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Economists call for free trade to fight COVID-19 pandemic amid rising protectionism

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As protectionism and anti-globalization sentiments grow during the COVID-19 pandemic, economists have warned the danger of trade restrictions, saying that such measures would hamper the global efforts to fight the crisis.

A recent report from Global Trade Alert, a trade policy monitoring initiative, showed that over 20 countries have taken steps to ban or limit the export of medical equipment and medicines, indicating growing protectionism across the globe at a critical time.

Aaditya Mattoo, chief economist for East Asia and the Pacific Region at the World Bank, said it is a bit understandable for countries to impose export restrictions, but these actions are "almost always counterproductive."

"If each country imposes restrictions, then the global price increases even more than it would have. And it can end up being a self-defeating policy," Mattoo said at a recent press call, in response to a question from Xinhua.

The World Bank economist said such measures would hit those countries who rely on these badly needed medical supplies, especially poor countries such as Laos and Myanmar, which import a lot of drugs, ventilators and masks.

Mattoo's view is echoed by many, including Chad Bown, a senior fellow at the Peterson Institute for International Economics (PIIE), who argued that the European Union (EU) export restrictions on certain medical products could "compromise healthcare systems" in developing nations in Eastern Europe and sub-Saharan Africa that rely on the bloc for medical supplies.

Cape Verde, for example, imports 91 percent of its face shields and medical gloves from the EU, Bown wrote in a recent analysis. "If it is cut off from EU medical supplies, product shortages could limit the quality of care available to coronavirus patients and leave medical professionals at risk."

"We trade so that we can move from subsistence toward abundance. When we restrict trade, we limit the scope for specialization. When we limit the scope for specialization, we produce and consume (and save) less than we could," said Dan Ikenson, director of Cato Institute's Herbert A. Stiefel Center for Trade Policy Studies.

"This is true regardless of the products or services being restricted and regardless of the reasons offered by policymakers for those restrictions," Ikenson said in an article titled "protectionism kills" published Wednesday.

Jennifer Hillman, a senior fellow for trade and international political economy at the Council on Foreign Relations, urged countries not to impose tariffs or export controls so that "needed supplies can indeed move to where they are needed."

It is not just new restrictions that worry economists. Existing ones too. In an earlier blog, Bown from the PIIE argued that the Trump administration's tariffs on Chinese medical products may contribute to shortages and higher costs of vital equipment at a time of nationwide health crisis.

"In the last two years, Trump's policy has forced China to divert the sales of these products -- including protective gear for doctors and nurses and high-tech equipment to monitor patients -- from the United States to other markets," Bown wrote.

"And now the U.S. medical establishment faces looming trouble importing these necessities from other countries, which may be hoarding them to meet their own health crises," he added.

On March 10 and March 17, the Trump administration agreed to lift tariffs from many of the Chinese medical supplies, Bown noted.

Meanwhile, the U.S. government is reportedly considering to restrict federal agencies from purchasing foreign medical supplies and equipment, citing "Buy American Act," which has sparked harsh criticism.

"That would be a mistake," Ikenson said. "As a general matter -- and, especially during a pandemic -- the White House should avoid measures that impede Americans' access to affordable, quality medical supplies."

Echoing Ikenson's view, Bown said "trade protectionism -- whether it curbs imports or exports or applies 'Buy Local' regulations to purchases made by hospitals -- will strangle essential supply lines, raise prices, and cost lives."

On a positive note, the trade ministers of Australia, Brunei, Canada, Chile, Myanmar, New Zealand and Singapore have recently announced that they are committed to maintaining open and connected supply chains.

"More such commitment and policy actions are needed, especially from leaders of major economies like the United States, European Union, and China," Bown said.

"This was a time for countries to work together to fight the disease and keep trade open, not just in this bad time, but also to reap the benefits of trade in good time from the openness which has helped the world," World Bank's Mattoo said.

"The most effective vaccine against this virulent threat is international cooperation, and trade is an excellent antidote," he said.