Anatomy of Trade Restrictions in the Wake of the Pandemic

Queen’s Institute on Trade Policy 2020
21 November 2020
Objectives of this presentation

- To summarise resort to trade-related policy intervention in the first 10 months.
- To highlight the implications for Canada’s commercial interests.
- To put these developments in perspective.
- To raise a fundamental question concerning the multilateral approach to trade policy during crises.
Global Developments

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Over 2,000 policy interventions affecting global commerce were recorded this year.
Disruption in Essential Goods sectors

**Medical goods & Medicines**

Cumulative global total number of measures introduced in 2020 that were still in force in the medical goods and medicines sectors.

**Food & Agri-Food**

Cumulative global total number of measures introduced in 2020 that were still in force in the food sector.

Source: Global Trade Alert.
More subsidies, more tariff cuts this year

Harmful

Liberalising

Source: Global Trade Alert.
Spillovers: Counts

Canada: 194 positive cross-border spillovers this year, 261 negative spillovers
Spillovers: Trade Affected

Canada: 1.9% improvement in market access this year, 9.3% worsening
Key finding: Huge variation in policy response across G20 nations
Temporary crisis-era policy intervention? Evidence from the G20
Implications for Canadian Commercial Interests

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Four types of foreign trade distortion implicate over USD 5 billion of Canadian exports this year.
Breakdown by major trading power and sector

Billions of USD dollars of Canadian exports

<table>
<thead>
<tr>
<th>Major trading power</th>
<th>Agriculture</th>
<th>Manufacturing</th>
</tr>
</thead>
<tbody>
<tr>
<td>CHINA</td>
<td>22.2</td>
<td>0</td>
</tr>
<tr>
<td>EU-28</td>
<td>7.9</td>
<td>47.3</td>
</tr>
<tr>
<td>USA</td>
<td>23.1</td>
<td>0</td>
</tr>
<tr>
<td>ALL THREE TOGETHER</td>
<td>49.3</td>
<td>9.3</td>
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</tbody>
</table>

Agriculture and Manufacturing contributions to Canadian exports.
Perspective & Questions Raised

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Comparing 2020 policy response with 2009: Governments had a choice, now and then

Source: Global Trade Alert.
Must an active, effective state harm trading partners?

- Current approach to multilateral trade rules during crises follows the Embedded Liberalism approach (Ruggie 1982), which essentially privileges *internal stability* over *external stability*.
- Implicit assumption is that an effective crisis-fighting state must harm trading partners.
- Experience this year calls that assumption into question: Examples.
- Don’t forget the major differences across the G20 in policy mix.
Clear gaps in WTO rulebook relating to:
- Use of export restrictions in manufactured goods.
- Subsidy rules.

Deeper point is whether the entire approach to WTO rules during crises needs to be rethought.
- Should WTO rules become tighter during crises, not weaker (as in the Embedded Liberalism approach)?
- WHO has rules that come into effect during pandemics (crises)—why not the WTO?
Want to learn more?

See our latest report, published last Monday

Available at

https://www.globaltradealert.org/reports/60

Collateral Damage
Cross-Border Fallout from Pandemic Policy Overdrive

The 26th Global Trade Alert Report
by Simon J. Evenett and Johannes Fritz