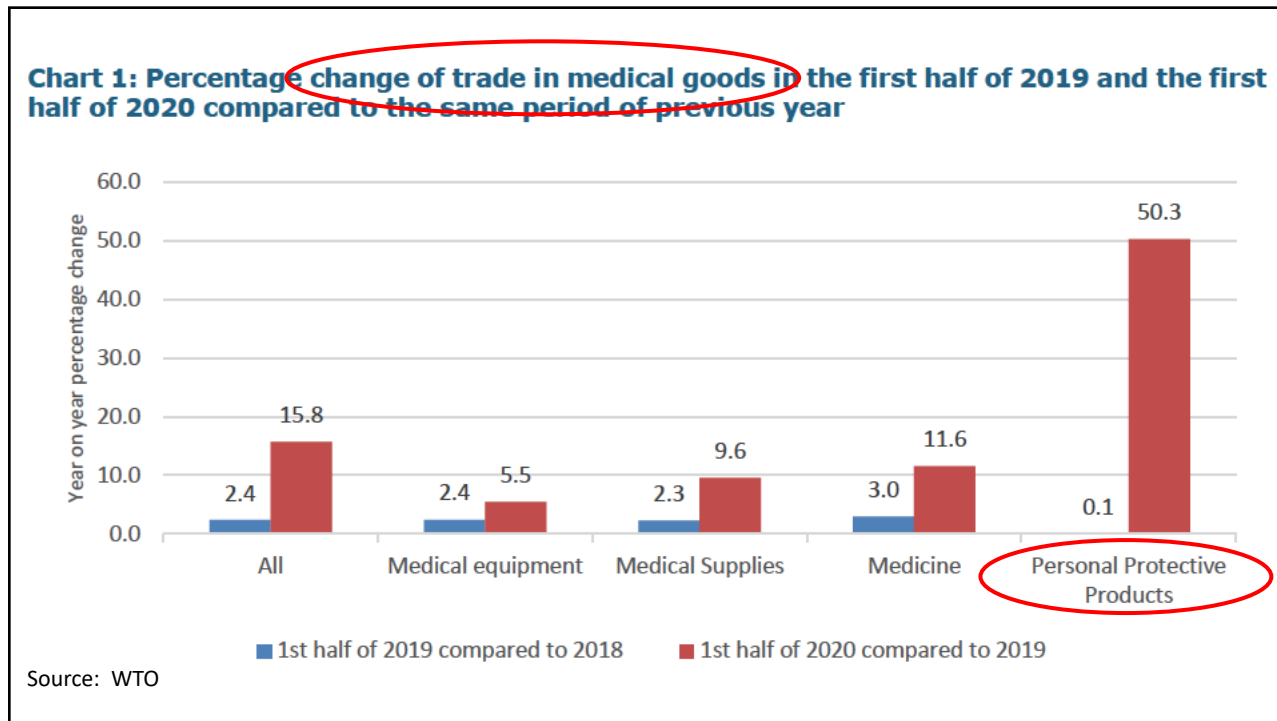
(Percentage)



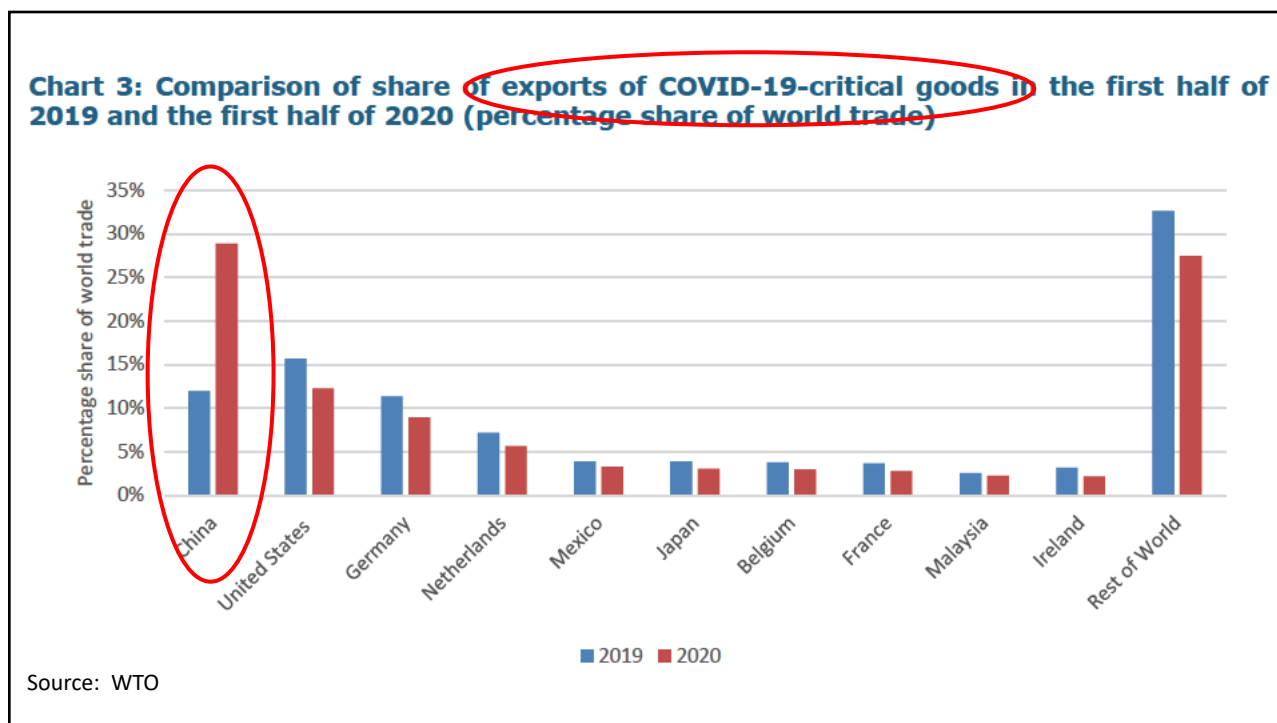
Source: UNCTAD secretariat calculations, based on the national statistics of China (GACC, 2020), United States (United States Census Bureau, 2020) and European Union (Eurostat, 2020).

Source: UNCTAD
Note: Year-on-year percentage changes.

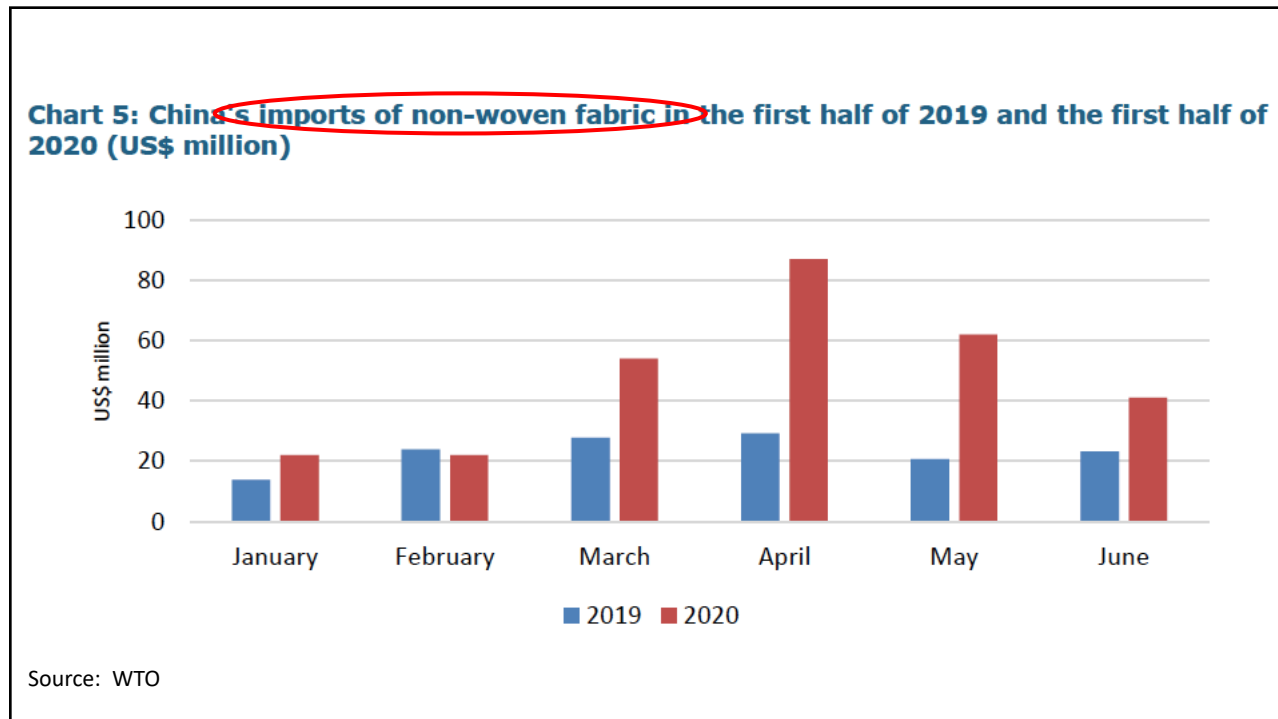
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112



113

Role of Trade During Pandemic

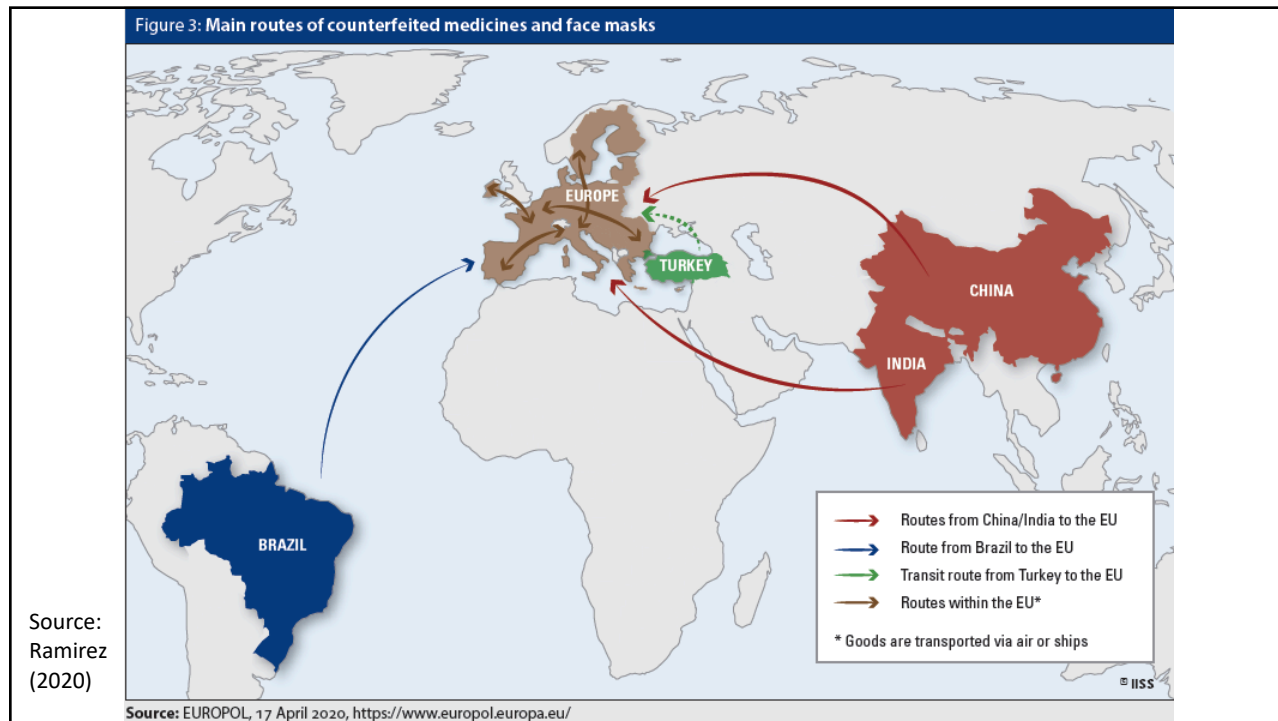
- **Trade counterfeit goods**
 - Ramirez reports, from OECD data, that
 - Criminal organisations have taken advantage of public fear to sell defective PPE and COVID-19 tests, faulty ventilators and other medical products, and even fictitious treatments and miracle cures



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114



115

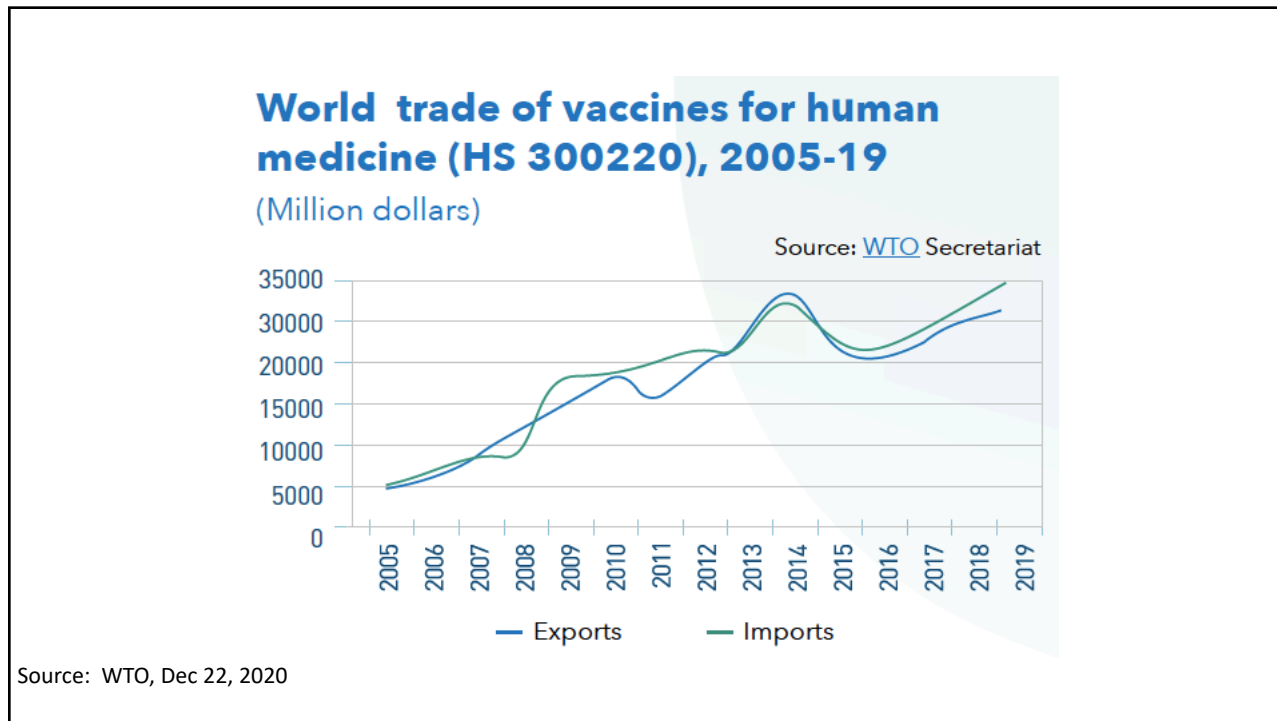
Role of Trade During Pandemic

- **Vaccines**
 - Vaccine industry relies heavily on trade
 - Concerns
 - Distribution to the poorest countries
 - Reluctance to be vaccinated
 - Vaccine nationalism

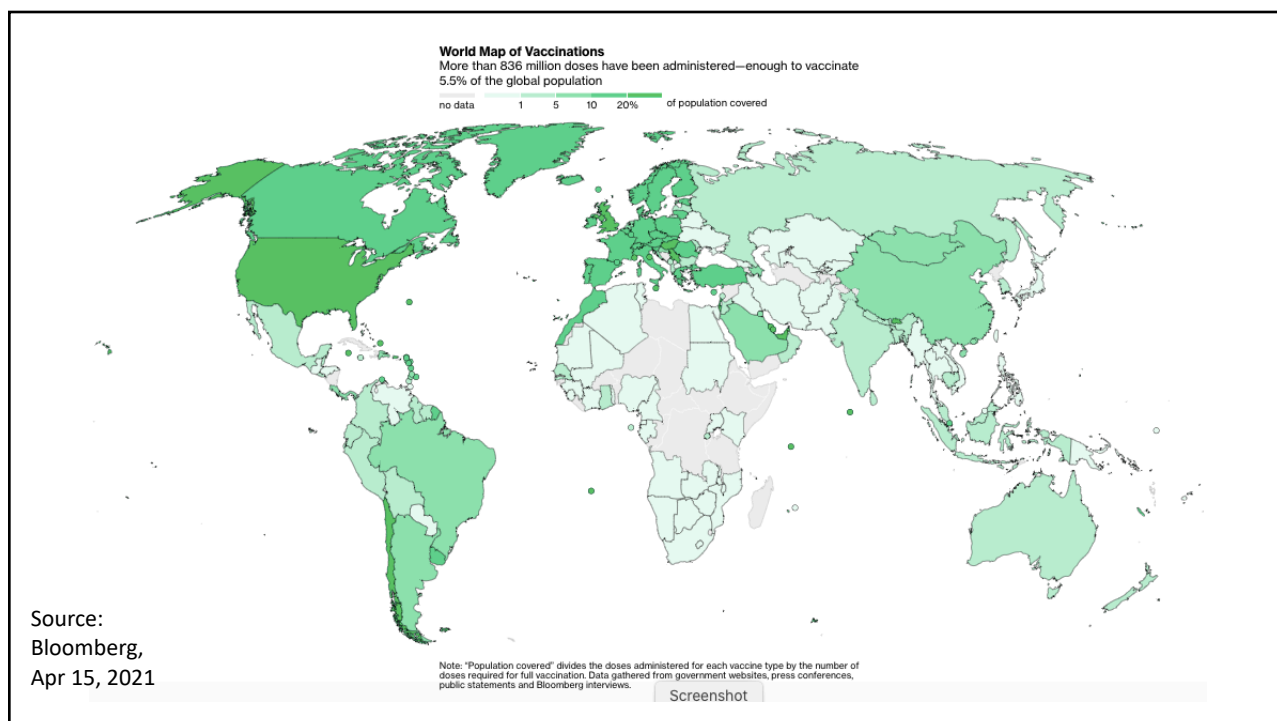
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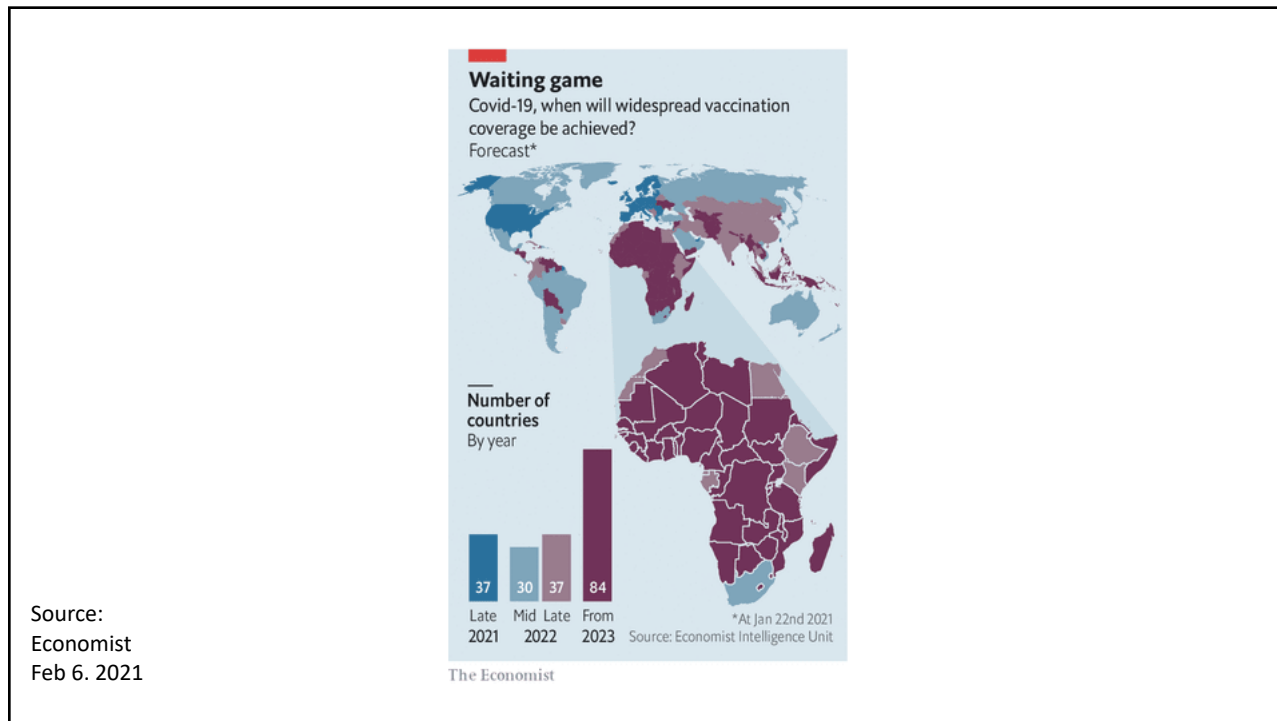
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117

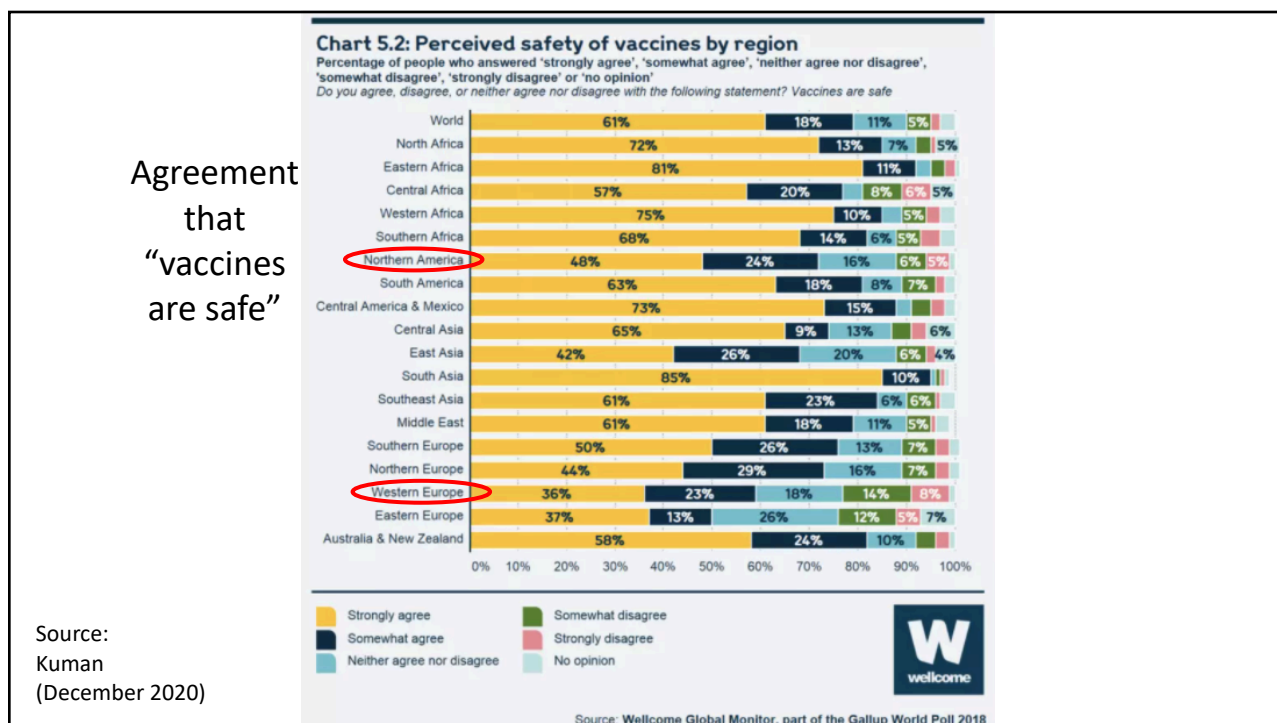


118



Source:
Economist
Feb 6, 2021

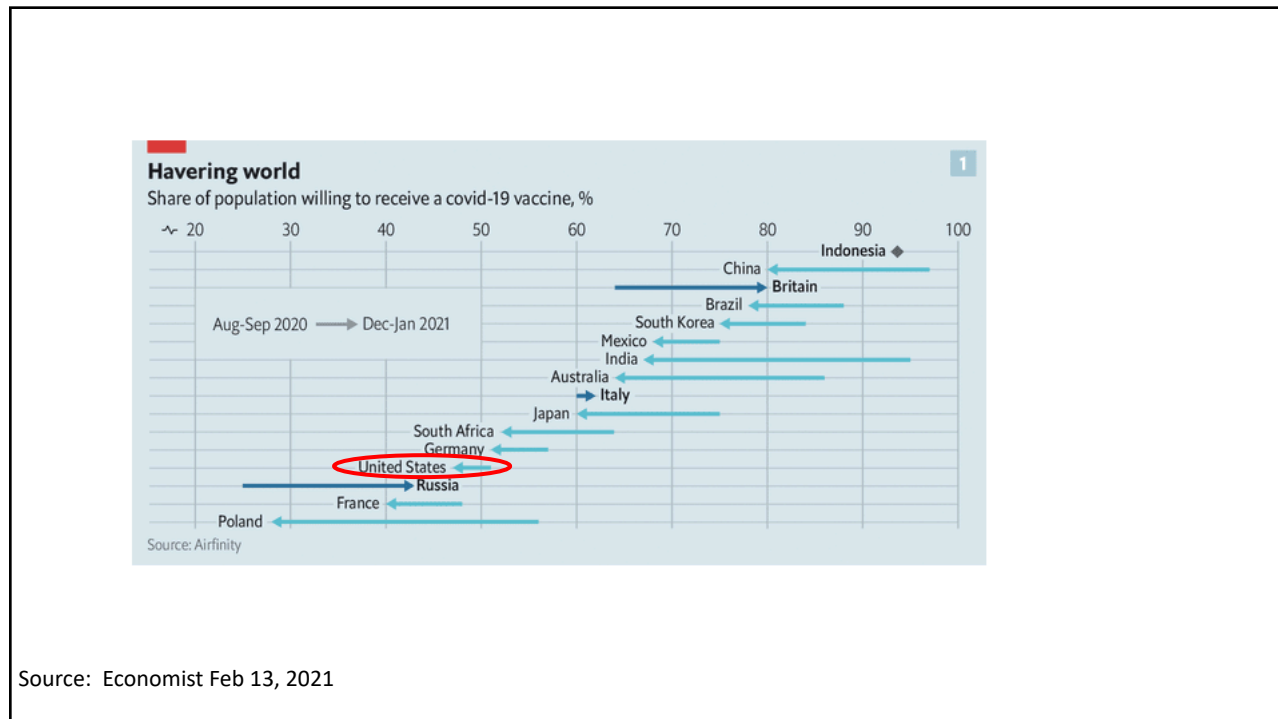
119



Agreement
that
"vaccines
are safe"

Source:
Kuman
(December 2020)


120




121

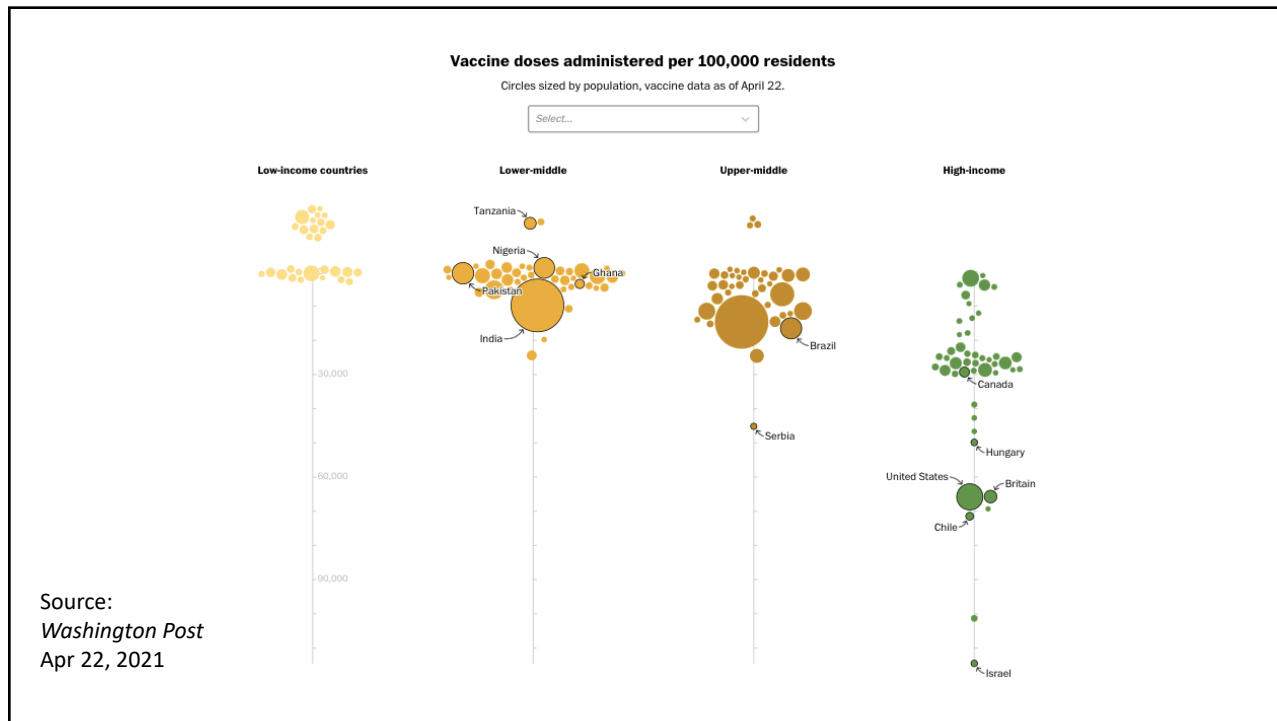
Vaccine Nationalism

- **Vaccine Nationalism**
 - Some countries seek to restrict exports of vaccines until their own populations are served.
 - On Jan 29, the EU announced export controls on COVID-19 vaccines, scheduled to lapse March 31
 - Since then repeated news of vaccine export controls
 - I have had audience members hope that the US will not export vaccines until all Americans are vaccinated
 - If this were done, it would slow the world's progress toward managing the pandemic

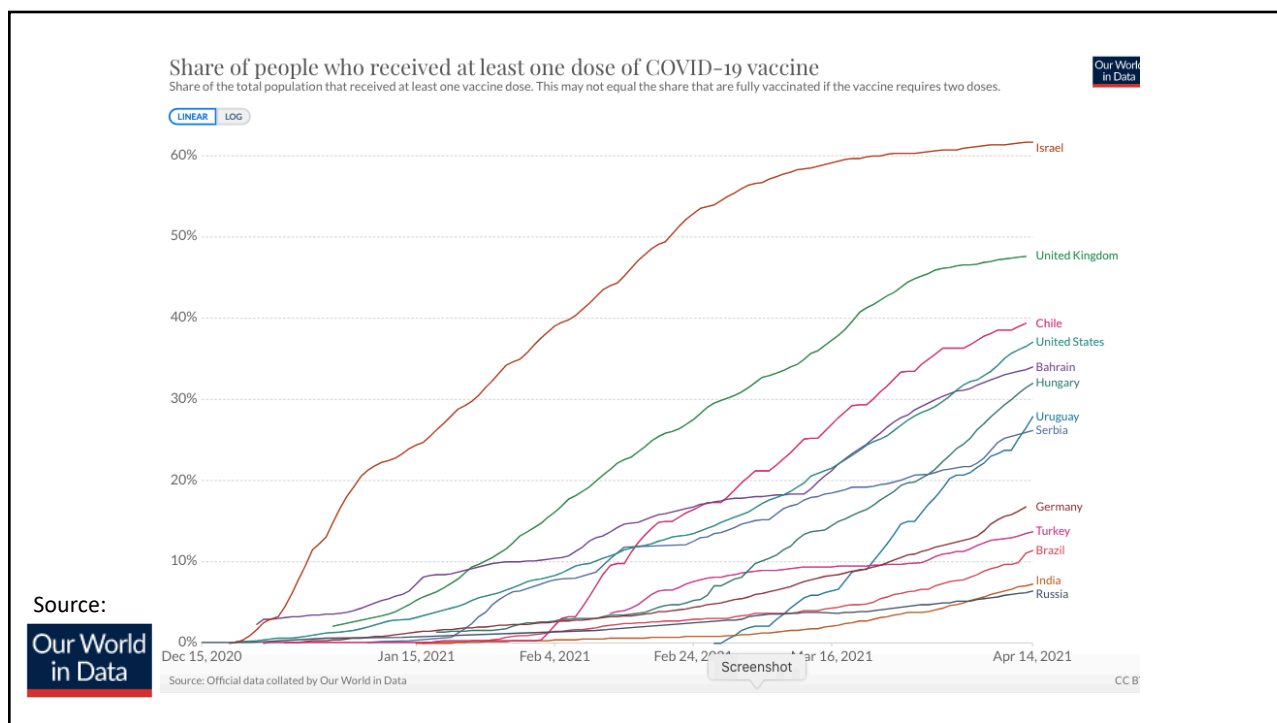
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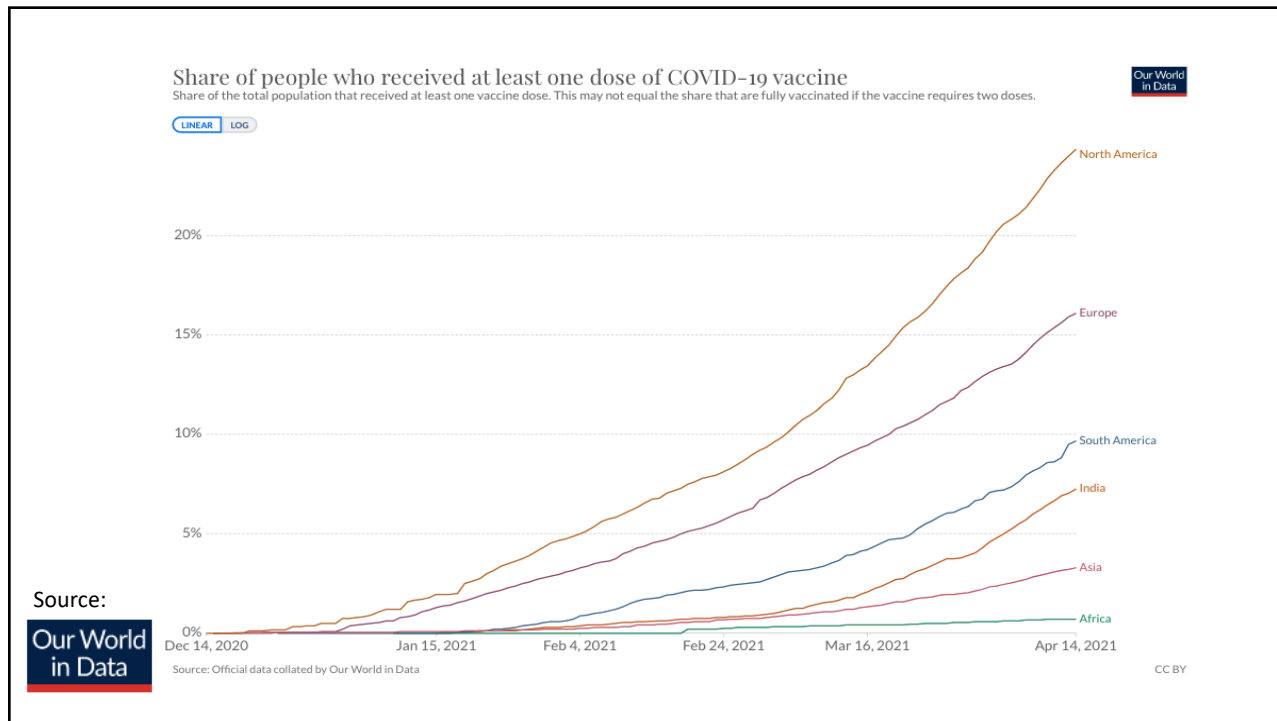
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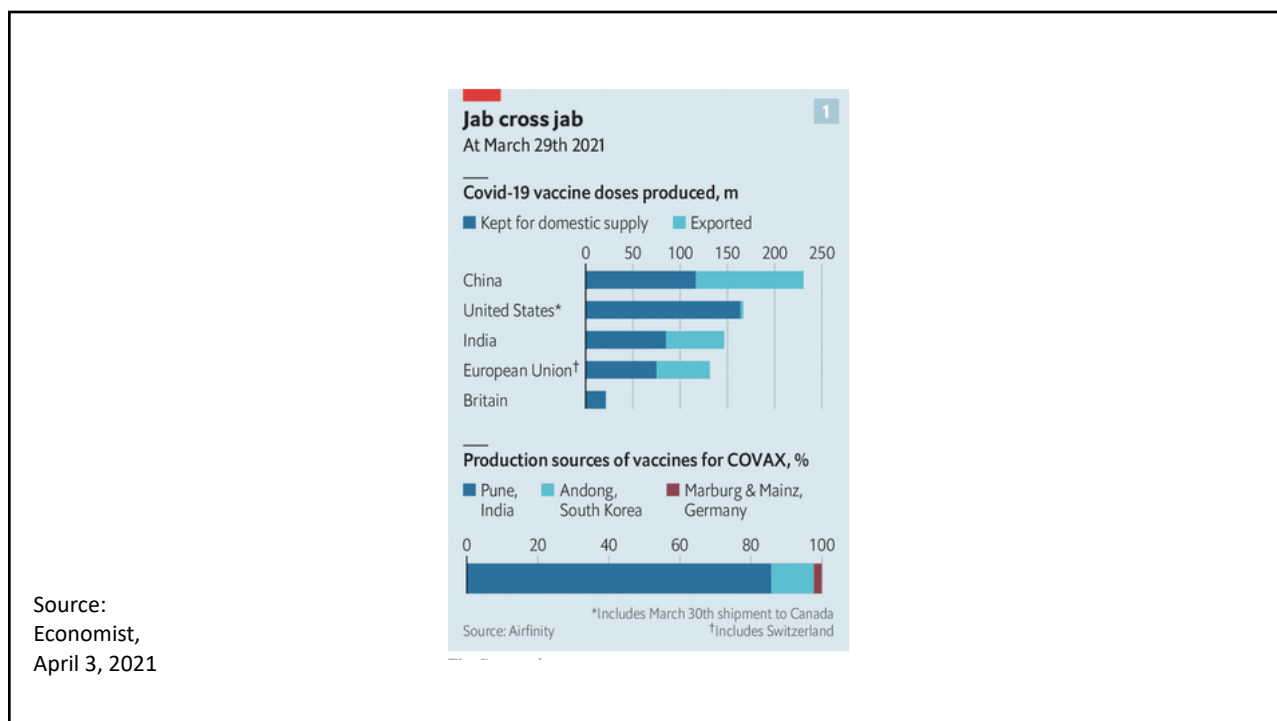
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124



125



126

Vaccine Nationalism

- **COVAX**

- An initiative launched the World Health Organization, the European Commission, and France to provide vaccines to people in all countries regardless of wealth
- Apr 8, 2021: “COVAX reaches over 100 economies, 42 days after first international delivery”

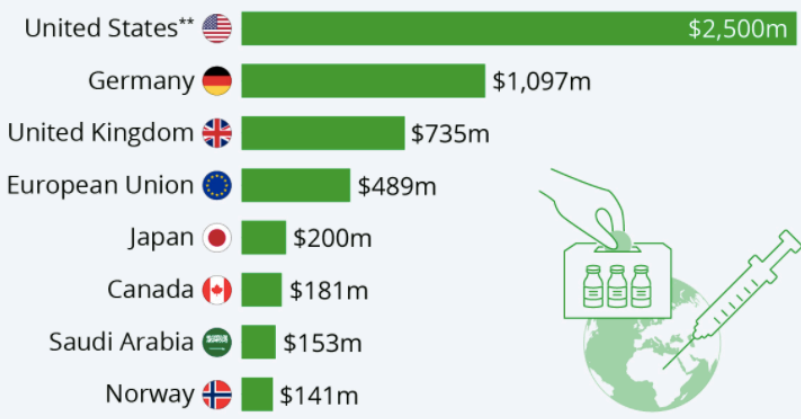


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127

The Governments Donating The Most Money To COVAX

Donations to COVAX-AMC as of February 19, 2021*

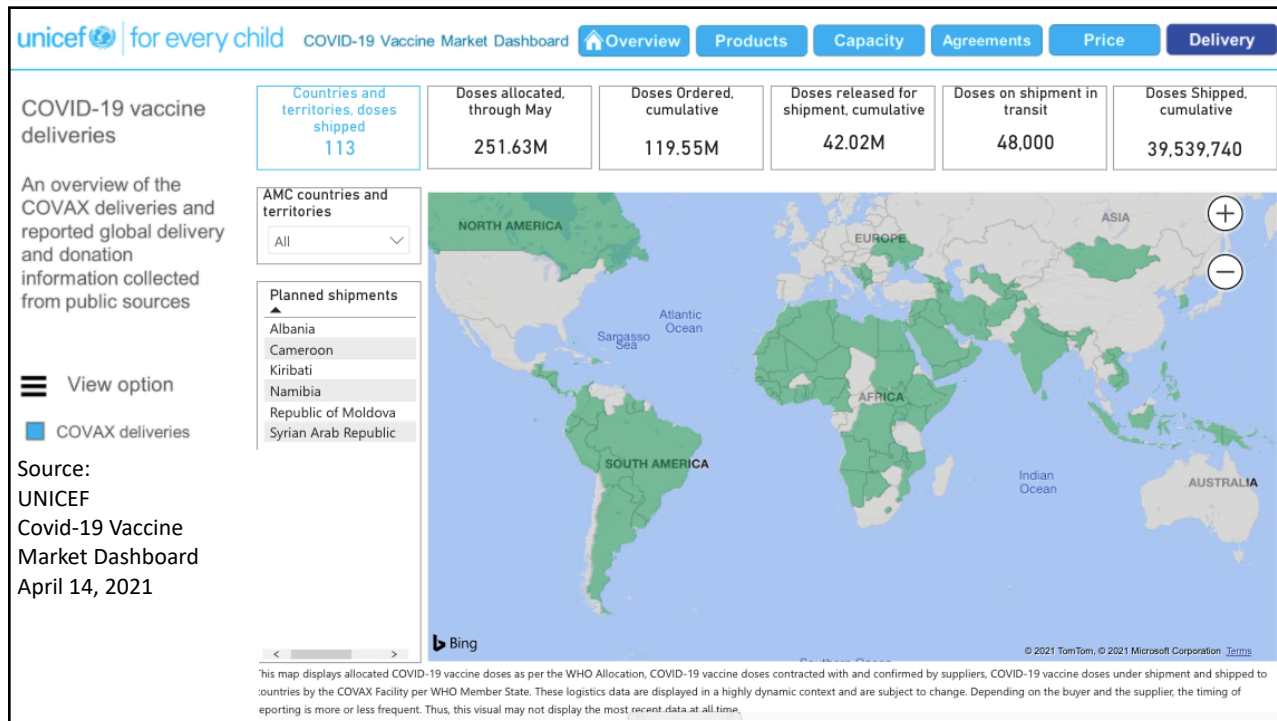


Source: McCarthy, Feb 22, 2021

* COVAX Advance Market Commitment is a financing instrument supporting Covid-19 vaccine access for 92 low/middle income governments through donations.

** The United States has pledged \$4 billion in total
Source: Global Alliance for Vaccines and Immunization

128



129

Conclusion

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

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Thank you!

Thank you! Any Questions?

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131