**The trade policy implications of COVID-19.**

**Louise Curran. Toulouse Business School, France.**

As COVID-19 has spread across the world it has had major impacts on supply chains. While we don’t yet have reliable trade data for the beginning of this year, it is reasonable to assume that the impact on trade flows may be even greater than that for the GFC in 2009, where world trade fell by over 20%. Most of this trade impact is an entirely natural result of the closure of many production structures around the world, either by government decree or through local decisions by employers concerned to protect their workforce. However, some trade impacts are the direct result of trade policy interventions by governments, which presage a more major and long-term impact from the current crisis.

Even before the current crisis, companies were facing an increase in protectionism which is unprecedented in the modern era. In my work over the last couple of years with Jappe Eckhardt in the University of York, we’ve been following company reactions to this challenge (Curran and Eckhardt, 2019). In many ways they reflect what Glen Dowell observed in his recent [piece](https://one.aom.org/covid-19-insights-from-business-sustainability-scholars/covid-19-insights-glen-dowell), in relation to governments’ failure to anticipate COVID. We found that companies, at least in Europe, were pretty complacent about rising protectionism. Much to the frustration of their trade associations, they often ignored it, assuming that it was just rhetoric, that it would never happen and even of it did they were ready for it. Until many of them, like Bordeaux wine producers in my region hit by 25% taxes in the US market, discovered that it was real and that they weren’t.

Now COVID 19 has hit us on top of this existing context of disruption created by a trade war and rising concern about the future of the global trading system. Increasing protectionism and the undermining of the World Trade Organisation (WTO) have already fragilized the foundations on which MNEs have spread global production across the world. The pandemic has resulted in still further nationalistic interventions to ‘protect’ national production and supply of key goods, especially in the healthcare sector. For example, India restricted [exports](https://www.europeanpharmaceuticalreview.com/article/116145/covid-19-update-coronavirus-and-the-pharmaceutical-supply-chain/) of certain pharmaceutical compounds due to fears of local shortages, while the US recently [invoked](https://www.whitehouse.gov/presidential-actions/memorandum-order-defense-production-act-regarding-3m-company/) the Defense Production Act to restrict the export of protective masks made by the US company 3M to neighboring countries. Unfortunately, these are not isolated incidents, as Simon Evenett recently [highlighted](https://voxeu.org/article/export-restraints-medical-supplies-during-pandemic). They are a global phenomenon. Export restrictions such as these are clearly contrary to WTO commitments, as well as World Bank [advice](http://documents.worldbank.org/curated/en/509521585605825305/pdf/Do-s-and-Don-ts-of-Trade-Policy-in-the-Response-to-COVID-19.pdf) to governments on trade policy responses to the crisis. Any defense would rest on the idea that they are ‘necessary’ to protect human health.

Such direct government intervention to impose export restrictions on healthcare goods, raises the wider question of what industries are ‘essential’ and what policy interventions are ‘necessary’ to protect them in both the short and long term. I can’t help wondering how this shift in government trade policy during COVID will translate into trade and economic policy going forward? Revising long held perceptions that strategic industries are those related to defense and security may be a good thing and increasing national or regional self-sufficiency in key goods is probably to be welcomed, not least for the reduction of the environmental impact of long distance trade which it heralds. However, as Andrew Crane recently pointed out in his [contribution](http://one.aom.org/covid-19-insights-from-business-sustainability-scholars/covid-19-insights-crane), there are millions of vulnerable workers in developing countries dependent on trade openness for their livelihoods. Together with the short-term hardship created by the seizing up of global trade, they face the long-term prospect of an even more protectionist world emerging post-COVID, closing off many of their potential avenues to climb out of the crisis.

Finally, direct intervention to restrict trade in vital heath-related supplies is likely to further increase tensions between the key world trading powers and augers ill for post-crisis economic relations. Literally endangering the lives of supposed allies, as well as developing countries dependent on international supplies of such goods, during a crisis we all face together, will undermine future bilateral and multilateral cooperation for decades to come. The one thing I am sure of is that international relations will never be quite the same again and companies will have to live with the fallout from this new reality. The new ‘New Normal’ will be even less ‘Business As Usual’ than the last one.

**References**

Eckhardt, J. & Curran, L. (2019) ‘Corporate Strategy in Times of Anti-Trade Sentiment: Current Challenges and Future Scenarios’, in: Elsig, M., Spilker, G. & Hahn, M. (eds), *The Shifting Landscape of Global Trade*, Cambridge University Press, pp 48-72.