

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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International Trade and the Pandemic

Alan V. Deardorff
University of Michigan

For presentation to San Francisco Rotary
March 2, 2021



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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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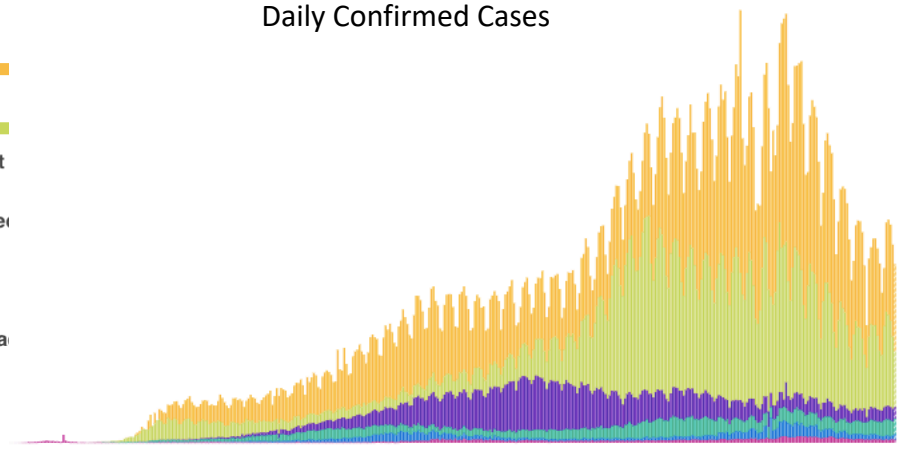


Cases


Daily Confirmed Cases



- Americas
- Europe
- South-East
- Eastern Me
- Africa
- Western Pa




Source: WHO Coronavirus Disease (COVID-19) Dashboard as of Mar 1, 2021



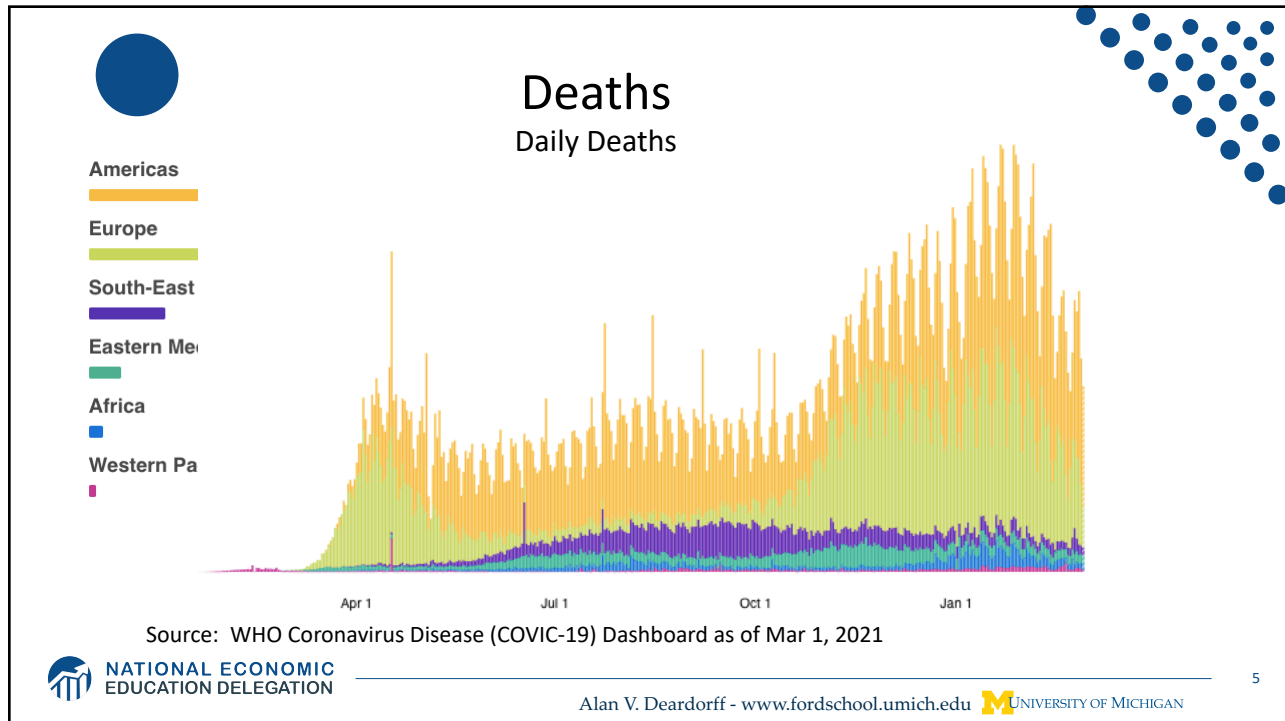
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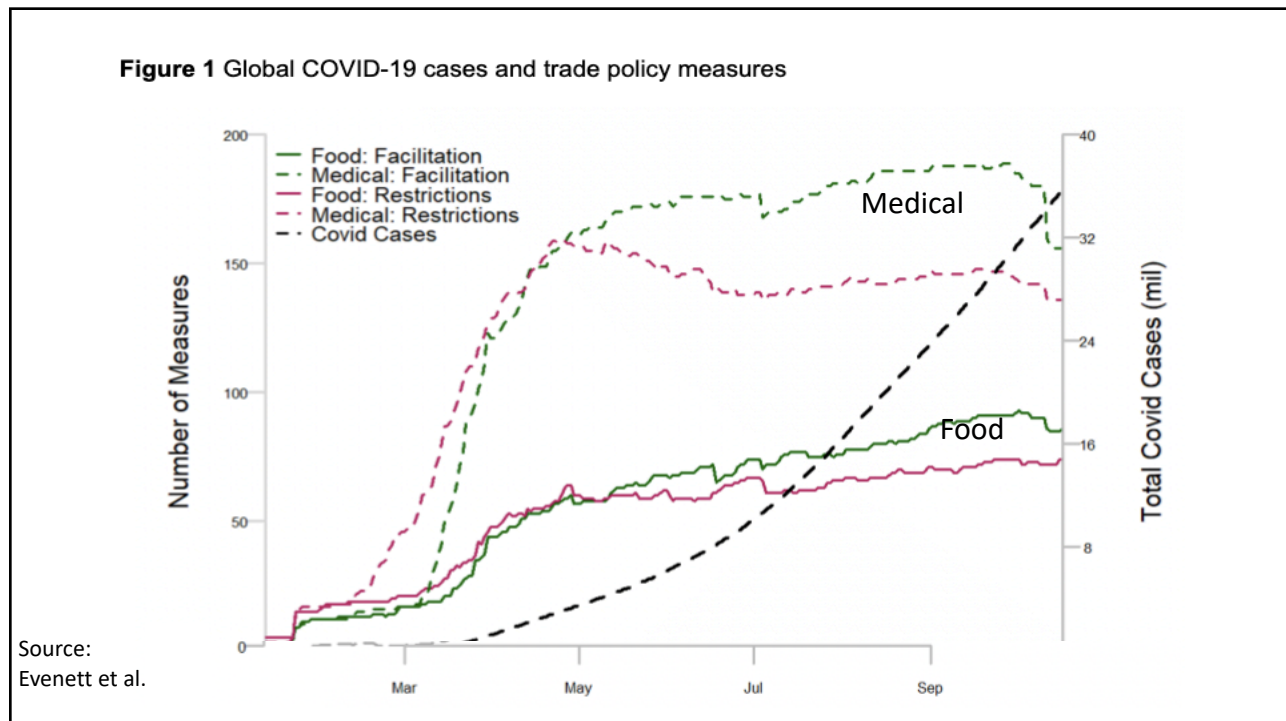
Overview

- **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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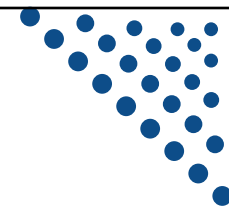


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International Trade and the Pandemic

Outline


- Pros and Cons of Trade
- Causes of the Pandemic
- Effects of the Pandemic
 - On Economies, Including Trade
 - On Trade Policies
- Role of Trade During the Pandemic




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Trade Pros and Cons

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Pros and Cons of Trade

- **Pros**
 - Reduces cost of living world-wide
 - Comparative advantage
 - Increased competition
 - Economies of large-scale production
 - Access to greater variety
 - Increases productivity
- **Cons**
 - Change in trade (up or down) disrupts
 - Businesses
 - Jobs
 - Dependence on foreign supply and demand
 - Vulnerable to others' policies, economies, diseases

Economists' almost universal view:


- Trade is beneficial overall
- Trade restrictions (tariffs, bans) are harmful

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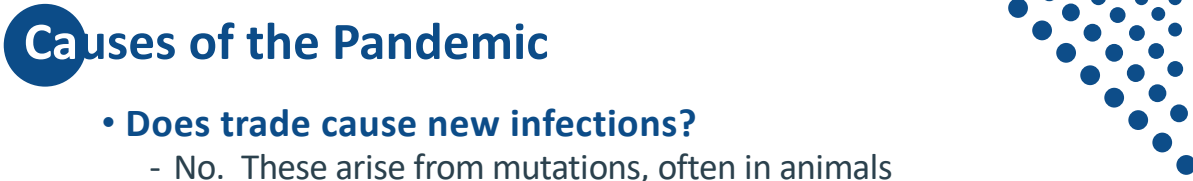
Causes of the Pandemic

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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

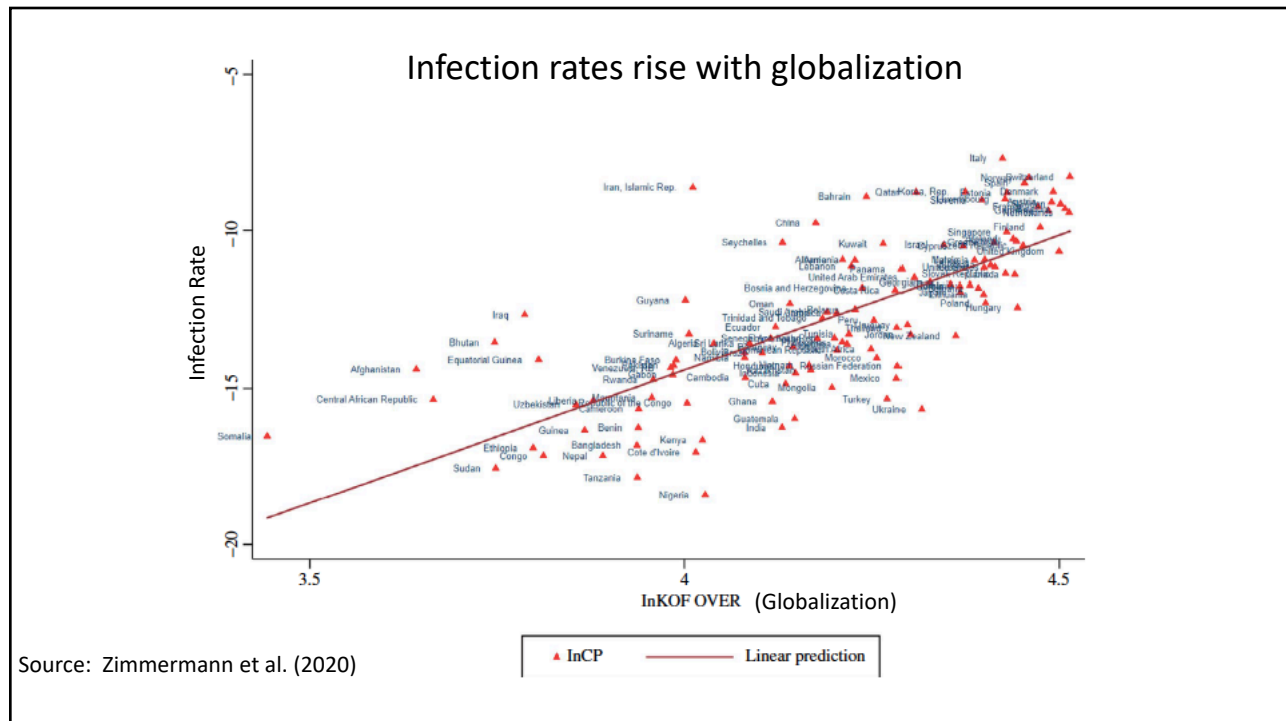
• Studies Relate Globalization and Spread of Pandemic

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

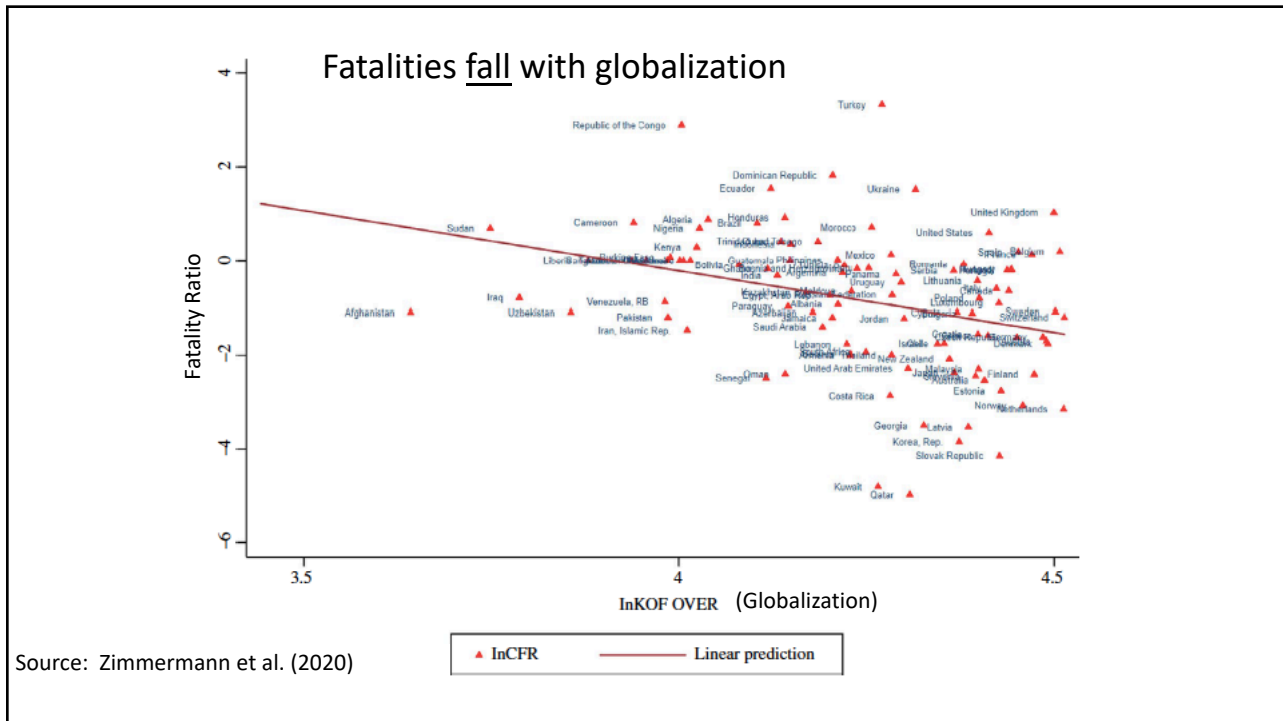


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Causes of the Pandemic

- **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

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Effects on Economies

Trade

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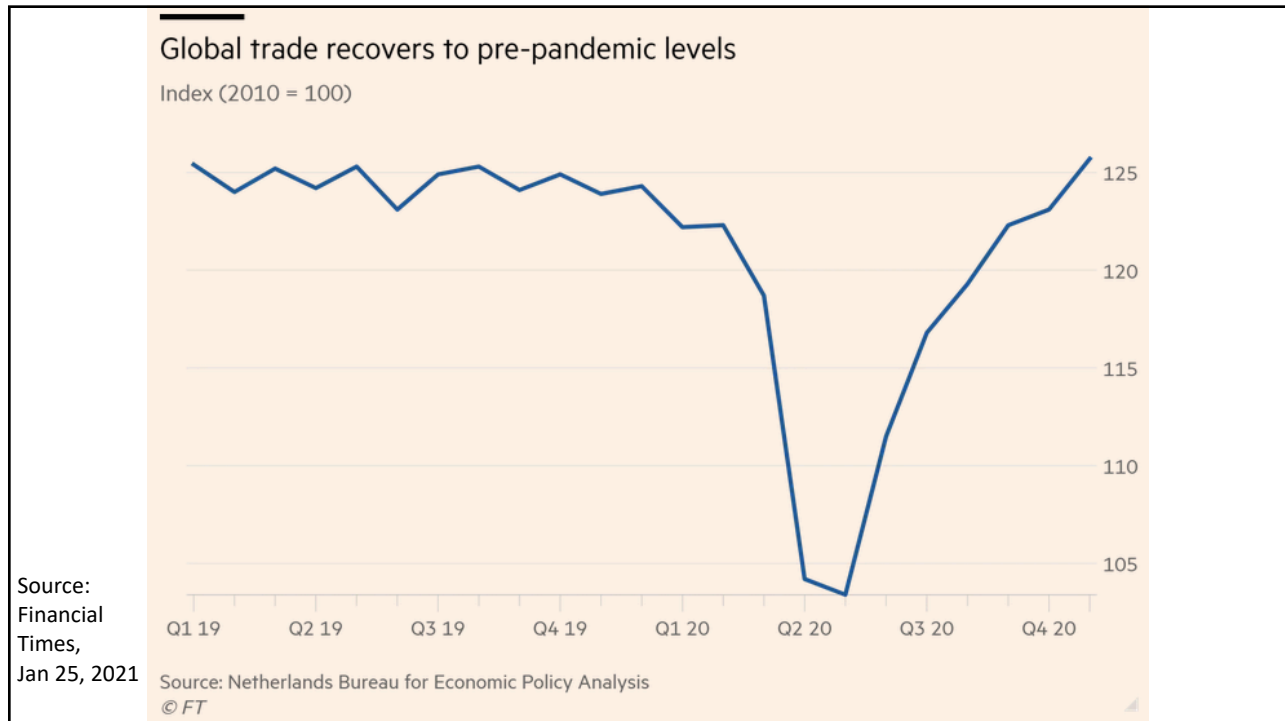
Effects on Economies

- **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

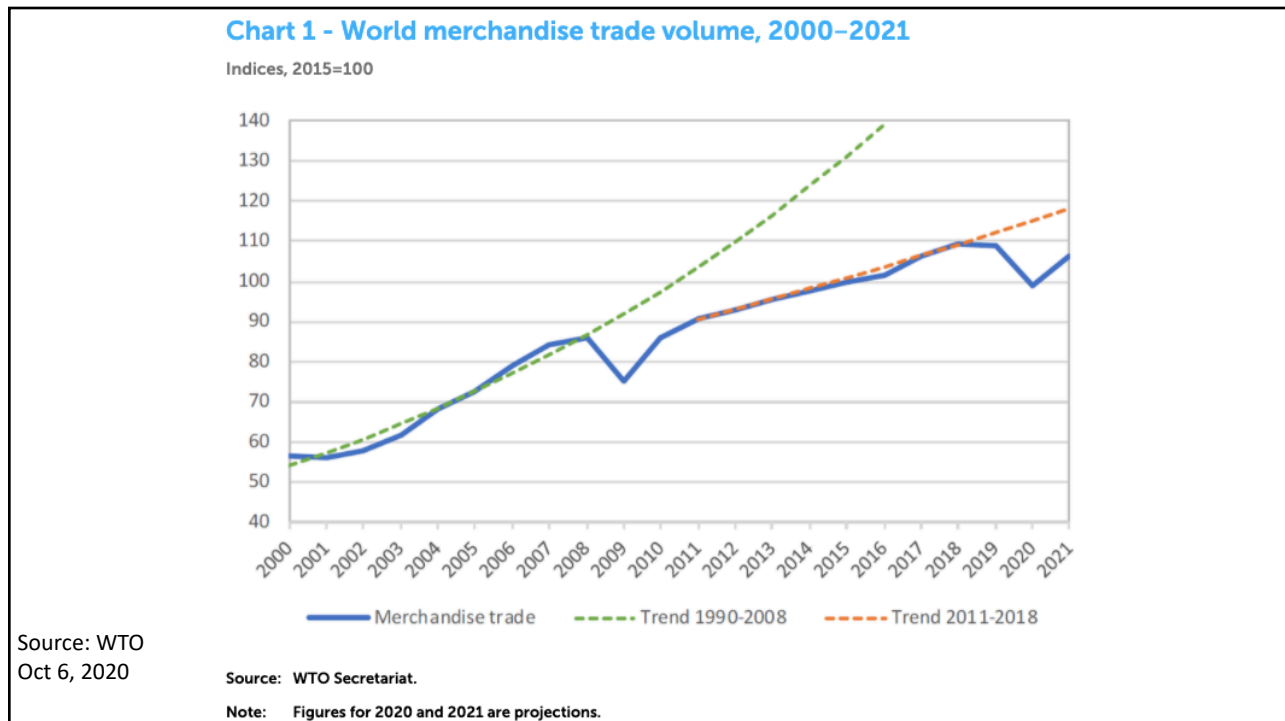
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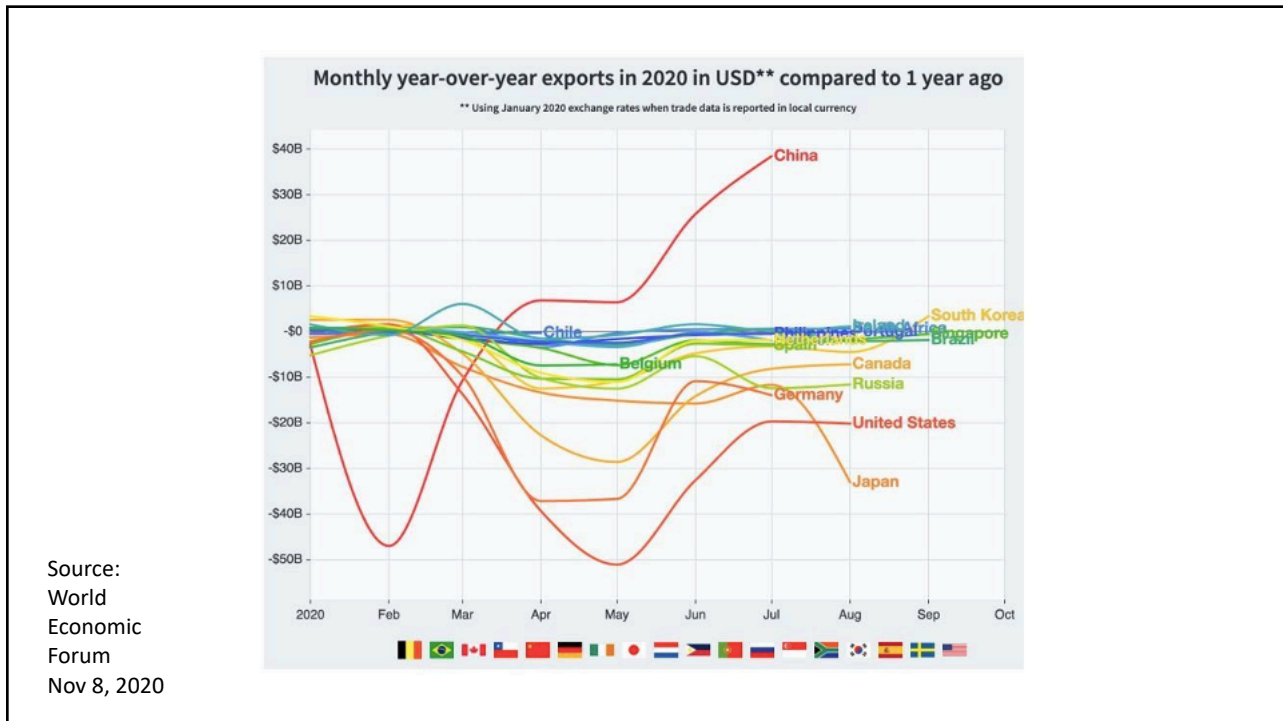
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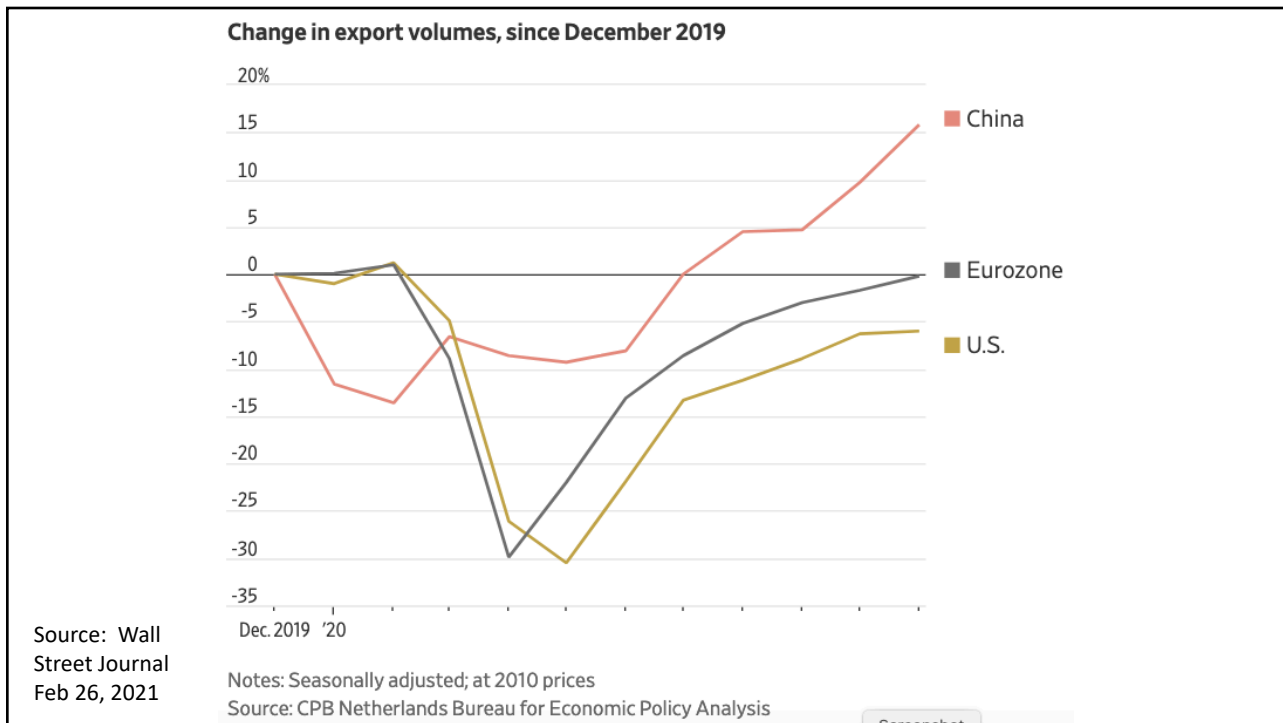
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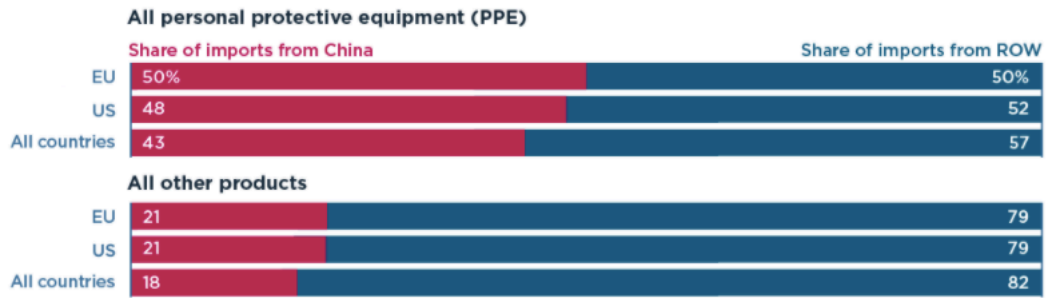
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Much of the world's imports of personal protective equipment come from China

Imports by product and source, 2018



Source: Bown (2020)

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Effects on Economies

Travel

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Effects on Economies

• Travel

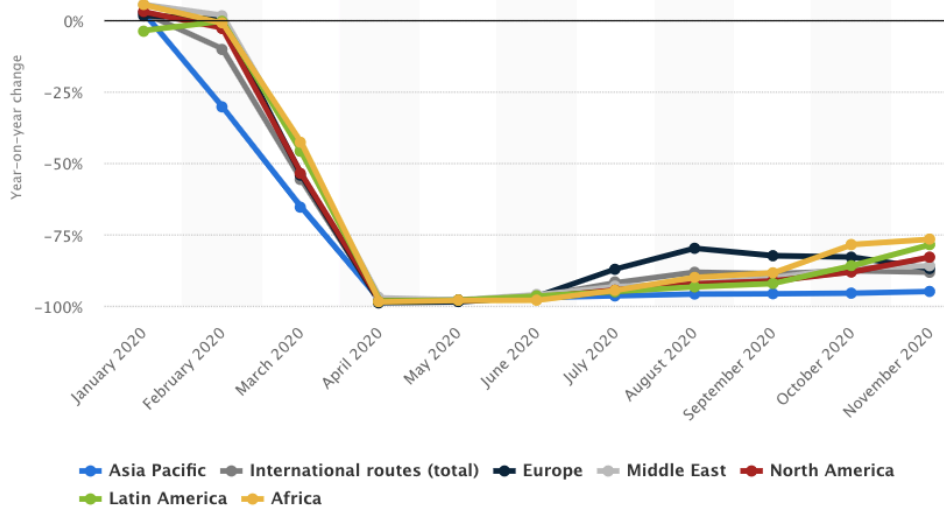
- Fell drastically and has only partially recovered
- Symptoms
 - o Passengers
 - o Airline stock prices
- Reasons:
 - o Travel restrictions and border closures
 - o Delays at border



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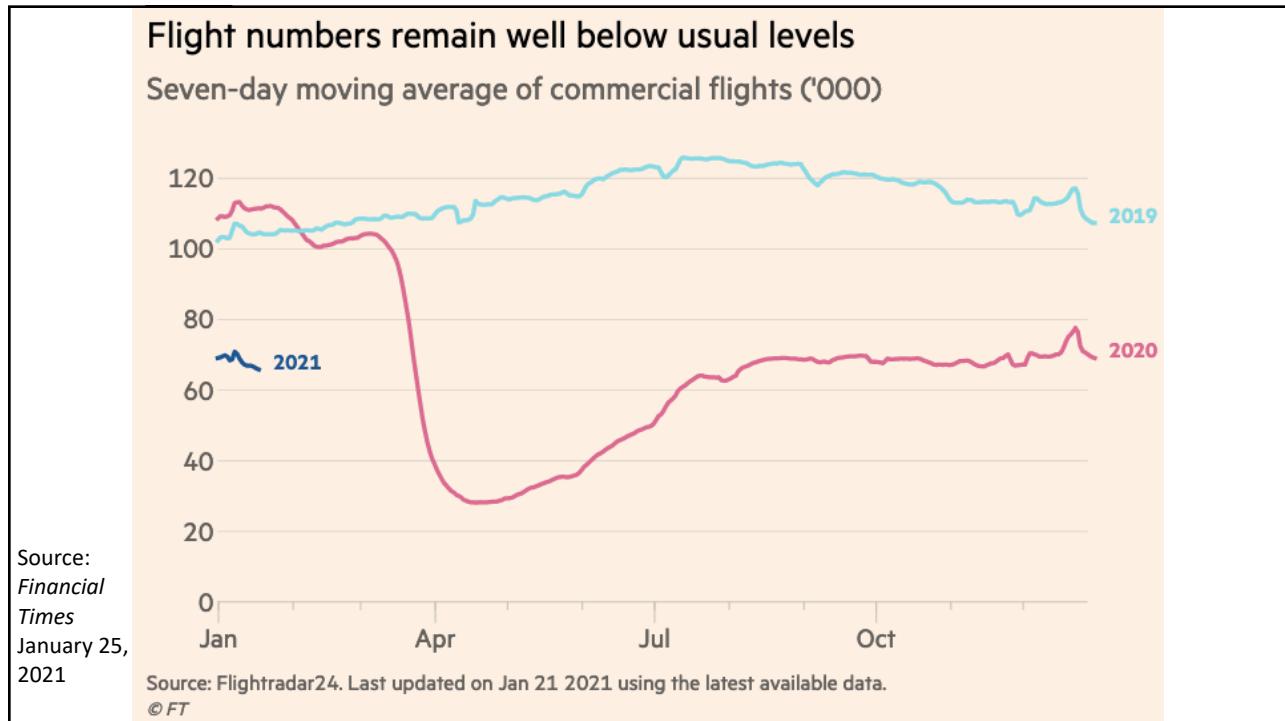
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Year-on-year revenue-passenger kilometer (RPK) change on international routes from January to November 2020, by region

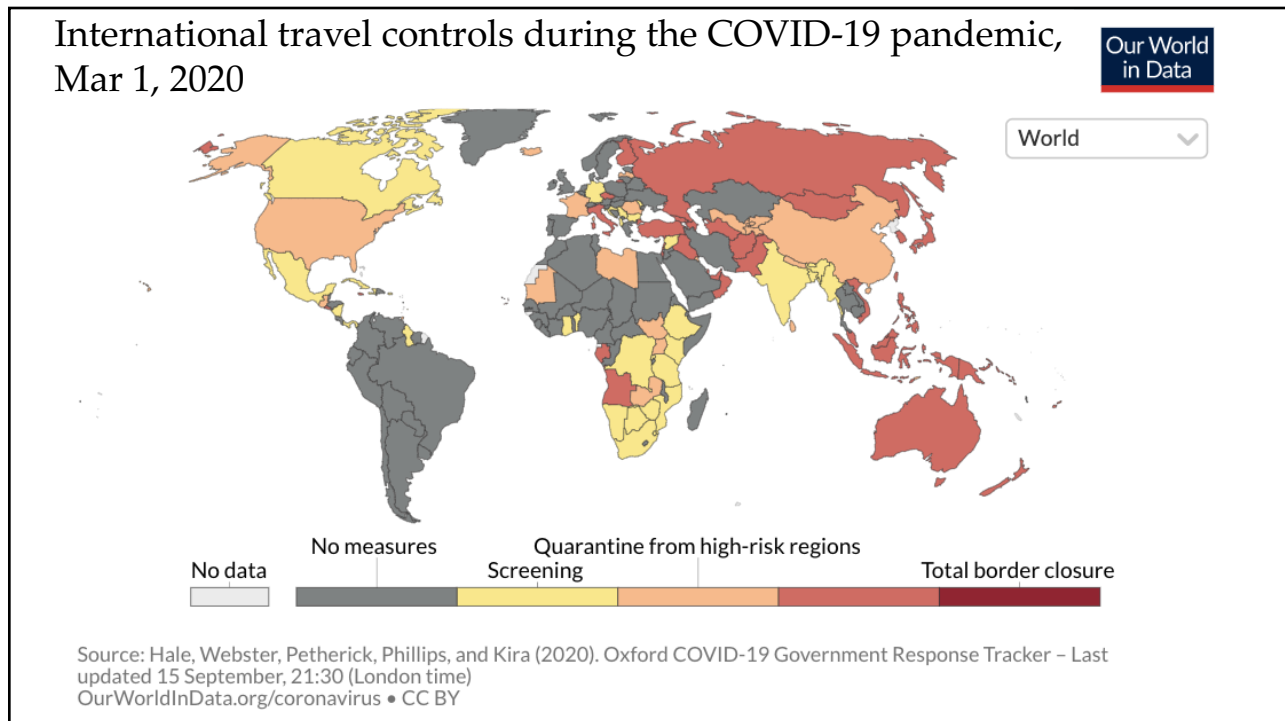


Source: Statista

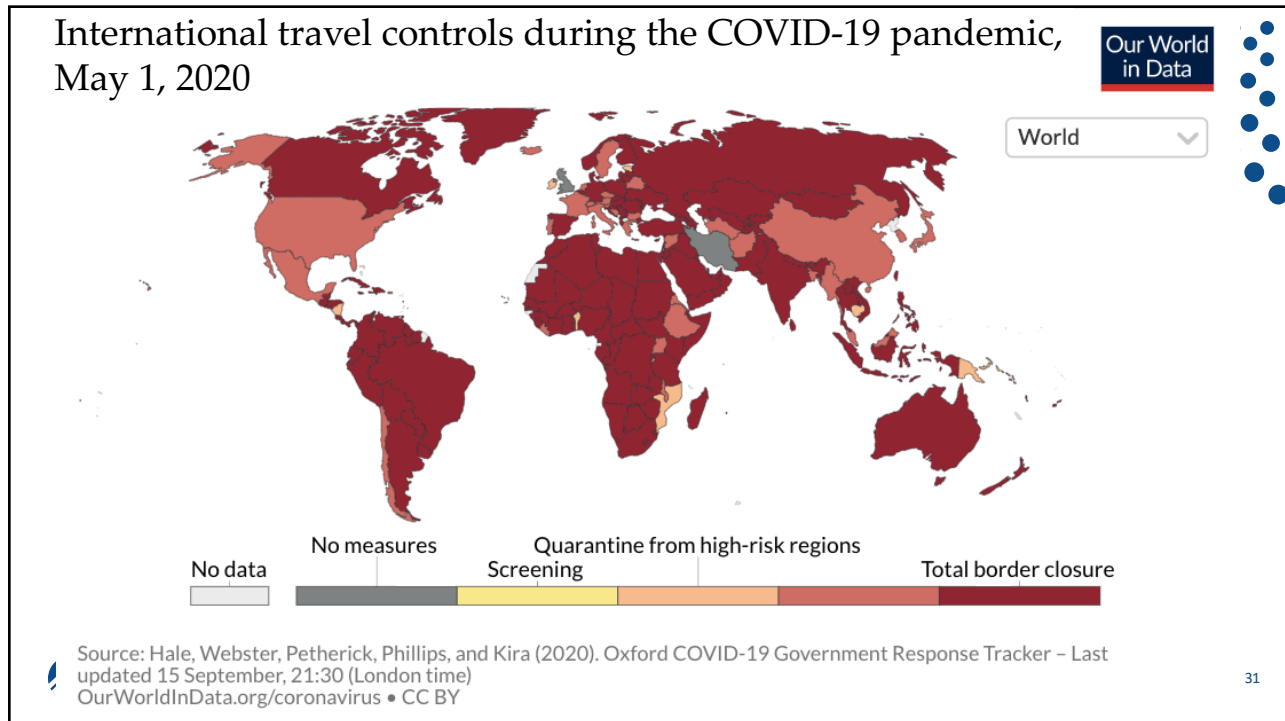
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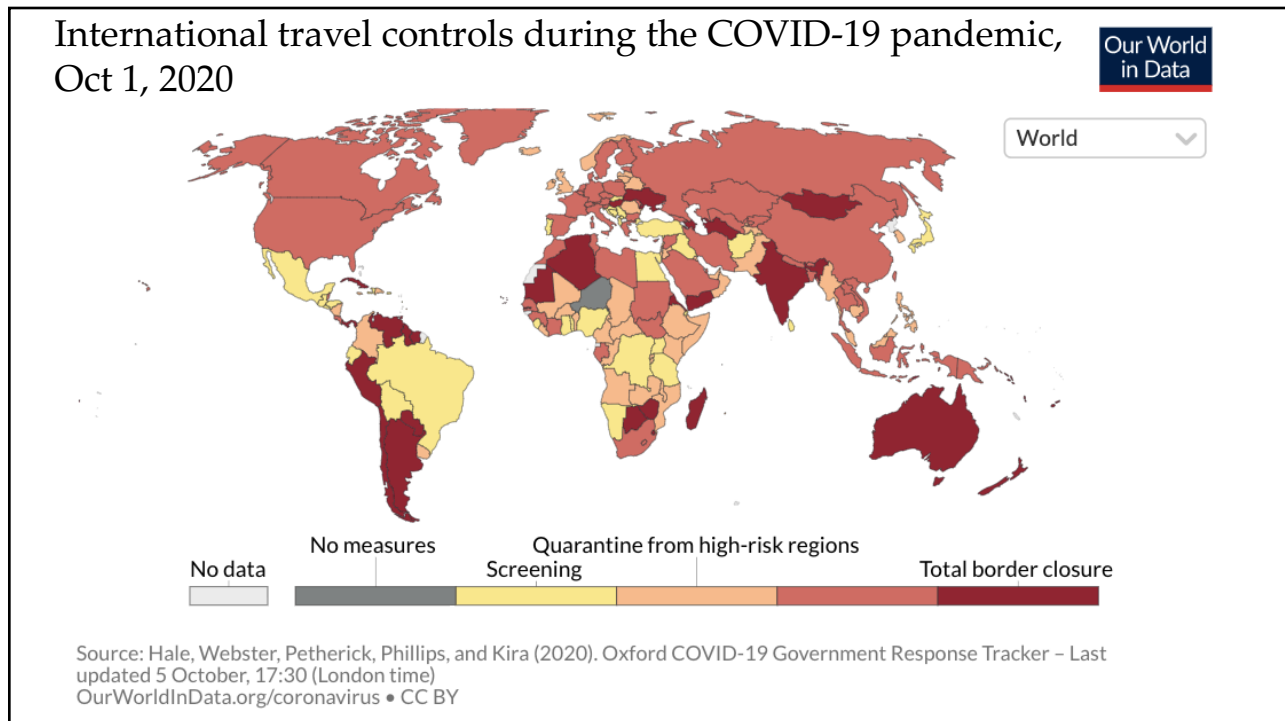
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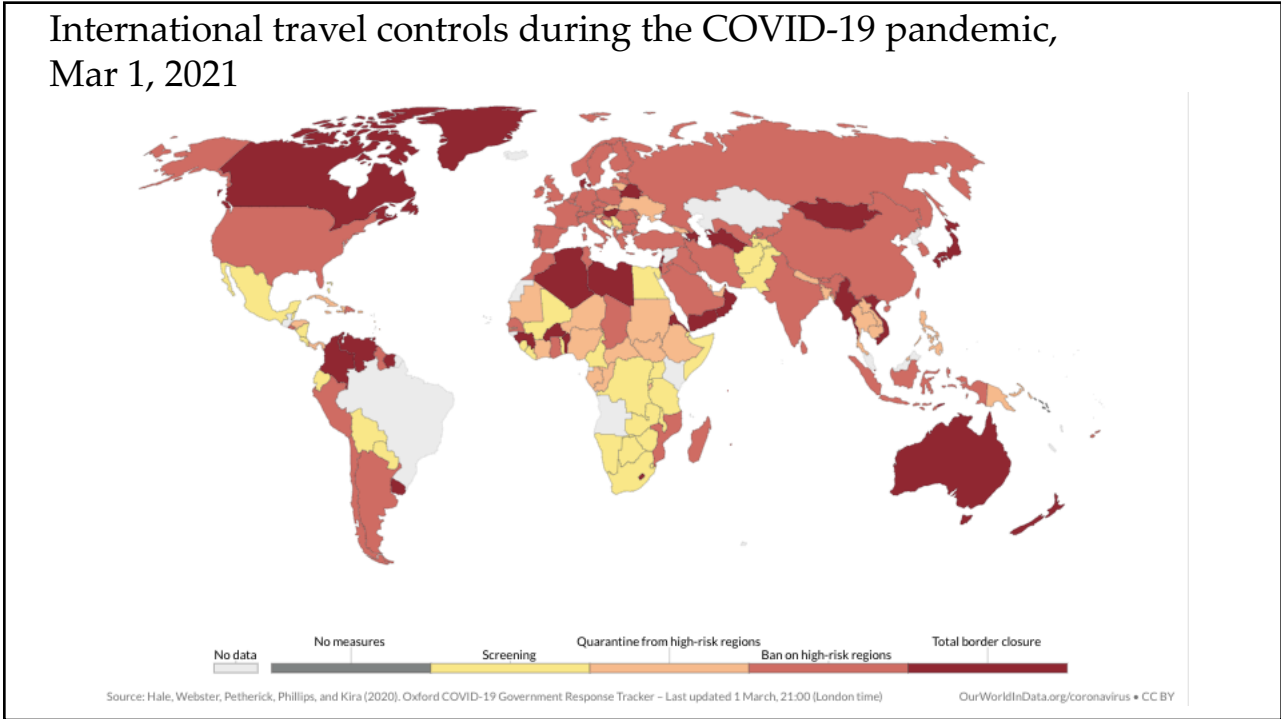
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Effects on Economies

Shipping

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Effects on Economies

• Shipping by Sea

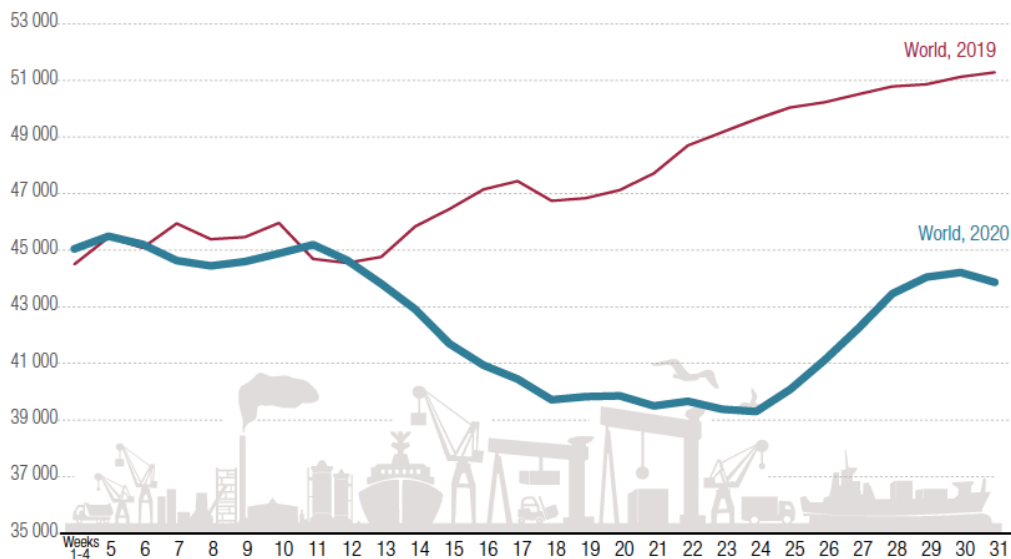
- Drop in trade reduced demand at first
 - Then increased demand for restocking
- Pandemic added restrictions
 - At ports
 - For crews
- Shipping rates rose



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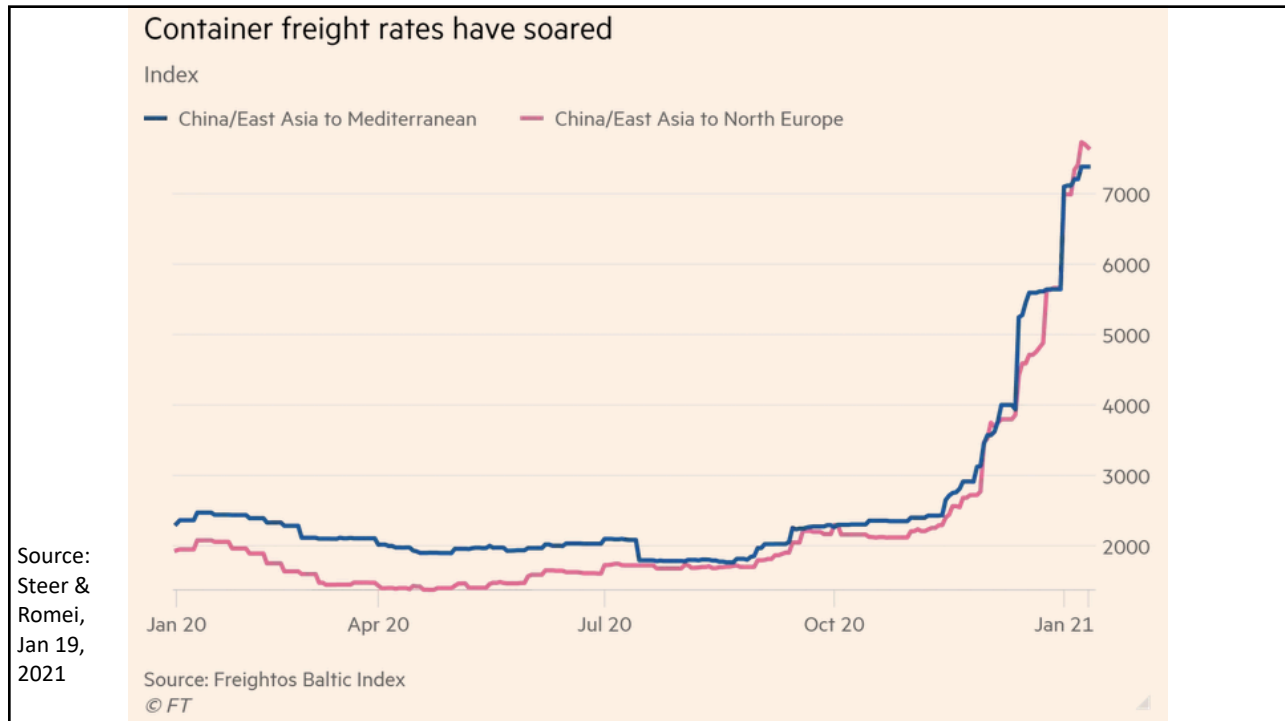
Figure 1.7
World total: Weekly ship port calls, all ships*



Source: UNCTAD

Source: UNCTAD calculations based on data provided by Marine Traffic.
* Four-week moving weekly average.

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Effects on Economies

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

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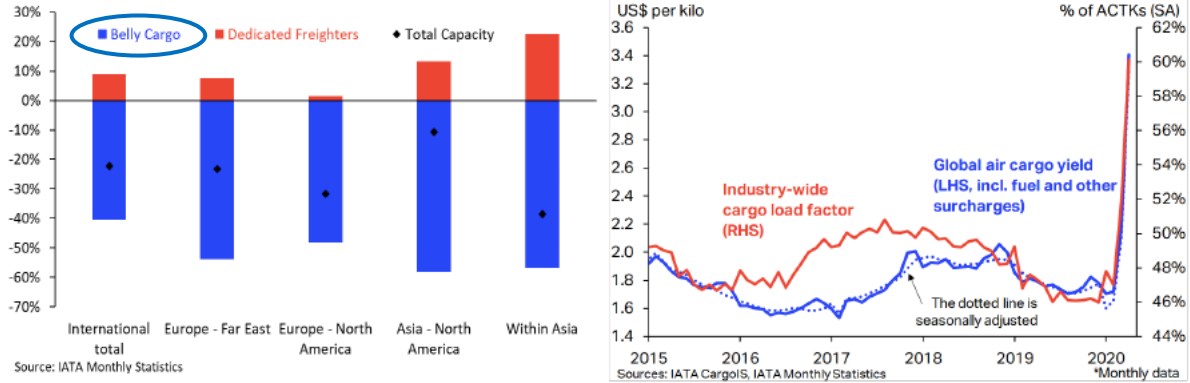
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Figure 6: Global air cargo capacity plummeted, causing a surge in air cargo yields

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)

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Effects on Trade Policies

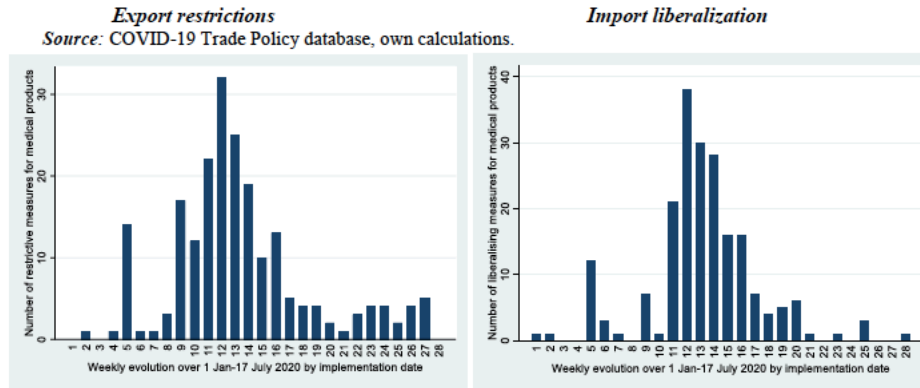


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Figure 1: Trade measures for medical products (weekly, January-July 2020)



Note: The data at the end of each week do not consider the measures that were removed (with a removal date in that week).

Source: Hoekman et al. (2020)

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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

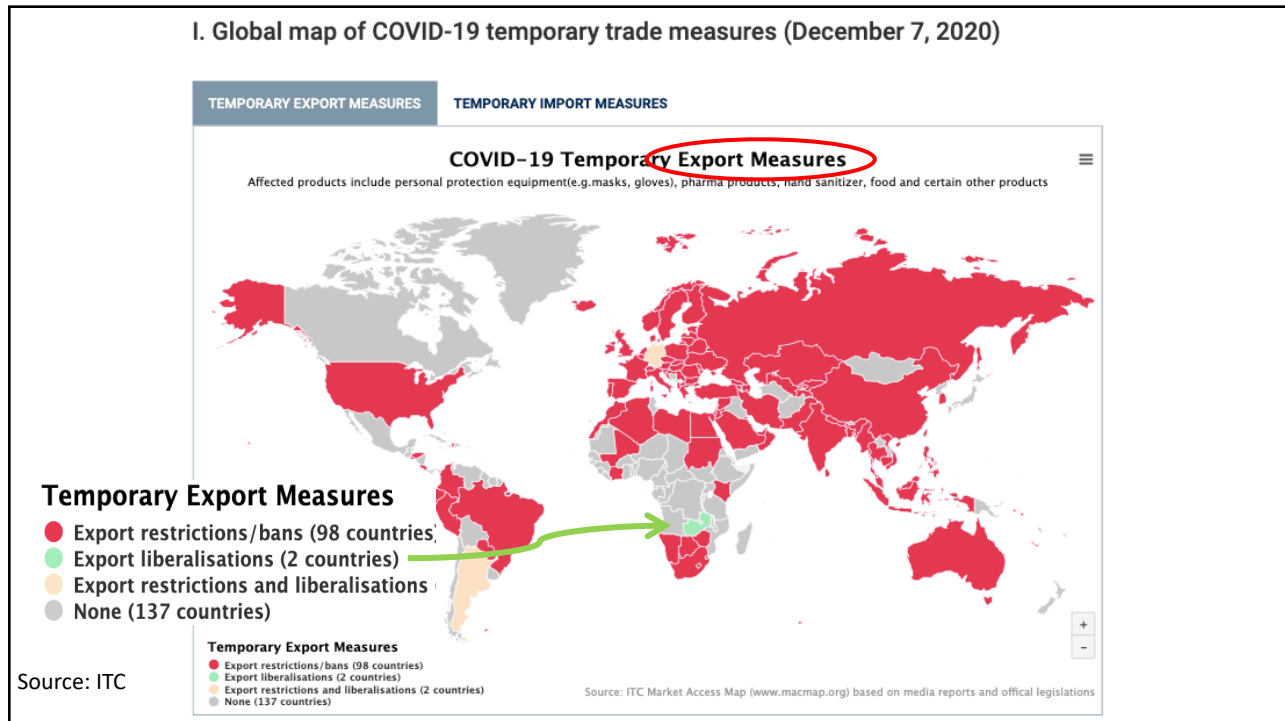
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Effects on Export Policies

• 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

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Effects on Trade Policies

Import Policies

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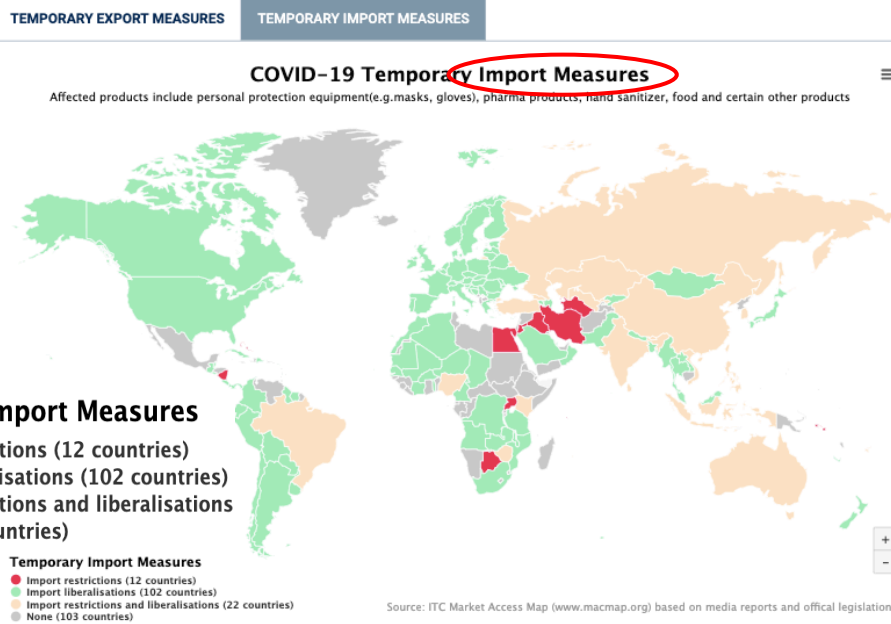
Effects on Import Policies

• Effects of the Pandemic on Import Policies


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

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I. Global map of COVID-19 temporary trade measures (December 7, 2020)




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Trade during the Pandemic

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Role of Trade During Pandemic

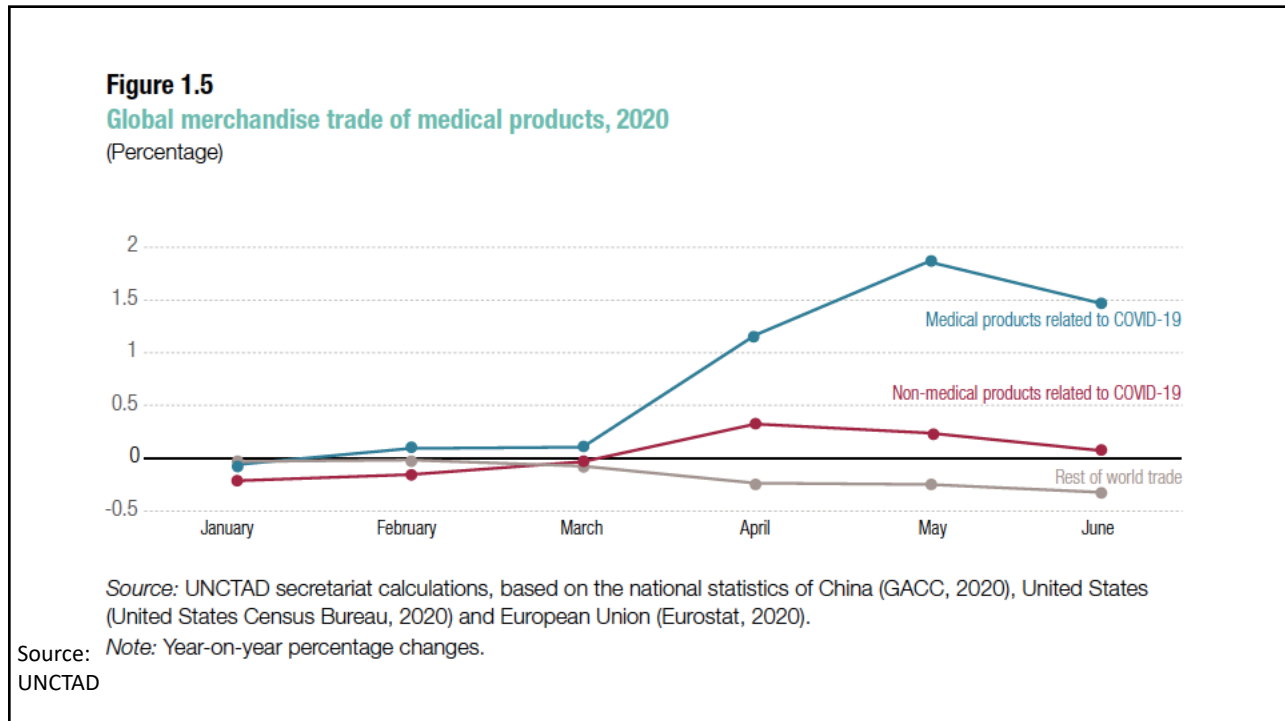
- **Trade in COVID-19 Critical Goods**
 - Trade increased, especially in PPE but also medical
 - Largest importer was US, both before and during
 - Largest exporter, after a lag, was China
 - Facemasks
 - Textile facemasks grew most
 - As did China's imports of the textiles
 - In spite of high import tariffs

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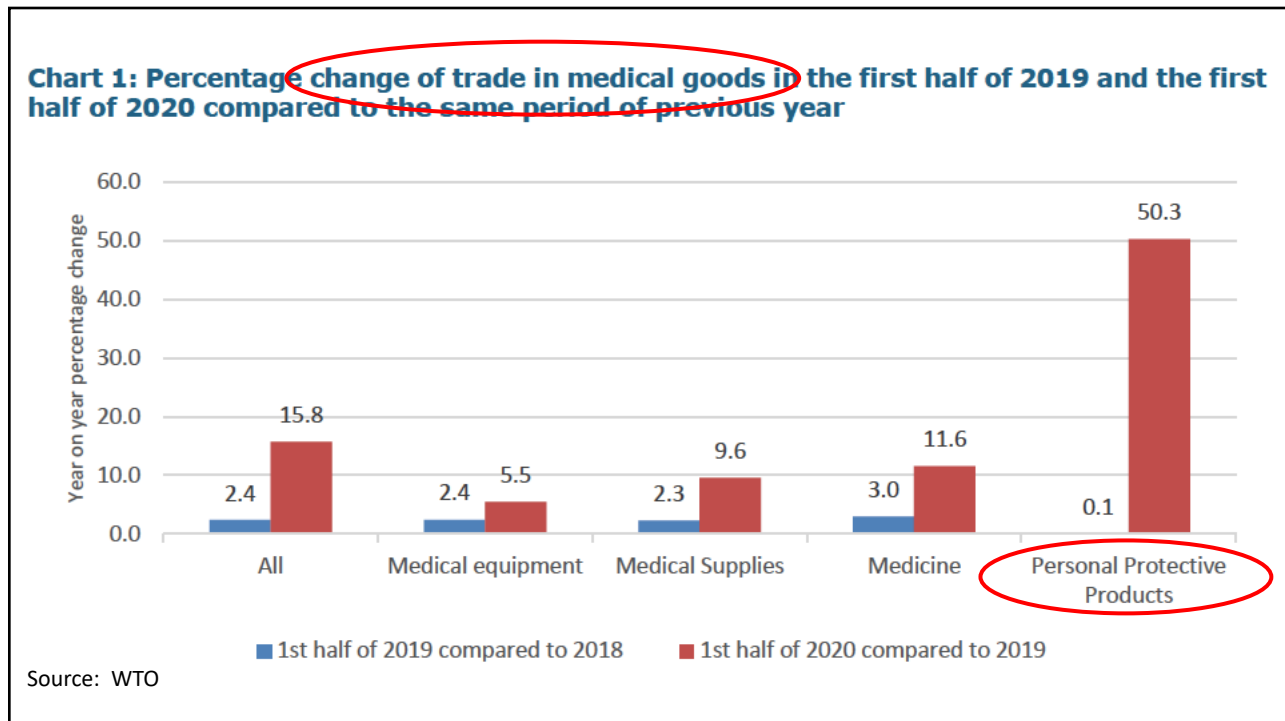
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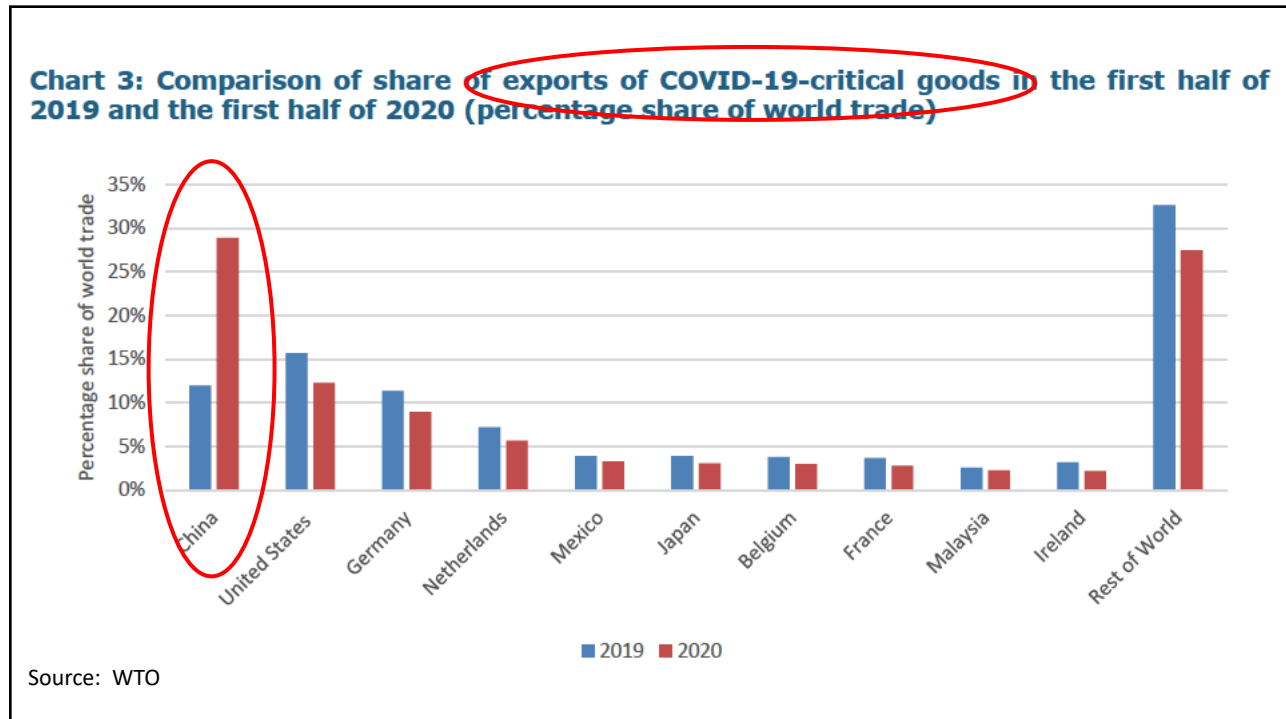
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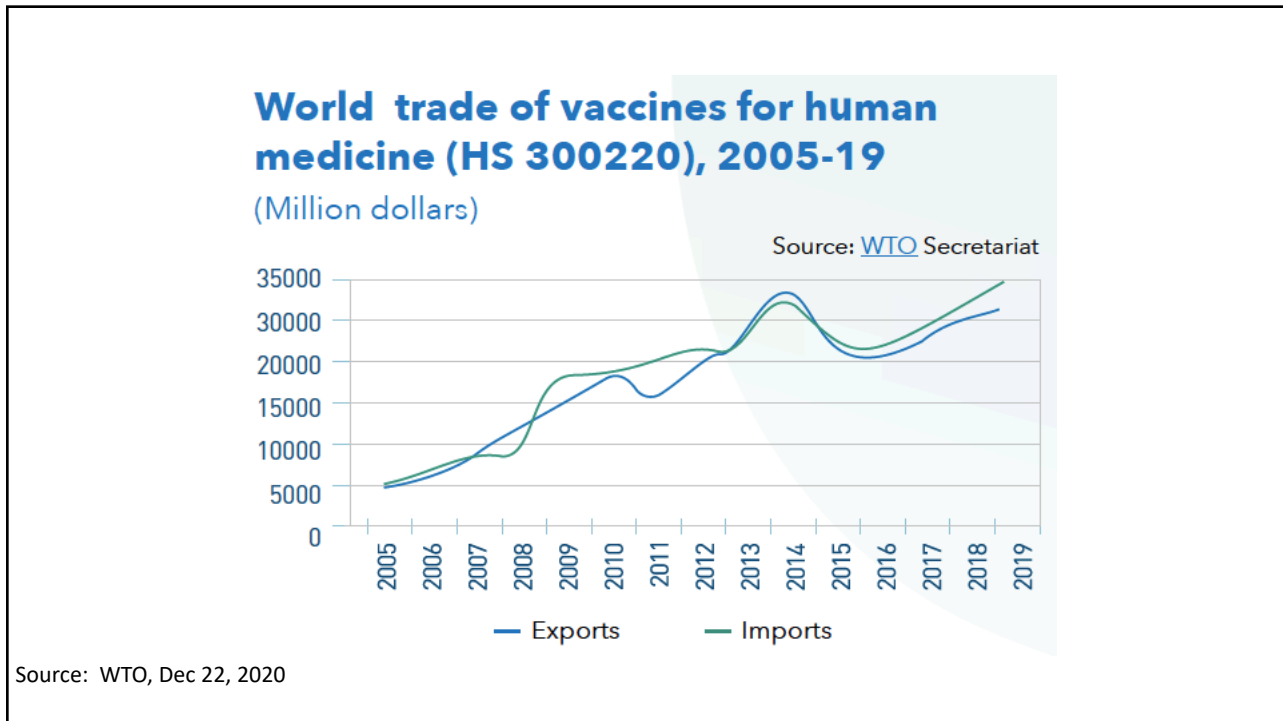
Role of Trade During Pandemic

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

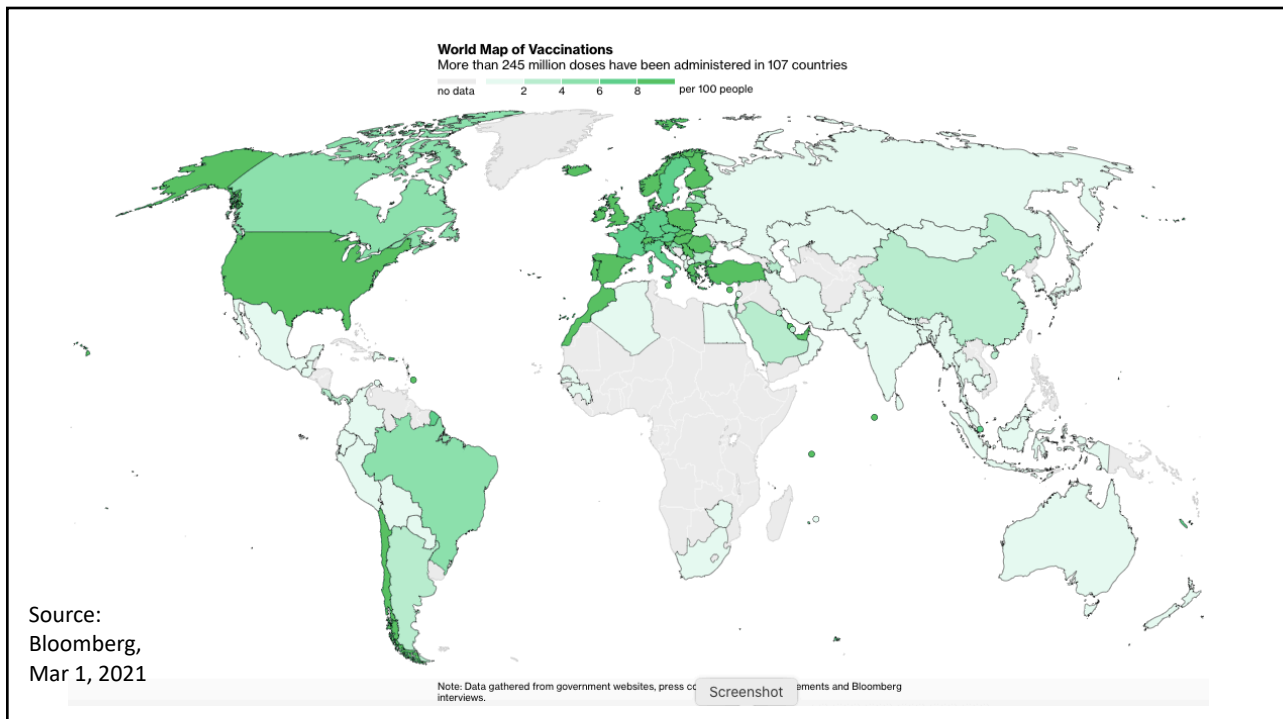
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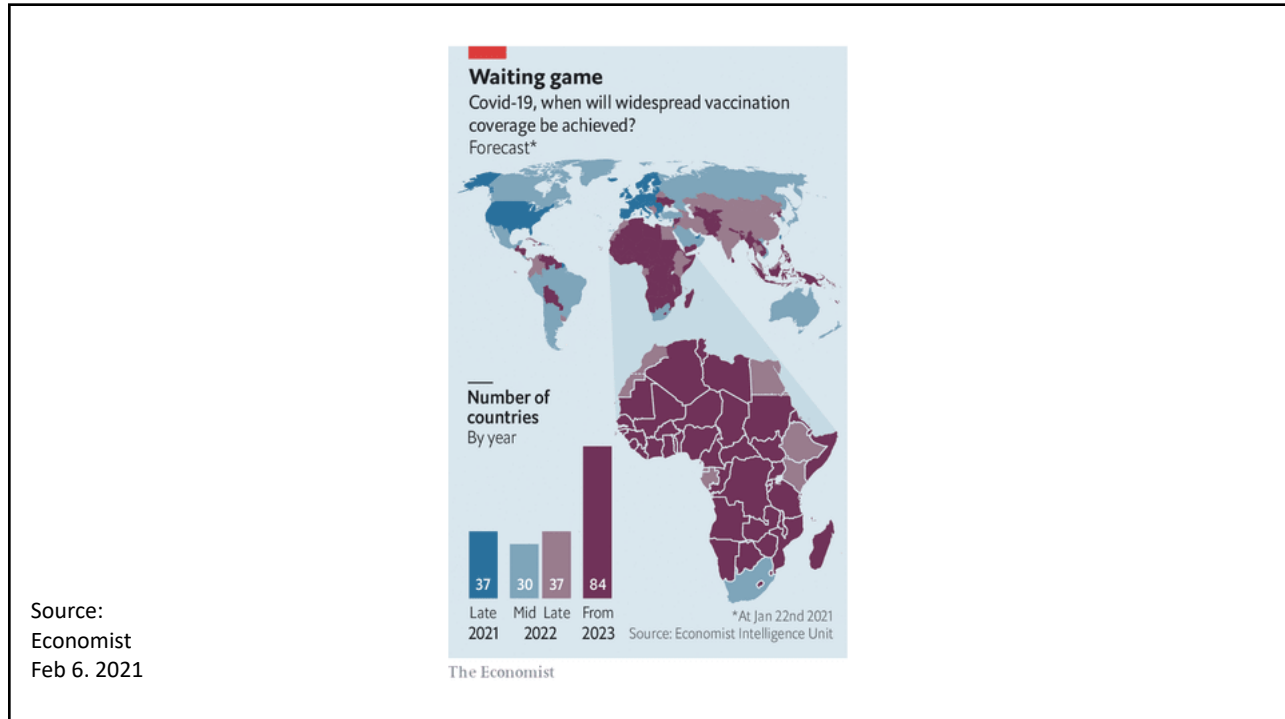
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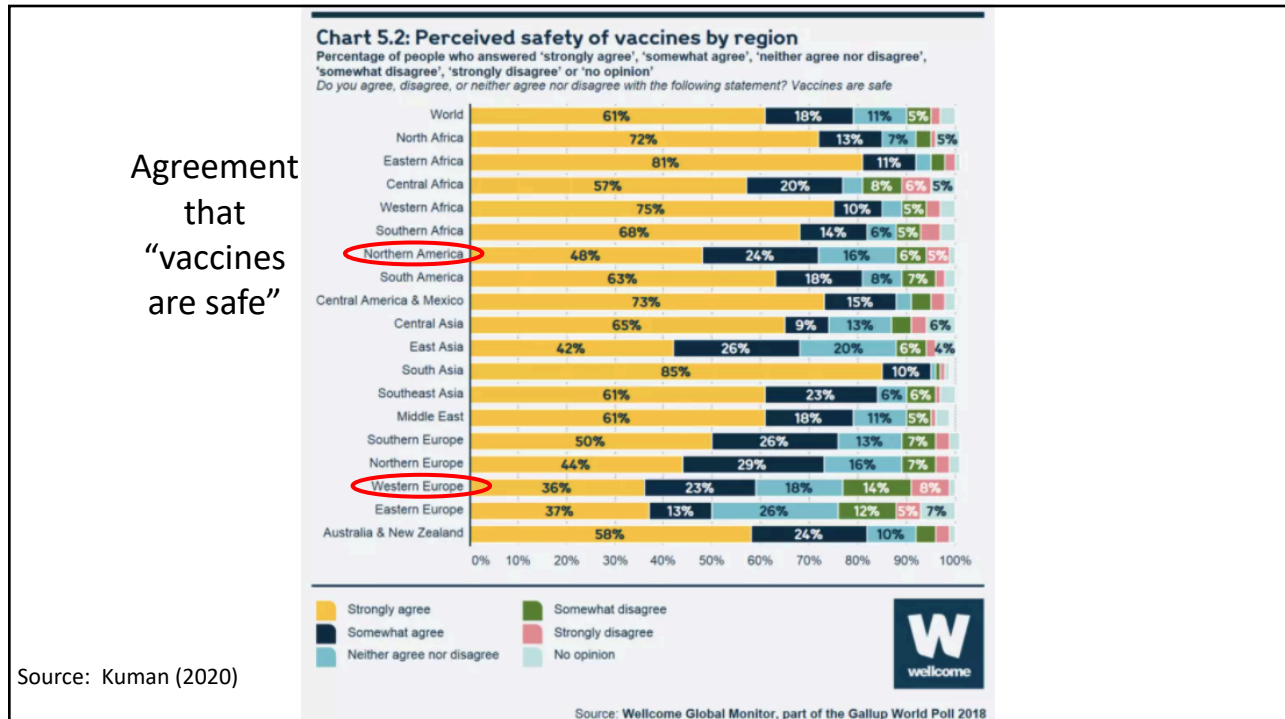


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Source:
Economist
Feb 6, 2021

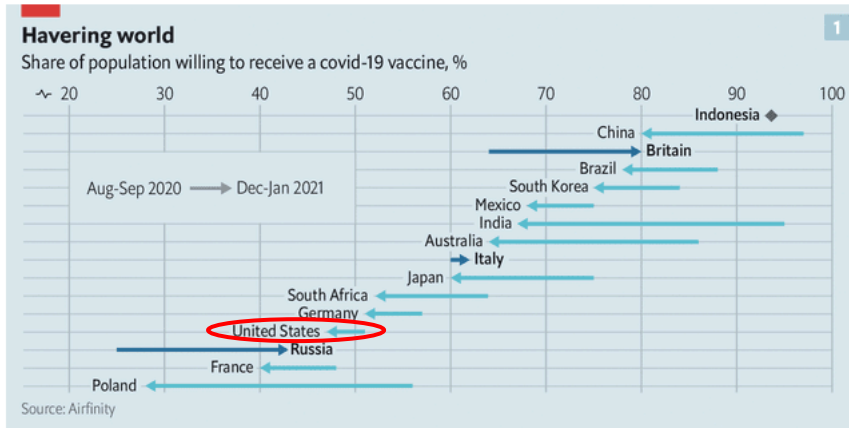
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Agreement
that
"vaccines
are safe"

Source: Kuman (2020)

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Source: Economist Feb 13, 2021

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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
- 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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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**

Thank you!

Thank you! Any Questions?

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