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*Global Health Security:
COVID-19 & Its Impacts*

Price of Pandemic: Weakened Trade System Exposed

By Evan Rogerson

SYNOPSIS

The global trade outlook following the onslaught of the COVID-19 pandemic is undeniably dark. For a durable recovery it is imperative to build on the leadership that some governments have shown and revive the multilateral system.

COMMENTARY

2020 WAS never going to be a good year for global trade. At the beginning of the year forecasts for trade growth were largely downbeat. The United States-China trade confrontation was having a chilling effect that the limited truce announced in the “Phase 1” agreement did little to counter. Supply chains, especially in the Asia-Pacific region, were destabilised and businesses were facing an uncertain investment climate. The outlook overall was characterised by anxiety, to which the unpredictable policy environment was a major contributing factor.

The onset of the COVID-19 pandemic has quickly made all previous forecasts look optimistic. The World Trade Organisation (WTO) estimates that trade volumes could fall between 13% and 32% this year. The International Monetary Fund (IMF) forecasts the worst economic slump since the Great Depression of the 1930s. The simultaneous shrinkage of supply and demand, with business closures and soaring unemployment, have forced governments to jettison economic orthodoxy in favour of massive monetary and fiscal intervention.

Trade Prospects: From Grey to Black

With the focus understandably on the domestic front, trade measures have often been ill-conceived and incoherent. This is not a sustainable situation. From the Depression of the 1930s to the US-China trade war, there is ample evidence that restricting trade not only restricts recovery but also makes existing problems worse.

The immediate trade crisis has been the supply of medical and related material needed to treat patients and limit infection. The policy response, especially by the major economies, has been chaotic. Panicked internal market actions have been matched on the external trade side, with export restrictions expanding while many existing import barriers - like tariffs on soap - remain in place.

There has been no effective global attempt at a cooperative and coherent response. The G20 Leaders' Declaration of 26 March 2020 was a recital of good intentions at a high level of generality. It is instructive, and depressing, to compare it with, for example, the 2011 Cannes G20 Declaration, which was much more substantive and operational.

The G20 Trade Ministers' Statement of 30 March 2020 was similarly lacking in any operational content other than a commitment to notify measures to the WTO. This contrasts with the 15 April G20 Finance Ministers' communiqué, which at least included an action plan.

Weakened WTO Leadership: Enter the Smaller Players

The multilateral trading system, as embodied in the WTO, has done no better. Aside from the trade forecast noted above, the organisational response has been limited to statements, some in conjunction with other international organisations, and reporting trade measures notified by members (less than half the measures taken have been notified).

It took until 17 April for the WTO to hold a virtual meeting of government representatives, and this centred, incredibly, on procedural issues. Like the G20, the WTO did better in 2009, when then Director-General Pascal Lamy took the initiative to set up a pro-active system to monitor protectionist measures.

In the absence of leadership from traditional quarters, a number of smaller and middle-sized economies have stepped up to set an example of international co-operation. Singapore and New Zealand have taken the lead. On 21 March they announced a joint commitment to maintain open and connected supply chains and refrain from the imposition of export controls or tariffs and non-tariff barriers.

They also pledged to remove any existing trade restrictive measures on essential goods, especially medical supplies. Australia, Brunei Darussalam, Canada, Chile and Myanmar joined them on 25 March. Singapore and New Zealand gave formal effect to their commitments in a declaration tabled at the WTO on 15 April which they invited other WTO members to endorse. They have both specified the measures they are taking under the declaration.

Food Security: G20 Talks, Others Act

Next to the urgent need for medical supplies, another important trade concern has been maintaining access to food. The heads of the Food and Agriculture Organisation (FAO), World Health Organisation (WHO) and WTO have jointly warned about the potential negative impact of the pandemic on food security, especially for the poorest.

While at present global stocks and availability are high, export restrictions remain a threat. On 21 April G20 agriculture ministers issued a Declaration which underlined the importance of keeping food supply chains open but otherwise added little to previous exhortations.

The one specific commitment it contained was a reaffirmation of the agreement from Cannes in 2011 not to impose export restrictions on food supplies to the World Food Programme. The G20 leaders at Cannes also encouraged translating this into a WTO declaration by the 2011 Ministerial Conference. Yet some of the same G20 members, notably India, have blocked it at the WTO ever since, despite strenuous consensus-building efforts led by Singapore.

As with medical supplies, it has been ad hoc groups of members who have taken the initiative in the WTO. On 22 April Canada circulated a statement in which it was joined by many of the big players in agricultural trade, including the US, European Union and Brazil, but not China.

They have undertaken, inter alia, not to impose agriculture export restrictions; to refrain from implementing unjustified agricultural trade barriers; and to exercise restraint in establishing domestic food stocks of exportable products. There are weaknesses in this agreement (“unjustified” barriers, for example) but it is a significant step forward in policy co-operation nonetheless.

Keeping Multilateral System Alive

The multilateral trading system, like the G20, has been found wanting at the very moment it is most needed. This is largely because it has been seriously weakened over the past few years by the Trump administration. The US has not simply withdrawn from leadership in the WTO and other multilateral institutions, it has actively undermined them.

Other powerful members have not filled the leadership vacuum and the WTO Secretariat’s voice is muted. The activism of smaller economies, among whom Singapore stands out, is one of the few positive features of the current scene.

Informal and issue-focused coalitions of concerned governments have been the way WTO negotiations have made any progress at all since the death of the Doha Round. While they cannot completely fill the gap left by the abdication of major players, they are also the best present hope for sustaining and renewing the system so it can play its much-needed part in recovery.

Evan Rogerson is an Adjunct Senior Fellow with the Centre for Multilateralism Studies at the S. Rajaratnam School of International Studies (RSIS), Nanyang Technological

University (NTU), Singapore. Formerly a Director in the WTO Secretariat, he is also co-ordinator of the Singapore Trade Policy Forum. This is part of an RSIS series.

Nanyang Technological University

Block S4, Level B3, 50 Nanyang Avenue, Singapore 639798
Tel: +65 6790 6982 | Fax: +65 6794 0617 | www.rsis.edu.sg