Introduction

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The COVID-19 pandemic has sparked broad-based resort to export restrictions on medical supplies and food. This eBook asks: Should governments react to the health, economic, and trade crises by turning inward? The authors provide an unequivocal answer: No. Turning inward won't help today's fight against COVID-19. National trade barriers in a world of internationalised manufacturing processes will make it harder for every nation to produce vital medical supplies. Trade is not the problem; it is part of the solution. Insular policies will also fail to foster economic recovery, and they are a threat to the collaborative spirit that the human race will need to defeat this threat.

On 26 April 2020, as we wrapped up this eBook, the world had suffered over three million confirmed cases of COVID-19 and over 200,000 deaths. Those are frightening numbers. But what is even more disturbing is the growth rate; today's death toll is twice what it was two weeks ago (Roser et al. 2020).[1] This sort of explosive growth has led to emergency policy reactions.

To slow the spread of the disease, governments around the world have imposed draconian containment policies – what the IMF has called "The Great Lockdown". Restrictions on our economic, personal, and social lives – strictures that would have been absolutely unthinkable just three months ago – are viewed as normal and necessary. Quite simply, the pandemic has changed the world faster than most expected and in ways few anticipated.

One of the least anticipated aspects has been the trade effects and policy responses – that is what this eBook is about: COVID-19, trade, and trade policy. It addresses a simple question.

1 For the latest data, see "Statistics and Research: Coronavirus Disease (COVID-19)", https://ourworldindata.org/coronavirus.

Should governments react to sharp falls in national income and the prospect of a second global wave of COVID-19 by turning inward and further weakening cross-border commercial ties? This eBook provides an unequivocal answer: No. Turning inward won't work – it won't help here and now in the fight against COVID-19 and it won't foster economic recovery.

Should governments react to sharp falls in national income, collapsing world trade, and the prospect of a second global wave of COVID-19 by turning inward and further weakening cross-border commercial ties? This eBook provides an unequivocal answer: No. Turning inward won't work – it won't help here and now in the fight against COVID-19 and it won't foster economic recovery.

The contributions to this volume make their case by assessing the trade and investment policy changes taken by governments so far during this global pandemic, by taking account of commercial realities on the ground including international supply chains, by drawing upon relevant precedents and analysis, and by considering alternative policy responses to protectionism.

A recurring finding is that many governments urgently need a shift in mindset. They need to understand that international trade is not a problem in this crisis; it is a core element of the solution. They need to realise that in the 21st century, open trade routes and international supply chains are critical to controlling and defeating the pandemic. The foundation of greater domestic policy effectiveness is undertaking inter-governmental cooperation on a number of fronts. Cooperation would yield great benefits.

On the positive side, the world's manufacturing can be used to produce vital medical supplies and critical medicines, and – eventually – to produce a few billion doses of the vaccine that will finally put the COVID-19 crisis behind us. On the negative side, a 1929-style vortex of short-sighted, nationalistic retaliations could hobble productive capacities for the whole world. If ever there was a time for world leaders to come together and cooperate in a common cause, it's now. The time for go-it-alone approaches is over. Quite literally, international cooperation is a matter of life and death.

To get historical perspective on today's policy reactions, we quickly review previous trade collapses and protectionist responses, starting with the 2008-2009 breakdown.

The coming world trade collapse: Bigger than 2008-09?

The fourth quarter of 2008 witnessed a sudden, severe, and synchronised collapse of world trade. It was called the 'Great Trade Collapse' for good reason.[2] It was the steepest drop of trade in recorded history, and the deepest fall since the Great Depression. It touched every nation on the planet and almost every category of goods and services.

In 2008, fears immediately arose that this terrible trade collapse would be made more terrible by a spiral of protectionist tariff hikes rivalling that of 1929. That didn't happen.

Having learned the lessons of the Great Depression, world leaders immediately committed to keeping trade and investment open. On 15 November 2008, G20 leaders declared: "We underscore the critical importance of rejecting protectionism and not turning inward … within the next 12 months, we will refrain from raising new barriers to investment or to trade in goods and services, imposing new export restrictions, or implementing World Trade Organization (WTO) inconsistent measures to stimulate exports."[3]

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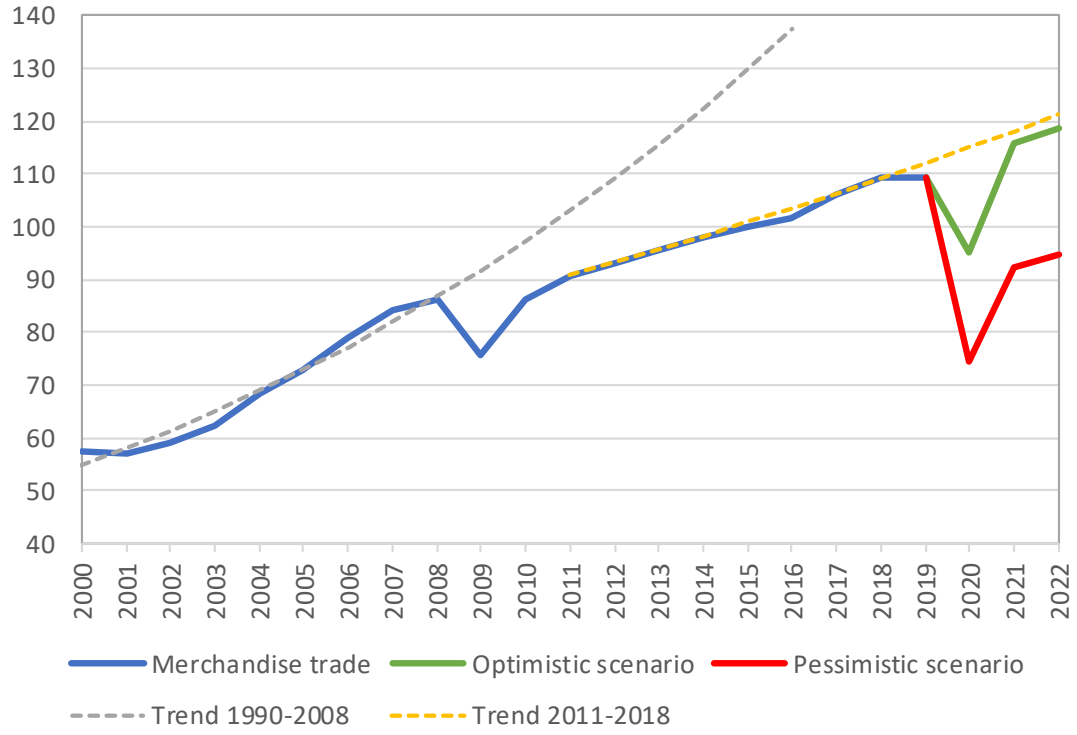
Some trade barriers went up despite the leaders' words, but there was no public tit-for-tat protectionist spiral.[4] The barriers that did go up were "murky protectionism", as we called it in our 2009 eBook (Baldwin and Evenett 2009).

If the 2008-2009 event deserved the label of the "Great Trade Collapse", today's experience should be called the "Greater Trade Collapse". WTO simulations (Figure 1) suggest that trade in 2020 will plunge by -13% or -32% under an optimistic and pessimistic scenario, respectively (WTO 2020). Either is substantially larger than the hit in 2008-2009, and in the pessimistic scenario, it rivals that of the Great Depression. The estimates, which were made in early April 2020, suggest the fall could be short and sharp if world income growth resumes rapidly, but in the pessimistic forecast scenario,

2 See Baldwin (2009) for extensive documentation of this drop.
3 See the full text at https://www.nytimes.com/2008/11/16/washington/summit-text.html.
4 For precise measures, see the Global Trade Alert Reports at https://www.globaltradealert.org/reports.

the trade drop does not fully recover by 2022. These figures are in line with World Bank estimates that world trade is already down by 5.7% this February compared to February 2019.

Figure 1 WTO forecast: The Greater Trade Collapse of 2020 (2015 = 100)



Source: WTO (2020). Notes: Trade volumes are an average of exports and imports; Figures for 2020 and 2021 are projections.

Why is today's trade collapse projected to be so much bigger? There are two clear reasons (Baldwin 2020):

- While the point-of-impact of the 2008 financial crisis was the US and the UK, today's crisis hit all the world's largest trading nations within a few months.

The US, China, Japan, Germany, Britain, France, and Italy – all of which were hit hard by the virus in the first quarter – account for 60% of world supply and demand (GDP), 65% of world manufacturing, and almost as much of world manufacturing exports.

- While the Great Trade Collapse was primarily caused by a collapse in demand, today's "Great Lockdown", as the IMF is calling it, is a serious supply-side disruption that is affecting all sectors in all of the largest economies in the world.

As in 2008, today's trade shock has been accompanied by rising concerns about a return to protectionism. What of such concerns?

The protectionist temptation and fears for the liberal trading system

Conventional wisdom has it that economic recessions are the handmaiden of protectionism. As mentioned, the experience of the early 1930s is a compelling historical example. The consequences were grim. Leading economic historians Barry Eichengreen and Douglas Irwin have argued: "While many aspects of the Great Depression continue to be debated, there is all-but-universal agreement that the adoption of restrictive trade policies was destructive and counterproductive" (Eichengreen and Irwin 2009).

Today, as in 2008, many global leaders are alert to the dangers of failing to heed the lessons of the past. The President of the World Bank, David Malpass, noted recently "I think countries need to step forward and say, we're not going to use the crisis as a reason to close our markets or to block our markets" (Malpass 2020). The IMF's chief economist, Professor Gita Gopinath, put the protectionist threat in perspective: "It is very important that this does not become a future where we reverse all the gains that we've got from globalisation."[5] But not all leaders see it this way.

Protectionism doesn't drop from the sky – it needs advocates who capitalise on tough times. Of course, advocates don't frame their proposals in terms of turning inward, they put forward other claims such as assuring security of supply. Noting likely shortages in medical supplies, in February 2020, Peter Navarro, a senior adviser to President Trump, argued:[6]

> *"This is a wake-up call for an issue that has been latent for many years but is critical to US economic and national security…If we have learned anything from the coronavirus and swine flu H1N1 epidemic of 2009, it is that we cannot necessarily depend on other countries, even close allies, to supply us with needed items, from face masks to vaccines."*

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5 Quoted in Rappeport and Smialek (2020).
6 Quoted in Politi (2020).

Milder sentiments have been expressed by other officials not typically associated with economic nationalism. The European Commissioner for Health, Stella Kyriakides, put the matter this way: "The issue of dependency of the EU vis-à-vis China, and other countries…was on the table before Covid-19" and "[The crisis] has highlighted this problem and we need to look at it, we need to ensure that we reduce our dependency on other countries."[7] Her colleague, the European Commissioner for the Internal Market, Thierry Breton, whose responsibilities include industrial policy, has opined that "globalisation has gone too far" and stated that "I am convinced that our relationship with the world after this crisis will be different".[8]

To date, no specific proposals for new industrial policies, trade discrimination and the like have been made. But it is easy to see an anti-trade localism gaining momentum – as the chief economist of the European Bank for Reconstruction and Development (EBRD), Professor Beata Javorcik, points out in her chapter in this eBook.

Different shocks, different protectionisms

The protectionist temptation can manifest itself in many ways. Given that 'protectionism' is such a charged word and is often solely associated with import restrictions, a better approach is to focus on the gamut of ways in which government actions discriminate against foreign commercial interests.[9] Those interests include importers and exporters, manufacturers, foreign investors, foreign owners of intellectual property, foreign workers, and owners of foreign data.

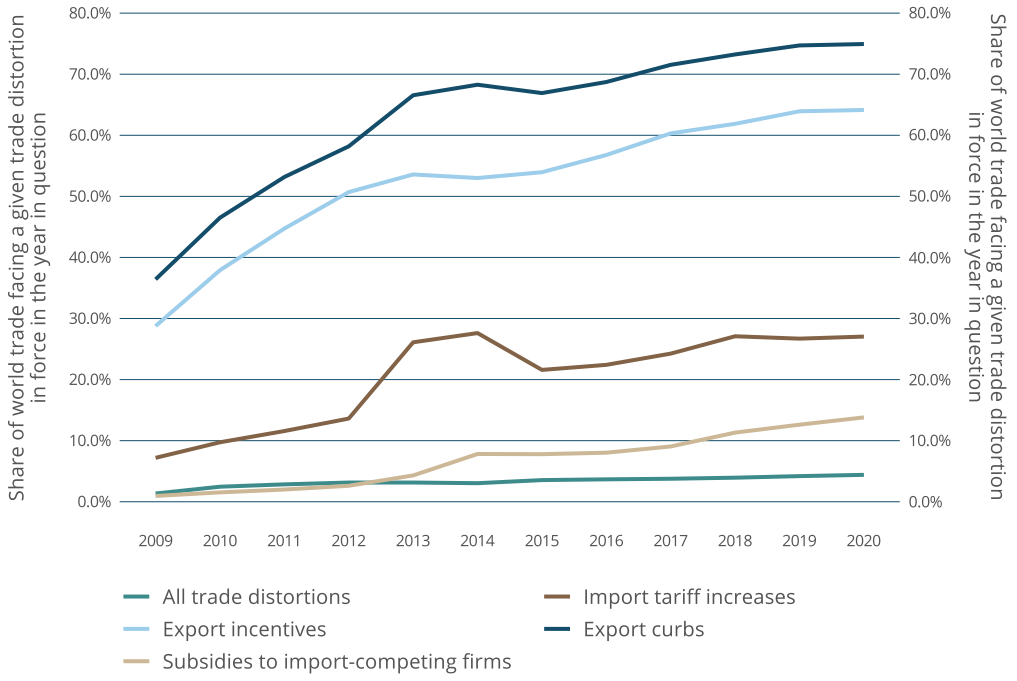
In the Great Depression, protectionism was mostly anti-imports. Trade protection took the form of tariffs since the goal was to shift demand toward domestic producers. Tariffs were supposed to do that by making imports more expensive, but it backfired. The supposed demand boost came by taking demand away from foreign producers, but foreigners retaliated with own tariffs and the result was a protectionist spiral. By short-sightedly trying to boost demand, nations collectively pursued a path that ultimately destroyed aggregate demand for every nation.

In the wake of the global financial crisis of 2008-9, protectionism tended more towards amping up exports than shutting off imports (Evenett 2019). As Figure 2 shows, trade affected by tariff increases rose steadily during and (especially) after the Great Trade Collapse, but nothing like the Great Depression's protectionist spiral to place. The

7 https://www.ft.com/content/c30eb13a-f49e-4d42-b2a8-1c6f70bb4d55
8 https://www.lefigaro.fr/flash-eco/thierry-breton-estime-necessaire-l-emission-d-obligations-pour-faire-face-a-la-crise-20200402
9 Notice the emphasis is on action, not words. Talk is cheap and government intent is hard to infer.

biggest and fastest rise in trade measures involved export incentives. Importantly, this episode taught us that 21st century trade discrimination is alive and kicking, but it often 'flies under the radar' – taking many varied, murky forms. As the chart shows, the role of tariffs has seen a rival since the Trump administration began its "war on trade".[10]

Figure 2 Shares of world trade covered by different trade distortions, 2009 – 2020.



Source: Policy interventions extracted from the Global Trade Alert database https://www.globaltradealert.org/. Trade data are from the UN COMTRADE database.

The protectionist policies related to the COVID crisis have been mostly anti-export. This sharp change in the form of intervention (compared to those of the 1930s and 2000s) is easy to understand. Today's problem is a lack of local supply – not a lack of demand as in the 1930, or a surplus of local production in the 2000s. These measures, however, are equally short sighted. Just as the 1930s tariffs triggered demand-crushing tariff retaliation, today's export strictures risk triggering a retaliatory spiral that ultimately destroys supply. This is great folly.

10 Starting in 2018, the US unilaterally imposing tariffs on steel and aluminium from all of its major trading partners, and most retaliated. Taxes on imports continued to rise substantially as the Trump administration imposed substantial tariffs on China's exports and China retaliated.

WHO (2020) estimated that output of personal protective equipment (PPE) needs to rise 40% globally to equip medical staff with the kit they need to care for COVID-19 patients. The numbers are enormous; per month, 89 million masks, 76 million examination gloves, and 1.6 million goggles are needed globally. Trade is a critical aspect of in this sector (Table 1).

Total trade in PPE amounted to $80 billion in 2017 (latest available year for all nations), and in this market – as in most – the biggest economies accounted for the lion's share of the imports. The first two columns of Table 1 show the five largest importers of PPE overall are the US, the EU, China, Mexico, and Japan. The next pair of columns shows that the US is also the largest importer from China; America bought $6.4 billion from China. The final pair of columns shows that China imported $1.4 billion from the US.

This is the crux of the interdependence point at an aggregate level. The US is heavily dependent on imports of PPE while simultaneously being a major exporter of PPE. And the same is true of China. Indeed, the US is China's number one customer and China is the US's number four customer. Plainly, a tit-for-tat retaliation between the US and China on PPE would hinder the supply of PPE in both nations.

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Judging from 2017 data, if China cut off exports to the US the way the US has cut off exports to China, US hospitals would find it even harder to find the PPE they need to care for the flood of COVID patients. This is a critical point, since the number of US COVID cases – and thus ultimately the number of COVID hospitalisations – has been rising rapidly.

These aggregate numbers alert us to the folly of nations thinking they can 'go it alone' during the pandemic. But the real devil is in the detail; it is the detailed, product-level analysis of international supply-chain trade in vital medical products that really drives the point home.

Table 1 Top five importers of personal protective equipment from the world, China and US, 2017 ($ billion)

In 2017, the top five importers of personal protective equipment from:					
Importer	From the world	Importer:	From China	Importer	From US
US	15.0	US	6.4	Mexico	3.4
EU	11.7	EU	5.1	Canada	2.6
China	9.7	Japan	2.7	EU	2.0
Mexico	5.9	Hong Kong, China	1.3	China	1.4
Japan	5.1	Mexico	1.0	Japan	0.6

Source: Authors' elaboration of online WTO data; https://www.wto.org/english/tratop_e/covid19_e/covid19_e.htm

Turning inward won't work

One of the most important messages found in the chapters of this eBook is that protectionism – or, if you prefer, government acts that favour domestic over foreign interests – isn't working during the COVID-19 pandemic. Not only does such protectionism harm foreign victims of COVID-19 and reduce the effectiveness of public health interventions abroad, it does little to advance the fight against the pandemic at home.

This critique of protectionism, therefore, is largely pandemic-specific. It differs from the traditional economic critique of trade discrimination on the grounds of resource misallocation and diminished incentives to cut costs, to innovate, and to increase productivity. We are not picking a bone with the latter arguments – rather, at a time when policymakers are rightly focused on public health concerns, many of the chapters in this eBook show that discriminatory trade policies have little to contribute.

> Protectionism has such meagre purchase because it does not directly address the root causes of the challenges facing policymakers during the COVID-19 pandemic. Almost always there is a more effective public policy tool that does not impede trade or gum up supply routes. The right question is not "can this trade policy instrument help?" but "which available policy instrument has the greatest positive impact?" Protectionist trade policy typically fails this test.

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Take, for example, the shortages in medical kit that have arisen in nations whose governments prepared poorly for the pandemic, failed to implement their pandemic plans, or ignored until too late the signals of developments in China, where COVID-19 broke out. Those shortages reflect a surge in demand for medical supplies, medical equipment, and medicines, not a collapse in domestic supply.

In this context, banning the export of medical products will make available some additional medical supplies manufactured inside the jurisdiction in question, much of which may have been sold to local buyers anyway. Such bans do nothing to incentivise additional production or the entry of new manufacturers. If production subsidies are not available (perhaps because it is politically unattractive for some of the subsidised product to be shipped abroad), then guaranteeing high minimum prices for firms selling medical supplies to the government is a more direct way to address shortages than export bans.

Export bans also disrupt business plans, frustrating the distribution of products and calling for changes in transhipment patterns. Matteo Fiorini, Bernard Hoekman and Aydin Yildirim, in one of their contributions to this eBook, use telling case studies of multinational firms to demonstrate these points (Box 1). The complexities of modern business operations need to be taken into account when designing pandemic responses.

The authors note that, even for those pieces of personal protective equipment that tend to be produced in a given nation for that nation's buyers, the option of securing additional supplies from production facilities abroad is valuable from time to time. Exercising that option is impossible if the government where the facilities are located abroad implements an export ban.

The propensity for protectionism to spread to other sectors and policy instruments is well known and has been confirmed since the onset of the COVID-19 pandemic. Fears about security of supply of agricultural products and food have already led some 35 governments to curb exports despite the patchy track record of such restrictions in the past. On the latter, Will Martin and Joe Glauber recount the ineffectiveness and, in some cases, counterproductive nature of food export curbs in the aftermath of the commodity price spikes of 2006-2008.

In other areas, discrimination against foreign commercial interests reinforces trends towards more restrictive policy evident before the COVID-19 pandemic. Przemek Kowalski recounts the steps numerous governments have taken this year to enhance screening of cross-border acquisitions of national firms and other asset purchases. Kowalski argues that the absence of any multilateral rule book for foreign investment screening increases the risk that these policies could be deployed in an unpredictable and discriminatory manner.

As noted in the previous section, some have sought to capitalise on the pandemic to advocate repatriating supply chains. In their chapter, Anna Stellinger, Ingrid Berglund, and Henrik Isakson remark that concentrating production in a single country is hardly risk-free, given the potential for environmental upsets like floods, earthquakes, and the like.

Moreover, in his chapter, Sébastien Miroudot argues that geographically concentrating production also erodes the resilience and robustness of supply chains. Still, as Beata Javorcik argues, there will be greater emphasis on supply chain resilience in the years to come. What policy intervention is needed to enhance resilience, however, deserves much more thought. It will be important to identify what market failure public policy needs to fix.

By allowing buyers to tap supplies produced in many national markets, individual supplier-specific and country-specific risks will be reduced. An open trading system offers risk sharing possibilities not found when production takes place exclusively at home – and this is an important and undervalued benefit of globalisation. Bad luck happens at home too, and smart buyers of medical kit and medicines can mitigate this risk by developing relationships with suppliers located abroad, but only if the governments involved do not impede them.

Given that governments have run into the limits of what unilateral measures can accomplish, however unfashionable it may seem to some, there still remain alternatives that involve some form of cooperation between governments. Here the non-discrimination principles of the world trading system provide a useful guiding principle in devising collective responses. Replacing discrimination at the national level with favouritism at the international level is indefensible when the products in question are needed to save the lives of patients suffering from the COVID-19 pandemic and to safeguard the health of the frontline medical professionals that treat them.

Indeed, on the harm to others, Chad Bown presents evidence on the dependence of developing countries on shipments of medical supplies from the EU and the US – which have now been compromised by both of the latter two's export restrictions. Failure to stamp out COVID-19 in the Southern hemisphere increases the likelihood of another wave of infection in the North. This is another example of how the perils of protectionism differ during a pandemic.

Box 1 Export restrictions backfire

3M is global manufacturer of respirators with plants in Europe, Asia, Latin America and the United States. As of January 2020, following the COVID-19 outbreak, 3M doubled its capacity to 1.1 billion N95 respirators per year. In the US, 3M aims to increase production by 40%, producing 50 million N95 respirators per month by June 2020.

On 2 April 2020, the Trump administration invoked the 1950 Defense Production Act to direct output of US companies in the national interest. On 3 April, a Presidential memorandum was enacted allowing Federal authorities to allocate medical resources to domestic use. These two orders meant an export ban of N95 respirators. On 3 April, 3M responded to Trump's export ban, pointing to the humanitarian implications of ending respirator supplies to populations in Canada and Latin America. 3M argued that "ceasing export of respirators produced in the United States would likely lead to retaliation by other countries which would decrease the net number of respirators being made available to the United States".

Proponents of open trade argue that the benefits are not conditional on global value chain production. For example, 3M follows a regionalisation strategy with close-proximity suppliers and importers, serving nearby customers through local sourcing. Therefore, even though supply chains are less of a factor for open trade on protective masks, open trade is still an important source of additional supply when needed.

Production efforts in curbing the shortage of PPE can be evident among US apparel makers such as Hanesbrands, as they expect to make more than 320 million masks. In France companies such as Chargeurs have converted textile fibre production to supply over one million masks per week. These new production initiatives illustrate the importance of access to information on production standards and ability to source inputs, including from foreign suppliers. Standards and certification of products are critical for safety, but the regulatory enforcement processes can be a constraint in responding to an emergency.

The risks of not having international cooperation on product standards is illustrated by China's decision to impose export license requirements in early April 2020. As a result, companies accredited by buyers in the US or EU were blocked from exporting due to lack of new certification in China. This evidence shows the importance of governments' role in fostering international regulatory cooperation and mutual recognition on accepted standards for medical equipment, and manufacturing plants both at home and in other countries in order to increase supply of medical and protective equipment. This would help prevent the rigid enforcement of national standards that restrict trade, especially during a time of crisis where unilateral action can have very high humanitarian costs.

Source: Drawn from the chapter by Fiorini et al. in this eBook.

Globalisation's potential contribution is magnified when governments cooperate

For some, international trade, production migration, and globalisation in general handicap national health initiatives to overcome the COVID-19 pandemic. Typically, this conclusion is drawn if go-it-alone national policy options are the only ones considered. But history shows that international cooperation is critical to rapid expansion of production. That's how it worked in manufacturing efforts in WWII.

Ethan Ilzetzki and Hugo Reichardt draw out three lessons for how government should react to COVID production needs from US munition production in WWII (Ilzetzki and Reichardt 2020). They find that, first, ramping up production takes time, particularly for non-specialist producers; second, international cooperation is needed to share knowledge on production technology and supply chains; and third, direct public investment in plant expansions should be part of the strategy.

Many of the contributors to this eBook frame the challenge in similar light – asking how international trade and a liberal trading regime could contribute more to tacking COVID-19. As Bernard Hoekman, Matteo Fiorini, and Aydin Yildirim observe in their chapter on international cooperation, given that so many medical products are produced using supply chains stretching across multiple national borders, the capacity of a nation's producers of these goods to scale up production as the pandemic spreads is contingent on being able to source enough parts, components, and raw materials from their supply chain. Doing so is optimised if every trading partner along the supply chain does not impede or delay the exportation of intermediate goods.

A related argument yields another implication. As Evenett and Winters (2020) have recently observed, the benefits that a nation derives from lowering import barriers on medical products and medicines during this pandemic are reduced if there is little available to buy at affordable prices as a result of the export bans imposed by trading partners. This matters now, for if the Global Trade Alert's information is to correct, over 80 governments have taken steps this year to reduce or eliminate import tariffs on medical supplies and medicines.

Seen in terms of the amount of medical kit sourced internationally, outcomes will fall short of expectations if exporting nations curb shipments abroad or if manufacturers shun sales abroad because they fear disrupted deliveries and non-payment brought about by such curbs. Turning this argument around, the benefits of foreign sourcing are increased if trading partners agree to forgo, or at least qualify, the use of export restrictions.

Surely the better alternative is to maximise the size of the pie and negotiate the division of the pie based on BATNA.

Another implication for trade policymaking is that the logic of reciprocal deal making in trade policy in such essential goods is not as straightforward as zero-for-zero tariff elimination. Such insights highlight the value of the initiative orchestrated by New Zealand and Singapore to remove at the same time trade impediments and eschew export restrictions on medical products.[11] Such initiatives are needed for, as Joost Pauwelyn shows in his chapter, there are few existing multilateral disciplines on the resort to export restrictions.

As manufacturers, exporters, and importers, and the transportation firms that service them, must plan then uncertainty over any relevant trade policies can crimp cross-border supplies and attenuate the benefits of a liberal trading system. To that end, it is important the governments follow best practices in transparency, including the prompt and complete notification of their actions to the World Trade Organization. In his contribution to this eBook, Robert Wolfe shows the degree to which governments are currently notifying COVID-19-related trade measures and the steps that can be taken to enhance the global public good of trade policy transparency during this pandemic and after.

11 https://www.beehive.govt.nz/release/nz-and-singapore-commit-keeping-supply-and-trade-links-open-including-essential-goods-and

International transportation networks have been severely disrupted by government-imposed lockdowns on economies. This disruption has been exacerbated by pandemic-era rules limiting the cross-border movement of seamen and women, which in turn prevent changeovers in ship crews. In their chapter, Inga Heiland and Karen Helene Ulltveit-Moe provide evidence of the impact of such regulations on the routes supplied by Norwegian shipping lines. They call for bans on crew changeovers to be replaced with measures that involve more screening (testing of crew). They endorse the International Maritime Organization's recommendation to governments to take steps that facilitate crew changes, which would allow for more cross-border supply of medical products and medicines now and, more generally, encourage a faster recovery of world trade.

In sum, during this pandemic there are many steps that governments can take together to enhance trade policy's contribution to the fight against COVID-19. The tragedy is that so few of them have come to pass. Rather than globalisation holding governments back, the reality is that globalisation has not been given a chance to demonstrate its potential in surmounting this global pandemic. Governments have the opportunity to redress this when preparing for a second wave of COVID-19 infection.

Concluding remarks

In his acclaimed history of the origins of WWI, titled The Sleepwalkers, Christopher Clark demonstrated that miscommunication and misunderstandings led largely well-meaning policymakers to declare war and upend a continent. As far as the world trading system is concerned, there are strong parallels to today.

Many nations claim fealty to the principles of liberal trade – yet they impose harmful export curbs on medical supplies and medicines and engage in other zero-sum behaviour. A nasty blame game has begun that calls into question whether certain nations are reliable suppliers. Vague notions of repatriating supply chains have been mooted. Meanwhile, the COVID-19 pandemic continues, piling pressure on policymakers to deliver results immediately. There is little near-term, let alone medium-term, thinking. International cooperation on trade policy is pitiful.

Must governments sleepwalk towards a spiral of export restrictions that make it harder for every nation to fight COVID-19? Our view is that is too early to write the obituary of the liberal trading system. Governments have more options than they realise – so they have a choice and they must choose wisely.

Practical considerations – which even the most ardent economic nationalists cannot ignore – also shift the choice from turning inward or not to how best to make the most of the current world trading system. It is impossible to fundamentally alter the pre-pandemic distribution of factories across the world in time for the second wave of infection of COVID-19. Policymakers must deal with the supply chains and patterns of international specialisation at they are, not as they might wish them to be.

While much has been made of China as the 'factory of the world', in fact, for the diverse range of goods that the WTO groups together as COVID-19 "medical products," in the vast majority of cases there are a large number of nations that are established exporters. To be precise, for the 80 categories of medical products identified by the WTO, in only 14 cases are there fewer than five exporting nations that consistently export more than $10 million per year. For 54 types of medical exports, there are ten or more nations that consistently export, according to calculations done by the Global Trade Alert Team using fine-grained United Nations trade data.

In practical terms, this means that a liberal world trading system gives health ministries, hospitals, and other medical service providers a wide range of suppliers to choose from. The fact that the COVID-19 pandemic hit different nations at different times implies that buyers can switch between suppliers and so reduce the risks of depending on any one of them. This facet of globalisation should be seen as a massive risk mitigation device. But for international trade to deliver its magic supply, routes must be kept open. Too many governments turning inward would frustrate this, exacerbate the coming collapse in world trade, and represent an unforced error of historical proportions. The price paid is not abstract – it is in lives lost.

There is also a moral case to be made in favour of international cooperation. A world where supply-chain trade is blocked, and local productive facilities are potentially nationalised in retaliation, is not a world where the dozens of nations without production facilities will be able to treat COVID patients safely.

Another risk is that the multi-polar world trading system can mitigate is over dependence on any one nation to foster collaborative solutions. That economic nationalists in one trading power have buried their heads in the sand does not excuse other governments from taking sensible unilateral action and from developing cooperative responses necessary to keep supply routes open.

This is not be the time for grand designs. It is the time for pragmatic steps that leverage mutual interests. The initiative of the seven-nation group, put together by New Zealand and Singapore, to keep supply routes open is a case in point.[12]

We reject the conventional wisdom that profound economic shocks must be followed by protectionism. History teaches us that turning inward does not work. Recent events, documented in the chapters in this book, reinforce that lesson. Past is not prologue. Governments have a choice.

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