

PubPol/Econ 541

Class 2

The State of Play in International Trade and Trade Policy II: Other

by

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Announcements

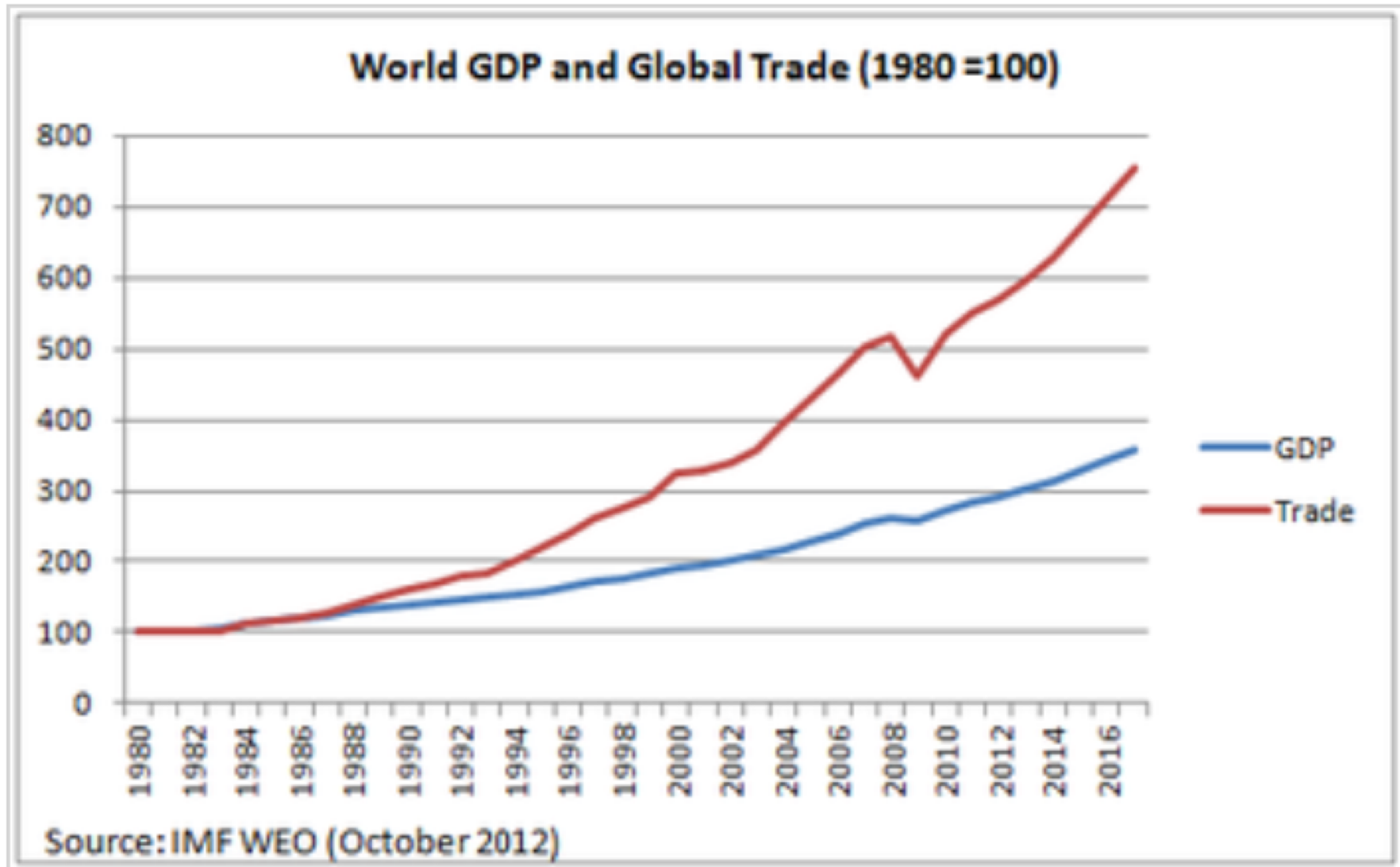
- Use Chat to say you want to ask or answer questions. I'll call on people in order.
- Note that if I don't get through all of my slides, you should view them later. (But not the Sep 1 class.)
- Office hours:
 - Feel free to enter even if others are there
 - If you want a private meeting, email me to schedule
- Give me feedback on the quiz

Pause for News

State of Play: Other

- Outline
 - Background from KOM
 - Brexit
 - Pandemic and Trade
 - Other Disputes and Actions

World Trade Growth



Pause for Discussion

Questions from KOM

- How much has trade grown? why?
- Who gains from trade?
- What trade between two countries depends on?
- Why is the gravity model useful?
- Do national borders interfere with trade?
- Why is trade in services growing?

Brexit

- Brexit Timeline
 - Jun 23, 2016: Referendum
 - UK votes to leave EU
 - Mar 29, 2017: EU exit provision triggered
 - UK PM initiates 2-year exit process
 - 2019: Several extensions asked and given
 - Jan 31, 2020: UK leaves EU
 - Transition period (policies unchanged) thru 2020
 - Dec 31, 2020: Transition period ends

Brexit

- Brexit policy implications if no “deal”
 - UK-EU tariffs revert to “WTO levels”
 - All other policies revert to those on outside countries
 - Regulations on products and services
 - Rights of foreign residents
 - Rights of foreign companies
 - UK-EU borders become international borders
 - Including between Ireland and Northern Ireland

Pause for Discussion

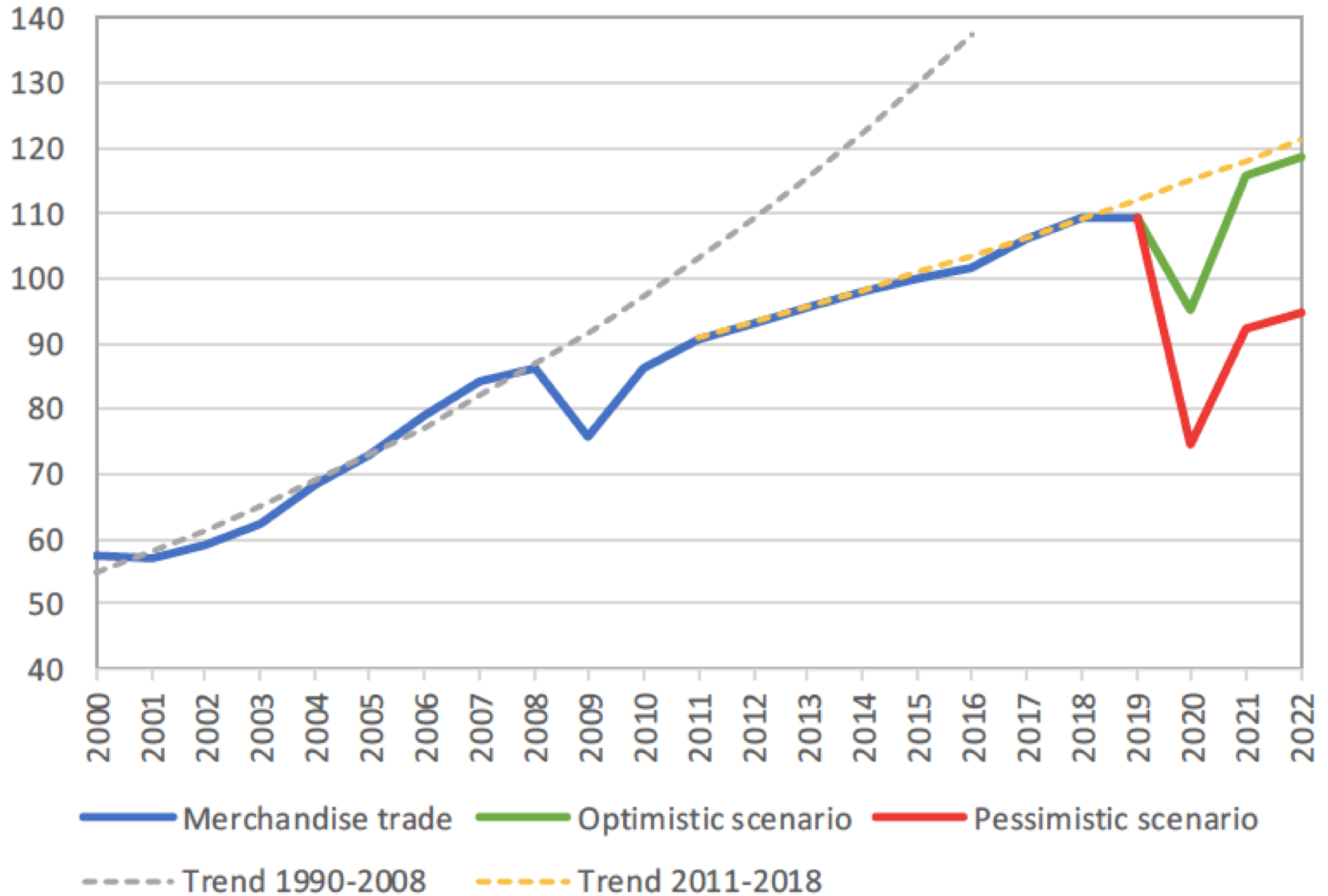
Questions on Brexit

- What are the policies involved in the issue of the “level playing field”?
- What do UK and EU want regarding fisheries?
- What other issues is the EU concerned about?
- Why will Dover need a new truck plaza?

Pandemic and Trade

- Drop in trade, due to
 - Factory shutdowns, first in China, then elsewhere, cutting supply
 - Supply chains interrupted, cutting supply even from factories not shut down
 - Incomes fell as jobs were lost, cutting demand
 - Some shipping, and most air transport, stopped due to virus (much normally rides with passengers)

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

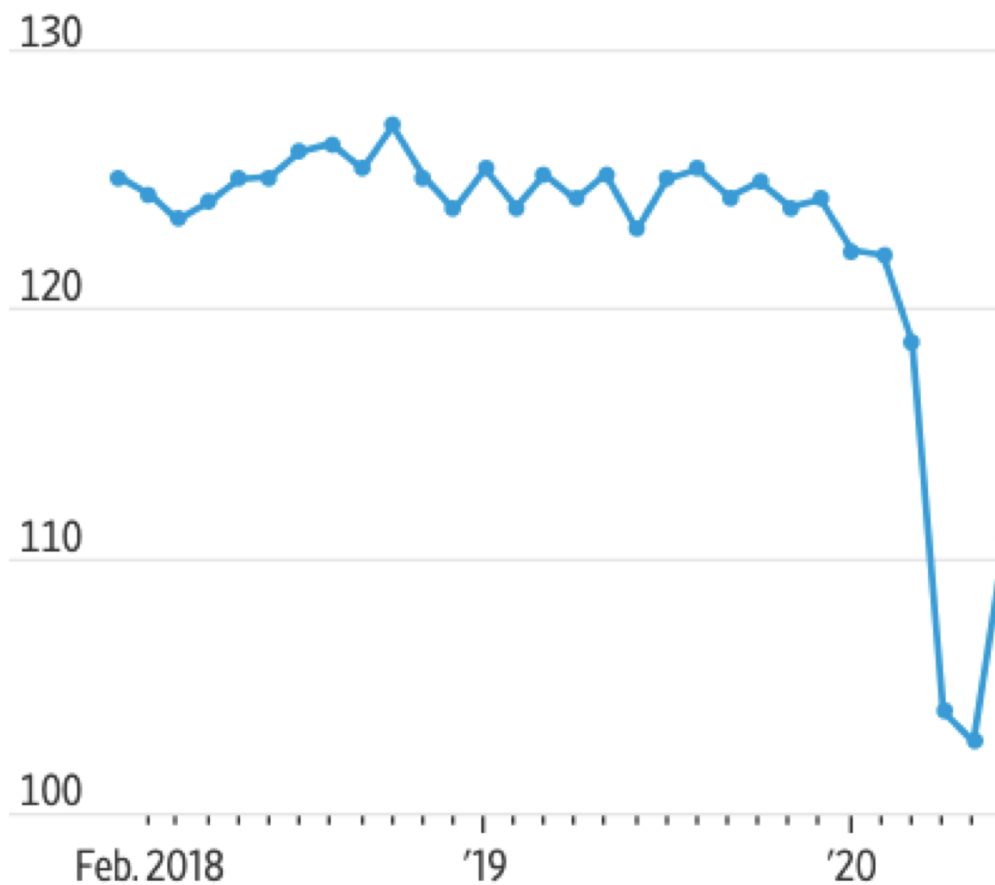


Source: WTO (2020). Notes: Trade volumes are an average of exports and imports; Figures for 2020 and 2021 are projections.

Record Drop

World trade volumes fell more sharply in the second quarter than at any time on record, but were already recovering as the period drew to a close.

Global trade volumes, indexed 2010=100



Pandemic and Trade

- Effects on policies
 - Export bans to keep in tools to fight virus
 - Import bans to keep out virus
 - Tariff reductions (just a few, to help needed access, mostly on medical supplies)
 - A group of countries committed to “keeping supply and trade links open” for “essential goods, especially medical supplies”

Pandemic and Trade

- Other effects
 - Seamen stranded on board
 - Kenya bans imports of used clothing
 - Countries race to be first with vaccine
 - Increased desire for self-sufficiency
 - Concern about trade in wildlife
 - Trade in education suffers
 - Price of oil became negative
 - Concern about reliance on China for PPE

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

Pause for Discussion

Questions on Pandemic

- Is trade being hurt more than the WTO expected?
- Why is the current trade collapse bigger than that in 2008-9?
- Why don't export bans work to protect access to covered products?
- Does the GATT/WTO have rules against export restrictions?

Other Disputes and Actions

- Disputes
 - Boeing-Airbus
 - Whiskey tariffs
 - US requirement of Hong Kong “made in China” label
 - Hong Kong says contrary to WTO
 - Counterfeit goods from China
 - US cracks down
 - Forced labor in supply chains
 - Australia reports forced labor in Xinjiang

Other Disputes and Actions

- Actions
 - Stopping foreign investments
 - By CFIUS
 - By Australia of China dairy takeover
 - Honoring geographical indicators (EU, China)
 - Ban of frozen meat (by region of China)
 - Tax breaks for reshoring (Trump?)

Other Disputes and Actions

- Actions
 - EU eliminates tariff on US lobster
 - First negotiated tariff reduction in 20 years
 - Pushed by US due to Canada-EU FTA
 - Increased checking of containers for smuggling

Pause for Discussion

Questions on Disputes & Actions

- Boeing-Airbus Dispute:
 - Why are US tariffs on the EU permitted?
 - Why can't the EU retaliate?
- What will Airbus do to end the dispute?
- What is CFIUS, and is it new?
- On what basis may investments be blocked?
- What are “geographical indicators”?