

## Global Economic Recovery Calls For Trade Policy Overhaul

By **Robert Holleyman and Himamauli Das** (May 19, 2020, 6:03 PM EDT)

The U.S. and other G-20 nations need a course correction in trade policy as the world recovers from the economic tsunami triggered by the coronavirus outbreak.

Without reorientation, our medical system will continue to face shortages and high costs for needed medicines and health products, while manufacturers and distributors will suffer broken supply chains — prolonging economic misery and frustrating recovery.

Today, nations have pulled up the drawbridge. Travel restrictions and export controls have been adopted by the U.S., the EU, China and many other jurisdictions to forestall contagion and ensure availability of medical supplies.

These efforts have been disorganized, rudderless and unilateral. And they have resulted in unintended consequences — launching a tidal wave that prevents industry from tapping existing supply chains and creates massive uncertainty while building new ones.

This can bury any hope of an effective pandemic response or a quick economic recovery.

Contrast this effort to the global response to the 2008 financial crisis, which resulted in coordinated action by global institutions, such as the World Trade Organization and the International Monetary Fund, spurred into action by the G-20 and the U.S.

In the aftermath of that crisis, global leaders not only implemented rapid measures to forestall contagion and rebuild the global economy, they had the foresight to develop the tools to respond to future crises — many of which are being deployed today.

Efforts at global cooperation to date have not been sustained. G-20 leaders acknowledged the gravity of the crisis, but their heavily caveated March statement fell short, overtaken by the backdrop of nationalist rhetoric.

For a world focused on finding effective and coordinated responses from trusted institutions, it was not



Robert Holleyman



Himamauli Das

a stirring call to action. Finance ministers coalesced in April around a debt suspension for low income countries, but left many questions unanswered about their overall commitment to cooperation.

Leaders in regional fora are preoccupied with the dire horizon facing their countries. Key multilateral institutions — at the World Health Organization and the WTO — are forging ahead with actions and analyses but without galvanizing force — and their expertise and commitment are being attacked.

We must have a course correction. In the next seven months, we will see meetings of the G-20 finance and trade ministers — the Asia-Pacific Economic Cooperation Health and Economic Dialogue and SME Ministerial, the IMF, and the World Bank in October, and the G-20 leaders hosted by Saudi Arabia in November.

On the table will be the potential for new measures that will get us where we need to be for economic reinvention and rebirth.

Countries will need to restart global trade and supply chains will need to be reinitiated. This will mean rethinking and reinvention of the trade landscape as we know it.

Central bankers — such as the U.S. Federal Reserve, the European Central Bank, and the Bank of England — have already built on the playbook from the Great Recession to help reduce stress in the global financial system through swap lines, facilitation of purchases of corporate debt, and a range of programs to enhance liquidity.

The IMF announced at its spring meetings that it is actively deploying its \$1 trillion lending capacity to support vulnerable countries, but it is already calling for additional resources as it sees the financial crisis deepen globally.

Near-term confidence building measures are required.

Countries can, on a regional basis, take temporary trade measures to reduce tariffs and limit export controls. Tariff reductions and ending trade controls will be anathema to some countries, but targeted measures negotiated on a regional basis can help reinforce supply chains and prevent countries from misusing market power.

APEC is one forum with a proven track record.

Technical experts from APEC health, environment, finance and trade ministries in the Asia-Pacific region have found common ground on voluntary tariff reductions and removal of trade barriers on environmental goods and information technology products where other global institutions have been stymied.

There is a pressing need to take action to meet medical supply demands, accelerate research and speed delivery of life-saving therapies and future vaccines.

The supply shock for health supplies such as face masks, ventilators, and hospital gowns has resulted — understandably — in reflexive action to ration availability.

But, governments will need to expand markets in order to incentivize innovation, and increase production and supply chains across borders.

A pernicious side effect of export controls is that they allow governments to control supply and favor national champions. There is already rampant speculation that governments are doling out ventilators and face masks to curry political favor and for global posturing.

China's shipments of medical supplies to Italy, states within the U.S., and developing countries are already being viewed through the prism of global competition, influence and domination, even as it imposes export controls to restrict availability.

Endemic in such governmental control of supply is corruption. Again, an effort targeted to a narrow, identifiable set of health and health-enabling products, through a regional discussion led by experts, has a greater chance to succeed where broad political demands will fail.

The upcoming calendar also presents several opportunities to reframe agendas and consider longer-term implications stemming from the health and financial crisis — both in ramping up measures to continue to prevent medical and financial contagion, and in responding to the challenges to trade, supply chains and economic connectivity that the health crisis has laid bare.

All present important opportunities for global policymakers to set a positive agenda, rebuild trust and chart a sustainable path for the decade or more that will be required for full economic recovery.

*Correction: A previous version of this article transposed the first and last names of author Himamauli Das. The error has been corrected.*

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*Ambassador Robert Holleyman is a partner at C&M International, an affiliate of Crowell & Moring LLP. He formerly served as deputy U.S. trade representative.*

*Himamauli Das is a senior adviser at C&M International. He formerly served as senior director for international trade and investment at the National Security Council.*

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