

POLITICO

Morning Trade

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March 19, 2020

Quick Fix

— President Donald Trump invoked the Defense Production Act in an effort to address a shortage of medical supplies amid the coronavirus outbreak, but his administration is not prepared to immediately begin placing orders and increase production of the items.

— General Motors is looking into using its shuttered production lines to make ventilators and other medical supplies to respond to the outbreak. Meanwhile, GM and other auto companies are temporarily halting production in North America to protect workers and sanitize facilities.

— The U.S. could see trade export and import numbers plunge dramatically as global economic output takes a hit due to the coronavirus, just as it did during the 2008 financial crisis.

IT'S THURSDAY, MARCH 19! Welcome to Morning Trade, where your host is determined to start reading more to unwind after long work-from-home days. Any non-trade-related fiction book recommendations? Trade tips to share? Let me know: srodriguez@politico.com or [@sabrod123](https://twitter.com/sabrod123).

Driving the Day

TRUMP MOVE WON'T SPEED UP AVAILABILITY OF MEDICAL SUPPLIES:

Hospital demand for brand-new masks, ventilators and gloves is spiking as the coronavirus outbreak spreads rapidly across the U.S. Yet Trump's action Wednesday to invoke his authority to help prevent the medical system from being overrun won't accelerate production or allocation of supplies.

The Trump administration has yet to complete a comprehensive assessment of the priorities despite weeks of discussion about using the Defense Production Act, according to current and former administration officials. It was only on Wednesday that Trump granted authority primarily to Health and Human Services Secretary Alex Azar to determine "the proper nationwide priorities" and to allocate all necessary health and medical resources and services.

Not on the ball: Lawmakers and former government officials who have been responsible for disaster preparedness and participated in exercises to game out responses in such national crises expressed alarm at the seemingly blasé approach.

"The government should be placing purchasing orders for this equipment and they should know what they are asking for," said Katrina Mulligan, former director for preparedness and response in the National Security Division at the Justice Department and former member of the National Security Council staff. "And right now it appears that neither of those things are happening."

What DPA does: The Defense Production Act gives Trump the power to expedite and expand the supply of necessary products by requiring businesses to fulfill orders deemed necessary for national defense. In the case of the coronavirus, the government could place an order with a private company for medical equipment needed — masks and ventilators are the two prime examples — and that company would be required to fulfill the government's order before anyone else's.

That doesn't mean, however, that the act increases the production of these items. It simply gives the government priority.

AUTO INDUSTRY COULD SHIFT TO MAKE VENTILATORS: General Motors is studying whether to retool its shuttered production lines to make ventilators and other needed medical equipment, after company officials announced Wednesday that it would stop auto production at all North American plants until at least March 30.

GM CEO Mary Barra was in touch with administration officials on Wednesday and "indicated GM is working to help find solutions for the nation during this difficult time and has offered to help, and we are already studying how we can potentially support production of medical equipment like ventilators," a GM spokesperson told POLITICO.

More automakers closing shop: Ford and Toyota also announced plans to stop production at all North American plants to ensure the safety and health of their workers. Toyota said in a statement the action, in part, was being taken "due to an anticipated decline in market demand related to the economic impact of the COVID-19 pandemic."

Nissan also announced it would temporarily suspend production in the United States. The companies did not immediately offer if they, like GM, are exploring the possibility of using their production plants to make ventilators.

Working together: Ford, United Auto Workers, GM and Fiat Chrysler announced Sunday they were forming a Coronavirus Task Force "to implement enhanced protections for manufacturing and warehouse employees at all three companies."

U.S.-CHINA TIES TAKE ANOTHER HIT WITH VIRUS: The U.S.-China relationship is on the verge of imploding as both sides look to assign blame for the coronavirus' origin and exchange tit-for-tat recriminations on other fronts. The fallout threatens the recent U.S.-China trade deal and could undermine future global stability.

So far, China appears to be meeting some of the deal's deadlines, but there are concerns that, given the damage the virus — as well as the trade war — has done to its economy, it may not be able to buy all the U.S. goods as quickly as it had promised.

Will phase two ever happen? The response and rhetoric surrounding the pandemic is now throwing into question whether the two sides will enter into a second phase of negotiations to address some of the more systemic issues that have plagued the U.S.-China trade relationship.

Steve Bannon, a former chief strategist in Trump's White House who has long warned about the dangers posed by a rising China, said any goodwill built up as a result of reaching the initial trade deal is now moot.

2008-09 TRADE PLUNGE REPLAY? Global trade volumes plunged sharply during the financial crisis of the late 2000s as consumer demand and business activity dried up. Here in the United States, exports fell 14 percent in 2009 and imports declined nearly 23 percent.

It's easy to see that happening again as a result of the coronavirus, Dan Ikenson, director of the Cato Institute's Center for Trade Policy Studies, told Morning Trade.

That's because trade falls when GDP drops, and GDP both in the United States and in the rest of the world could decline by a much greater amount than during the 2008-09 recession as the coronavirus wreaks havoc on both supply and demand, he said.

On the supply side, the cost of manufacturing goods and the cost of providing services will become more expensive. On the demand side, falling domestic consumption means less need for intermediate goods, raw materials, and capital equipment that accounted for more than half of the value of U.S. imports in 2019. It also means U.S. producers will have less output to export.

'Induced coma': "In 2008-09, there was a lot of bad debt that needed to be purged of the system. It took several years for the rebound to begin to take hold," Ikenson said. "It's unclear how quickly economies will rebound from the pandemic. We are in the process of putting the economy into an induced coma and it's anyone's guess how the patient will react once it's reawakened."

If governments are driven to increase self-sufficiency, there could be a long reconfiguration of supply chains that boosts costs and prolongs the recovery. "People may hoard and adopt a Depression-era mentality that our parents and grandparents used to speak about," Ikenson said.

Still, if the post-coronavirus world means less trade and more domestic production, "the United States is in better shape than most countries because — despite our prominence as the world's biggest trader — trade accounts for a small portion of U.S. GDP," Ikenson said.

Imports plus exports account for about 27 percent of GDP in the U.S., 37 percent in China and around 57 percent globally, he said.

TRUMP SHUTS DOWN TARIFF RELIEF ASK: Trump on Wednesday shot down a request from a coalition of 160 American business groups that he temporarily suspend his tariffs on more than \$360 billion worth of Chinese goods to help companies deal with the coronavirus fallout.

"China is paying us billions and billions of dollars in tariffs, and there's no reason to [suspend the tariffs]. They haven't even spoken to me about that," Trump said in a White House press conference. "I can't imagine Americans asking for that."

Trump went on to question whether the coalition requesting the action, Americans for Free Trade, was really an American organization. "Who heads the group? Those countries do. Go check. I'm sure, free trade," he said.

Not the Chinese: Jonathan Gold, spokesman for Americans for Free Trade, pushed back on Trump's remarks, emphasizing that the group represents thousands of American businesses and millions of American workers.

"This letter calling for President Trump to suspend tariffs was not sent by the Chinese," Gold said. "The letter shares the concerns of U.S. manufacturers, retailers, farmers and agribusinesses who have been paying for tariffs since the President's trade war began."

Lawmakers keep pushing: Reps. Stephanie Murphy (D-Fla.) and Joe Cunningham (D-S.C.) on Wednesday urged congressional leadership to include a temporary suspension of tariffs as part of Congress' upcoming coronavirus response bill.

International Overnight

— The stock market plunged again on Wednesday, nearly obliterating all of the gains of the Trump presidency, POLITICO reports.

— Medtronic, one of the biggest ventilator manufacturers, announced on Wednesday plans to double its capacity to produce and supply ventilators.

— USTR won't say whether the coronavirus will delay the start of trade talks with the United Kingdom, POLITICO Pro reports.

— Senate Finance Chairman Chuck Grassley took to the Senate floor to urge the Trump administration to offer a reasonable timetable for auto companies to comply with the USMCA's new auto rules.

— The Trump administration on Wednesday moved ahead with raising tariffs on European aircraft, indicating there will be no tariff relief amid the coronavirus outbreak and fears of a global economic meltdown, POLITICO Europe reports.