International Trade Norms in the Age of Covid-19
Nationalism on the Rise?

Nicolás Albertoni1 · Carol Wise1

Received: 23 July 2020 / Accepted: 30 July 2020 / Published online: 26 September 2020
© Fudan University 2020

Abstract
Simultaneous with the rise of trade protectionism in the twenty-first century has been a resurgence in nationalist politics, most notably in the USA, the UK, and parts of the EU. These developments in international and US trade policy, including Washington’s launch of a full-fledged trade war against China in March 2018, have converged disastrously with the outbreak of the novel coronavirus in November 2019 and the onset of a worldwide pandemic. Given the status of the USA as the world’s hegemon since 1945, what is new here is the effort of the Trump administration to abdicate US leadership, jettison longstanding alliances, and turn back the clock on the country’s close integration with the world economy. Already, greatly reduced flows of goods, services, and people have translated into radically reduced global growth, widespread business disruptions, and high unemployment. Remarkably, the White House has refused to recognize the severity of the pandemic and has undermined the precautions of the US science community. We argue that these multiple shocks constitute a major critical juncture on par with what the world community faced in 1945. However, in the twenty-first century we have seen that high levels of economic uncertainty and political instability have superseded the long-held notion that international interdependence would pull the world community through tough times such as these. Could the triple whammy of a destructive trade war, deadly pandemic, and secular decline of US leadership trigger a new generation of policy innovation and institution building on par with the post-1945 era? In terms of the global trade regime, it would be difficult to imagine a buoyant recovery of the world economy in the absence of a serious reckoning with the pattern of norm erosion that we identify here.

Keywords China · USA · World Trade Organization · Non-tariff barriers · Novel corona virus · Nationalism · Globalization

* Carol Wise
cwise@usc.edu

1 Department of Political Science & International Relations, University of Southern California, Los Angeles, USA
1 Introduction

On November 8, 2016, the seventy-year-old rule-based global trading system took its last breath—or at least this is what President-elect Donald Trump and his rust-belt base wanted the rest of the world to believe. It is true that the turn of the millennium marked a waning of the multilateral commitment to open trade, crafted as part of the post-World War II Bretton Woods order. The 1990s saw the completion of the Uruguay Round in 1994 and the incorporation of the General Agreement on Tariffs and Trade (GATT) into a newly created World Trade Organization (WTO) in 1995. Yet, the launching of the Doha Development Round in the immediate wake of the 9/11/01 terrorist attacks on the USA turned out to be a losing proposition. Doha signaled how multilateral trade rounds had become more heterogeneous, conflictual, and removed from the kinds of consensual decision making that characterized earlier multilateral negotiations under the GATT. With Doha falling into limbo nearly a decade after it began, the new century’s most notable trade accomplishment has been China’s 2001 accession to the WTO.

Other trade policy triumphs of the late twentieth century—including the signing of the Maastricht Treaty and formalization of the European Union (EU), the signing of the North American Free Trade Agreement (NAFTA), and creation of the WTO—had renewed some of the earlier optimism about the benefits of reciprocal market opening. However, the subsequent inability of WTO members to bring the Doha Round to successful closure and the rise in protectionist trade measures following the 2008–2009 global financial crisis (GFC) suggests that longstanding norms around multilateralism and reciprocity are eroding. Underpinning the failure of Doha was the absence of US leadership on par with that invested by Washington for the successful completion of the Uruguay round, as well as the reticence of the OECD bloc to adopt a more flexible stance vis-à-vis the developing economies. Domestic politics across the OECD bloc, but especially in the USA, were a further drag on Doha.

Trade politics have been especially contentious since the advent of the Trump administration (Boucher and Thies 2019). Remarkably, and in the absence of any credible empirical data, Trump won the US presidency on a nationalist-protectionist platform that vilified NAFTA and the yet-to-be-ratified Trans-Pacific Partnership (TPP). Trump made good on his campaign promises to pull out of the TPP and

---

1 With 164 members, 117 of which are developing countries, the WTO was created from the General Agreement on Tariffs and Trade (GATT) in 1995 and tasked, among other things, with expanding the coverage of international trade agreements to include the protection of intellectual property rights (IPRs) and trade-related services and investment flows. Not all member countries have signed on to these newer trade agenda items, which remains a key point of contention between North and South. Together, the WTO’s members account for about 98% of world trade. Available at https://www.wto.org/english/thewt o_e/thewt o_e.htm (accessed July 13, 2020).

2 The original twelve TPP members were Australia, Brunei, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, Vietnam, and the USA. After the withdrawal of the USA, the eleven remaining TPP members (Australia, Brunei, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, and Vietnam) regrouped and agreed on a new Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) which covers about 15% of the global economy. CPTPP
to renegotiate NAFTA, the outcome of the latter marking the first time ever that the USA has actually raised barriers to trade and investment within the context of a “free trade agreement” (FTA). The new US-Mexico-Canada Agreement (USMCA), which entered into force on July 1, 2020, is most detrimental to the North American auto sector, as higher content requirements will disrupt regional value and production chains (Wise 2020a). Even less predictable is the multi-front trade war that the US administration has declared, for varying reasons, on the EU, Japan, and China.

These alarming developments in international and US trade policy, including Washington’s launch of a full-fledged trade war against China in March 2018, have converged disastrously with the outbreak of the novel coronavirus—a fast-moving respiratory disease hereafter referred to as Covid-19—in Wuhan, China, in November 2019. By January 2020, the virus had spread erratically across the entire globe. The first pandemic of the twenty-first century, Covid-19 has proven to be more deadly and contagious than any virus since the 1918 Spanish flu. Beginning in February 2020, most of the USA and Europe had gone into quarantine, causing an abrupt drop in trade flows the world over. With the international economy at a virtual standstill, Covid-19 has mimicked the conditions for a natural social science experiment. That is, it has offered a real-world opportunity to measure the “before” and “after” on global trade flows, which shifted from fast-moving and tightly integrated patterns of international exchange, to the freezing-up of global value chains and cross-border trade, seemingly overnight.

Simultaneous with the rise of trade protectionism in the twenty-first century has been a resurgence in nationalist politics, most notably in the USA, the UK, and parts of the EU. Since scholars of nationalism remain divided over the precise origins of a world system comprised of sovereign nation states (Tang and Darr 2014), we take the 1945 United Nations Charter as our starting point. This enshrined the modern nation state as an entity whereby “nothing should authorize intervention in matters essentially within the domestic jurisdiction of any state” (The Economist 2008). In this article, our focus is on twenty-first-century nationalism, which has impacted both international economics and politics. If not entirely new, we note a more mean-spirited “us-versus-them” form of US nationalism that underpins Trump’s “Make America Great Again” (MAGA) program and the various policies and positions touted under this banner (Bremmer 2018). While some have compared Chinese President Xi Jinping’s “Chinese Dream” (to recapture the greatness of the Chinese empire by 2050) to Trump’s vision of “America First,” we beg to disagree. Whereas Chinese nationalism has varied over time and is more deeply rooted in the country’s political, cultural, and intellectual history, especially since the founding of the People’s Republic of China (PRC) in 1949 (Zhao 1997), Trump’s America First slogan boldly borrows from the isolationists and Nazi sympathizers led by Charles Lindbergh before the outbreak of World War II (Baker 2018).

Footnote 2 (continued)
entered into force in December 2018 and will cut tariffs on goods and services flowing between member markets, and it covers labor and environmental standards.
Given the status of the USA as the world’s hegemon since 1945, what is new here is the efforts of the Trump administration to abdicate US leadership, jettison longstanding alliances, and turn back the clock on the country’s close integration with the world economy. One might assume that those who have long opposed globalization, in both principle and practice, would take comfort from the rise of trade protectionism and nationalist politics. However, the eruption of Covid-19 amid these trends has exacerbated both and given rise to a stark and frightening possibility: a decoupled state system with diminishing good faith between Washington and the world’s leaders. Already, greatly reduced flows of goods, services and people have translated into radically lower growth, widespread business disruptions, and high unemployment. Our purpose here is not to draw clean lines of causality. It is obviously too soon to report findings on Covid-19 as a natural social science experiment because the end is nowhere in sight. Rather, taking 2010 as our baseline, we speak to the convergence of nationalism, trade protectionism, and the pandemic against a backdrop of high pre-existing levels of globalization.

We begin with a discussion of how the longer-term forces of globalization have proceeded apace despite the more recent antipathy toward it in the USA, the UK, and parts of the EU. We then turn to an analysis of nationalism in the twenty-first century, with a focus on the USA vis-à-vis China. Notably, Trump and his nationalist coalition in the USA have insisted that Covid-19 is a hoax and no worse than the regular flu, while China’s approach has been just the opposite. A following section traces the rise of trade protectionism following the 2008–2009 global financial crisis, all the way up to the US–China trade war (Albertoni 2018). We conclude with a review of preliminary data on the effects of Covid-19 on world trade, including an analysis of how the pandemic has provided cover for the deepening of protectionist-nationalist policies in the USA and elsewhere. Moving forward, we suggest that a full understanding of the effects of Covid-19 will require a methodological approach based on multiple independent variables interacting in a chain of causation. That is, no single cause can account for the complex political and economic uncertainty that the pandemic has unleashed on the world community. A final section summarizes our argument and findings and offers suggestions for further research.

2 Structural Change and the Second Phase of Globalization

In the seventy-five years since the end of World War II, we have seen a profound restructuring of the international political economy. We refer, first, to the repositioning of states in the international system and, second, to the ability of Bretton Woods institutions like the GATT/WTO to accommodate the rise of emerging economies and other developing countries as part of this process. The fruits of the US-led post-war reconstruction effort were in plain view by the 1970s. In his classic work, Governments, Markets, and Growth, John Zysman (1983) used manufactured exports as a share of world exports to document how Japan and Germany had caught up with the USA by the early 1970s. Within this context of upward convergence, the path to growth and economic prominence had been distinct for each country. This theme continued through the 1980s and 1990s, as a second phase of globalization took off.
(the first wave occurring at the turn of the last century) and barriers were lifted for trade, investment, and people flows. With new internet technologies driving data transmission and cross-border information, countries in East Asia, Latin America, and the former Soviet bloc took advantage of increased opportunities for international trade and investment integration.

By the late 1990s, developing countries as a group—led by China and secondarily India—had become the drivers of world growth. As China gained most-favored nation status with its WTO membership in 2001, growth of this combined developing-country group surpassed average US growth rates by about 3.5% annually between 2000 and 2007 (Subramanian and Kessler 2013, 3). In the case of China, the world has simply never seen anything like it: the rapid rise of a behemoth developmental state with a diehard commitment to high growth and economic advancement—which is also home to the largest population on earth (Lin 2012; Kroeber 2016). As Fig. 1 shows, China’s exports and imports shot up post-2001, and its inflows of foreign direct investment (FDI) have been on the rise since the early 1990s. The international community, for the most part, displayed good will toward China’s WTO entry and took this as a sign of the country’s support for the US-led liberal economic order under the ethos of Bretton Woods. The negotiations for China’s WTO entry took fifteen years and “were far more stringent than those previously negotiated by new developing-country members” (Breslin 2003, 213). Herein lies one of the precursors to the US–China trade war; more on this later.

Measuring the extent to which globalization has penetrated the world economy through an increase in flows of trade, investment, information, and people has been a subject of rigorous debate. Here, we draw on two separate databases. The first is the DHL Global Connectedness Index managed by researchers at New York

---

The most-favored nation principle at the GATT/WTO holds that every favor, privilege, or advantage that a member country affords to another member state must be extended to all other GATT/WTO members.
University’s Stern School of Business (Ghemawat and Altman 2016). This index measures the depth of globalization as a ratio of a country’s international flows compared to its gross domestic product (GDP). Taking a weighted average of all countries in 2016 (Contractor 2017, 164), the depth measure of merchandise trade was 75%, while the measure for services trade was 25%. The 2016 depth measure for capital flows was 25% for stocks and 25% for equity flows. On information flows, the depth measure for international Internet bandwidth was 40%, while the depth measure for people flows this same year was 33%. Despite acrimonious complaints about globalization from those who oppose it, these depth measurements suggest that—apart from merchandise trade—international markets are not as “global” as they have been portrayed in the public discourse of politicians, citizens and journalists.

A second globalization database upon which we rely is that of the Mckinsey Global Institute (2019). The data presented in Figs. 2, 3, and 4 offer the following insights. First, patterns of consumption in the developing world writ large are quickly rising and this bodes well for developed country exports to these countries. For example, the developing countries’ share of global consumption accounted for 38% in 2017 and this is projected to hit 50% by 2030 (see Fig. 2). Second, Fig. 3 depicts the simultaneous decline in global consumption on the part of the developed countries, such that the developed and developing countries will be neck-to-neck on this indicator by 2030. Third, Fig. 4 shows that developed country exports to the developing countries have grown from 23% of their exports in 1995 to 41% in 2017. If anything, these two sets of data suggest that globalization is proceeding regardless of the failure of the Doha Round and the concomitant rise in protectionism. Against this global scenario, the puzzle is why some countries have gone nationalist,
Fig. 3 Developing economies’ share of global consumption by region. Source: McKinsey Global Institute, Globalization in Transition: The Future of Trade and Value Chains, January 2019, https://www.mckinsey.com/featured-insights/innovation-and-growth/globalization-in-transition-the-future-of-track-and-value-chains in transition The future of trade and value chains/MGI-Globalization-in-transition-The-future-of-trade-and-value-chains-Executive-summary.ashx

Fig. 4 Developing economies’ share of global consumption by region. Source: McKinsey Global Institute, Globalization in Transition: The Future of Trade and Value Chains, January 2019, https://www.mckinsey.com/featured-insights/innovation-and-growth/globalization-in-transition-the-future-of-track-and-value-chains in transition The future of trade and value chains/MGI-Globalization-in-transition-The-future-of-trade-and-value-chains-Executive-summary.ashx
while others have stayed the course. Moreover, why has the USA wandered down a primrose path of protectionist nationalism, while most of its G-7 counterparts have refrained from doing so?

In the following section, we tackle this puzzle more assertively. Before doing so, let us review some of the economic forces that underpin the data from DHL and McKinsey. The McKinsey data, in particular, bear out the insights of Alice Amsden (2001) in her iconic book *The Rise of the Rest*. Although written two decades ago, we are now looking at one logical outcome of the process of structural transformation identified by Amsden: as the emerging economies have become a global motor for growth and consumption, they are also enjoying more of the spoils. Most prominent has been the reduction in global poverty rates. For example, World Bank data show that between 1981 and 2015 the percentage of humankind living in absolute poverty dropped from 44 to 9% of the world’s population (Contractor 2017, 176). In Brazil, for instance, the number of people living on less than $1 a day dropped from 31 million in 1990 to 10 million in 2013. Over the same period, China’s numbers dropped from 756 million to 25 million inhabitants living on less than $1 per day (Bremmer 2018, 37). Rates of illiteracy have plummeted in the developing countries, and life expectancy rates are on the rise.

Champions of globalization have couched their enthusiasm in neoliberal economic theories, which have long held that when markets are free all boats can rise together (Wolf 2004). But there is no wishing away the salary stagnation and rising inequality that has accompanied this second phase of globalization. Zero-sum distributitional trends are the downside of globalization, and these vary widely by country and region. In emerging economies like China, India, and Russia absolute income gains have occurred within the context of a widening distributional gap. In a pioneering study by Alvaredo et al. (2018, 105) on patterns of global income growth and inequality between 1980 to 2016, the authors found that in China “the bottom 50% grew 417%, while the top 0.001% grew more than 3750%...In Russia, the top of the distribution had extreme growth rates too, while bottom 50% incomes fell.” In the developed world, Table 1 shows that inequality in Europe over this same period was much lower than that of the USA. Nevertheless, after decades of post-war prosperity, Western nations in the OECD bloc are just coming to grips with how difficult it will be for the millennial generation to surpass the economic progress of their parents.

This is certainly the case in the USA, where polarized domestic politics and longstanding public policy failures are partly to blame for the rising inequality that stands out in Table 1. As Farok Contractor (2017, 170) writes:

Politicians demagogically put the blame on international trade, the offshoring of production, and immigrants allegedly robbing native-born citizens of their jobs. This assertion is true only in small part. For every one US job lost through international trade (1986–2016), informed analysts...conclude that three to four jobs have been lost because of automation, robotics, information technology, and other productivity boosters.

A year before Covid-19 struck, a Reuters/Ipsos poll reported that 74% of Indians and 87% of Chinese respondents saw their country moving in the right direction.
In contrast, just 45% of Americans expressed this same sentiment. Economic insecurity is one of the most frequently cited reasons for this US malaise. Beginning with the April 2000 dot.com bust, up through the 2008–2009 GFC, to the end of a decade-long commodity boom in 2013, the median wealth of middle class households in the USA had fallen by 28% (Bremmer 2018, 16–17). Whereas middle class households earned 62% of aggregate income in the USA in 1970, by 2014 their share had shrunk to 43%. “The top 1% of US adults earned 27 times what the bottom 50% earned in 1981. By 2016, it was 81 times higher” (Bremmer 2018, 27).

Despite low unemployment, a booming stock market, high productivity, and respectable US growth, in 2018 the Pew Research Center found that “today’s real average wage (that is, the wage after accounting for inflation) has about the same purchasing power it did 40 years ago. And what wage gains there have been have mostly flowed to the highest-paid tier of workers.” In 2016, the Trump-for-president campaign wove a bleak narrative around the data reported here: globalization (the cross-border flow of goods, capital, and information) was the boogeyman, the source of job losses, wage stagnation, and industrial decline in the USA. Immigration (legal and undocumented) was also to blame for workers’ losses, and the biggest culprits were China (“unfair trade”) and Mexico (with “massive” flows of undocumented labor into the US job market). Proposals for trade protectionism, anti-immigrant legislation, and the revival of sunset industries struck a nerve with America male voters between the ages of 25 and 55, a fair number of whom were neither working nor

---

4 Reuters/Ipsos Data: Core Political (2/22/2017), available at https://www.ipsos.com/en-us/news-polls/reuters-ipsos-data-core-political-2222017 (accessed July 5, 2020).

5 Data available at https://www.pewresearch.org/fact-tank/2018/08/07/for-most-us-workers-real-wages-have-barely-budged-for-decades/(accessed July 6, 2020).
looking for work (Eberstadt 2017). Herein lie the roots of US nationalism under the Trump administration, to which we now turn.

3 Nationalism Versus Globalism

Nationalism is a slippery term with a long history, and its definition can depend on where one sits (Crouch 2016, 221). The historian Eric Hobsbawm (1990), in the second edition of his seminal book Nations and Nationalism since 1790, declared nationalism to be on the wane. Yet, the surge of nationalist strife that followed the post-1989 breakup of the Soviet Union showed the extent to which borders and ethnic identities residing within them still mattered to these newly independent states. Some have identified the emergence of a twenty-first-century brand of nationalism in the West. This is certainly true of the USA, as an emerging literature has coined the combination of far-right populism and neo-nationalist impulses under Trump as “populist nationalism” (De Matas 2017, 19; Deegan-Krause 2019). Moreover, the decade-long recession that befell the EU in the aftermath of the 2008–2009 GFC saw the rise of nationalist political leaders in a number of countries, including France, Holland, and the UK. Remarkably, the rise of a new nationalism in the UK led to a June 2016 referendum that triggered the country’s exit altogether from the EU in 2020.6 However, none of these nationalist undertows relate directly to Covid-19.

Florian Bieber (2018, 520) offers a useful definition of pre-Covid twenty-first-century nationalism:

…as a malleable and narrow ideology, which values membership in a nation greater than other groups (i.e., based on gender, parties, or socio-economic group), seeks distinction from other nations, and strives to preserve the nation and give preference to political representation by the nation for the nation.

The overriding question in this section is whether Covid-19 has prompted aspiring nationalists to double down on their opposition to political and economic interdependence, open borders, immigration, and supranational entities like the EU (Haidt 2016, 52). Furthermore, has this rejection of globalism been detrimental to the international political economy and to trade flows in particular? In the case of the USA, the answer to both questions is clearly yes. Within the emerging economies, right-wing governments in Brazil and Hungary have openly used the pandemic to deepen their nationalist projects, although neither country carries enough economic weight to dampen global trade flows. Nevertheless, together, Trump, Hungarian President Viktor Orbán, and Brazilian President Jair Bolsonaro represent a new mutual admiration club, which symbolizes the very worst of twenty-first-century populist nationalism: protectionism, isolationism, xenophobia, anti-elite discourse, and bad manners to boot.

---

6 BBC News, Brexit: UK leaves the European Union, February 20, 2020, available at https://www.bbc.com/news/uk-politics-51,333,314 (accessed July 8, 2020).
When Jair Bolsonaro—a far-right backbencher with more than twenty unremarkable years in the Brazilian Congress—won the presidency in January 2019, Trump and Orbán were the first to congratulate him. Relying on Trump-style hate speech and Twitter blasts, Bolsonaro has pledged to “fight the Marxist garbage that has installed itself in educational institutions” (Londoño and Andreoni 2019), relax rules around gun ownership, shut down the diversity and human rights division at Brazil’s Ministry of Women, Family and Human Rights, and eradicate the land rights of the country’s large indigenous population. The pace at which big agro-industrial producers have burned pristine Amazonian rain forest land has exploded, as has the number of hate crimes reported nationally. When Covid-19 struck, Bolsonaro closed Brazil’s northern border, which had otherwise been open to Venezuelans fleeing their country’s three-year humanitarian crisis. Like Trump, Bolsonaro insists that Covid-19 is just another kind of flu, even as Brazil became a new epicenter of the pandemic (Dwamena 2020). The country has become an infectious pariah in the region, as the president himself tested positive for the virus.

In Hungary, since 2010 Orbán and his right-wing Fidesz party have woven an ideology of anti-globalism and xenophobia into the country’s institutions. Orbán touts a style of populist nationalism “that regards the elite and the people as two separate, antagonistic and homogenous groups…the people are pure and the elite are corrupt” (Enyedi 2015, 235). In 2018, Fidesz inserted new anti-refugee rhetoric into the country’s standard 8th-grade history textbook, informing students that “it can be problematic for different cultures to co-exist” (Kingsley 2018). The 2020 Covid-19 pandemic prompted the Hungarian Parliament to grant Orbán the right to rule indefinitely by decree, ostensibly to combat the virus (Krpec and Wise 2020). The nation’s borders were sealed and Orbán expanded autocratic reforms into journalism, universities, the arts, and even the church. The ruling coalition has spewed vitriol toward non-governmental organizations and moved to identify new enemies of “pure Hungarians.” Orbán and Fidesz have bragged about low Covid infection numbers, while test-kits and ventilators are scarce. Taking a page from Trump and Bolsonaro’s playbooks, Orbán has marginalized his own infectious disease experts within the domestic scientific community (Novak and Kingsley 2020).

As for the rise of populist nationalism in the USA under the Trump administration, since 1945 no other US administration has dared to make claims to nationalism. Why? Because this term is still so laden with the horrors of World War II, namely the destructive nationalist projects of the Axis bloc. Again, the White House brandishes the slogan “America First” “despite its association with the isolationists and Nazi sympathizers led by Charles A. Lindbergh before World War II, and [Trump] calls some journalists the “enemy of the people” despite the association with Stalin’s mass murders” (Baker 2018). The coincidence of the pandemic with Trump’s bid for reelection in November 2020 has raised the volume on this particular style of populist nationalism. The president laces his campaign speeches with references to racism, nativism, and appeals to anti-Semitism. In July 2020, the administration sought (but failed) to expel nearly 500,000 foreign students from the USA unless they attended classes in-person amid the pandemic. All of these antics, unfortunately, play well with his rust-belt base of voters.
Rather than combat Covid-19 with measures proven successful in Europe and Asia, the Trump team has relentlessly shifted the blame onto China as the source of the virus and referred to it pejoratively as the “kung flu.” As infections continued to soar across the country, the administration withdrew the USA from the World Health Organization (WHO) and refused to lift tariffs on Chinese imports of medical equipment that are vital for treating Covid-19 patients. Despite signing a “Phase One” trade agreement with China in January 2020, Washington has yet to lower tariffs on a significant range of Chinese products. Trade protectionism and maintenance of the US–China trade war is all the Trump team has to offer voters in the run-up to the November 2020 election. Whereas populist nationalism in the USA reflects a reckless disregard for the country’s historic role in upholding international rules and norms and leading a coalition of like-minded countries, Chinese nationalism is more focused on reclaiming China’s role as a great power.

In their critique of Chinese foreign policy under Xi Jinping, Orville Schell and Susan Shirk (2019, 9) describe a sense of “nationalist triumphalism” in the Xi era whereby “China’s assertiveness increased markedly in both international and domestic domains, and…has provoked a growing backlash in the United States and around the world.” As true as this may be, Chinese nationalism is an endogenous phenomenon with a history that dates back to the fall of the last dynasty in 1912. Unlike Trump’s populist nationalism, which has been cherry-picked from politically and morally repugnant movements put to rest in 1945, Chinese nationalism has ebbed and flowed through the last century of Chinese history (Zhao 1997; Chen 2014). Clearly, the earlier pragmatic/positive nationalism of Deng Xiaoping (“hide your strength, bide your time, never take the lead”) has been eclipsed by Xi’s mix of nationalism based on clamped down politics at home and a vacillation between cooperation and confrontation abroad (Wolf 2020). Chinese nationalism may be more reactive and defensive in the age of the pandemic, but in contrast with Brazil, Hungary, and the USA, Chinese nationalists have worked strenuously to combat Covid-19, while US nationalists have resisted doing so.7

4 A Decade of Rising Protectionism Prior to Covid-19

The original timeframe for completion of the Doha Round had been 2001–2005; although the negotiations were already limping in the wake of the 2008–2009 GFC, it was not until a late 2016 meeting in Nairobi that trade ministers from 160 member countries failed to agree to keep the negotiations going. The common narrative

---

7 At least one analyst has pointed to China’s new diplomatic tactics since the start of the Covid-19 pandemic, whereby Beijing has adopted a more proactive media presence in an attempt to strengthen its image abroad. Described recently as “wolf warrior” diplomacy, we could perhaps interpret this as a pandemic-specific form of nationalism. Our point, however, is that nationalism (in all of its varieties) has not prohibited the PRC from taking responsibility for combatting the pandemic, while US nationalists have simply refused to do so. See China’s “wolf warrior” diplomacy gamble, The Economist, May 28, 2020, available at https://www.economist.com/china/2020/05/28/chinas-wolf-warrior-diplomacy-gamble (accessed July 26, 2020).
held that it was “new” issues on the trade agenda championed by the OECD bloc—
the liberalization of services, investment and the protection of intellectual property
rights (IPRs), which clashed repeatedly with those of powerful emerging economies
like Brazil and India. The latter, in contrast, were most adamant about the liberal-
ization of “old” sectors like agriculture and manufacturing in developed country
markets. This is true, up to a point. In fact, “the rise of the rest” now demanded
fresh thinking and organizational reforms to guide a transforming multilateral order
in which developing countries now comprised the majority. The newly formed
Group of 20 (G-20) developing/emerging economies at the WTO insisted that their
increasing degree of international integration and their importance to global growth
demanded a serious leveling of the playing field.\footnote{Founded at the Fifth WTO
Ministerial Conference in Cancun, Mexico in 2003, this group is not
to be confused with the G-20 that emerged in the wake of the 2008–2009 global financial crisis. The
original members of the G-20 within the Doha Round were Argentina, Bolivia, Brazil, Chile, China,
Colombia, Costa Rica, Cuba, Ecuador, Egypt, El Salvador, Guatemala, India, Mexico, Pakistan, Par-
aguay, Peru, Philippines, South Africa, Thailand, and Venezuela. See: G-20, the developing-country
coalition. \textit{Focus on Trade}, no. 98, April 2004, http://www.papda.org/article.php3?id_article=17&var_}
recherche=G20%2C+the+developing (accessed December 23, 2019).

Doha was the WTO’s first time out in hosting multilateral trade negotiations—the
ninth trade round since the founding of the GATT in 1948—and it would be hard
to put a positive spin on the WTO’s performance. There is a wealth of postmor-
tem analysis on the failure of the Doha Round. A first group of analysts lays the
blame on the unsatisfactory outcome of the Uruguay Round (1986–1994), especially
from the standpoint of the developing countries. Stiglitz and Charlton (2005, 2) note
“the expectations of the developing country members had been tempered by nega-
tive experiences from previous rounds of trade negotiations…After the [Uruguay]
Round had been completed and an agreement signed, developing countries felt that
they had not been fully aware of the cost of the obligations they had agreed to.”
This view is echoed by two World Bank economists (Finger and Nogues 2001), who
characterized the Uruguay Round as the “politics of imperialism…the concessions
the North gained (the South gave) in new areas were entirely unrequited.”

A second critique of the transition from the Uruguay Round to the Doha Round
was attitudinal. Pascal Lamy, Director-General of the WTO from 2005 to 2013, had
questioned the G-20 when it came to the fore at the 2003 Cancun Ministerial, won-
dering aloud how long it could possibly last. After touting the Doha Round as the
opportunity for developing countries to realize considerable gains at the negotiating
table the OECD bloc, led largely by the USA, the EU and Canada, did little to miti-
gate this arrogant stance. Susan Schwab, former US Trade Representative (USTR)
from 2006 to 2009 and a more sympathetic observer, complained that concerned
parties were forced to spend too much time negotiating over the precise rules that
would guide the Doha negotiations and not enough on the actual substance of the
proposals that had been tabled. Schwab (2011, 10) reported that a “framework of
rigid formulas and ill-defined, largely nonnegotiable flexibilities put all the negotia-
tors in a defensive posture from the outset…” This, plus Doha’s mandate for a single
undertaking—no final deal until all parties agree—meant that the slowest reformers
and weakest performers (e.g., Bolivia, Egypt, and the Philippines) could hold out unrealistically for greater gains from the developed country bloc.

For the remainder of this section, we discuss the evolution of international trade norms from the founding of the GATT, all the way up to the eve of the pandemic. Following Finlayson and Zacher (1981, 563–564), global trade norms are defined here as “standards of behavior defined in terms of general rights and obligations...to guide states’ behavior in designing decision-making procedures and in formulating and implementing rules.” We discuss trade norms from three angles. The first is norm erosion, captured in the earlier quote by former USTR Susan Schwab, i.e., the failure of the global trade regime to generate new rules and procedures to adjust to the profound changes that have occurred within the international political economy over time. Our second angle is norm evasion, which is the tendency of some states to lag in their compliance with rules they had committed to upon accession to the GATT/WTO. Finally, the third angle is norm abuse, where a member state extracts concessions or imposes penalties in defiance of rules and procedures that are embedded in the framework of the GATT/WTO. Below we briefly elaborate on each of these categories.

### 4.1 Norm Erosion

Some thirty-five years after the implementation of the GATT, Finlayson and Zacher (1981) conducted a thorough assessment of member countries’ adherence to the multilateral trade regime. On all four of GATT’s substantive norms—non-discrimination, liberalization, reciprocity, and safeguards—they found considerable variation in terms of member states’ compliance. The wisdom of GATT’s designers was to allow enough flexibility in the agreement to accommodate for different levels of state capacity and economic development (Koremenos et al. 2001). Progress over the GATT’s first seven trade rounds consisted of a steady pattern of tariff cuts until the 1970s. With the aforementioned rise of Japan as a newly industrializing country in the 1970s, multilateral negotiations (the Tokyo Round, 1973–1979) focused more on non-tariff barriers (NTBs) like quotas and “voluntary export restraints,” especially in the auto and garments/textiles sectors. This marks a more prominent role played by the USA as both the champion of Western liberal economic trade norms, and the perpetrator of illiberal policies such as NTBs and the 1974 Multifiber Arrangement.9

The uneasy conclusion of the Uruguay Round (1986–1994) reflected deepening cleavages between North and South, as the satisfactory resolution of old and new trade issues was for the most part, postponed until the next round. With emerging economies (China, Brazil, and India) and developing countries constituting the majority of GATT/WTO members by the turn of the new century, the failure of the

---

9 The Multifiber Arrangement (MFA), initiated by the USA and the European Community from 1974 to 2004, imposed quotas on the amount of clothing and textile exports from developing countries to developed countries. Available at https://www.investopedia.com/terms/m/multi-fiber-arrangement.asp (accessed December 17, 2019).
so-called millennial round highlighted the unwillingness of the G-7 to make concessions that the newly formed G-20 would not back down on. Agriculture was not covered in the original GATT and developing countries were adamant about its inclusion and the lowering of agricultural subsidies in the OECD bloc; manufactured exports from South to North still faced tariffs that increased with the value-added to the product. Trade in services and protection of IPRs, also omitted from the original GATT, have still not been satisfactorily integrated into the multilateral trade regime. All GATT/WTO parties signed on to two parallel agreements for services trade (GATS) and stronger protection of IPRs (TRIPs), but the failure of the developing-country bloc to comply fully remains a sticking point for the G-7.

Although the 2008–2009 GFC pushed the global financial system to the brink, it hit developing countries more heavily on the current account. Trade flows collapsed temporarily but picked up as policy makers in both the USA and China infused a massive counter-cyclical fiscal stimulus into their respective economies. Early projections suggested that knee-jerk protectionist responses dissipated as trade flows recovered, especially for the developing countries. However, our research on trade policies over the decade that followed the GFC shows that considerable norm erosion occurred during this time. The period between 2009 and 2018 has been under-researched in the literature on the political economy of trade, and it is beyond the scope of this article to offer a full account of the changes that have occurred. For now, we note two main trends.

First, the ten largest economies in the world have lowered their average applied tariff rates since 2009 and these visible taxes on trade have remained low (Kolb 2019). Yet, invisible non-tariff barriers have exploded during this same period. Table 2 depicts these trade policy dynamics by region from 2009 to 2018. Across all six regions, liberalizing trade measures have been dwarfed by protectionist ones; moreover, in North America, the EU and the East Asia–Pacific regions, trade policies that classify at NTBs account for 77–87% of all trade measures. This is an extension of the trend underway in the 1970s, when NTBs began to out-pace measurable duties on trade. The difference now is that the East Asia–Pacific region leads as the perpetuator of illiberal trade policies. At the same time, North American protectionism affects 40% of exports shipped to it from the rest of the world, whereas this same figure for the East Asia–Pacific region is just 21%. Interestingly, while the policy content of NTBs varies considerably, the most affected sectors are quite similar across all six regions.

A second main trend is that trade in intermediate goods is now nearly double the amount of trade in final goods. An intermediate good (e.g., parts, accessories, fuel, or industrial supplies) is an imported input that is key to the production of value-added exports that contribute most to job creation and to economic growth. These production networks constitute “global value chains” (GVCs), and multinational corporations account for 80% of world trade in intermediate goods driven by GVCs (Kolb 2019). Beginning in the 1990s, the growth of GVCs reflected the deepening of trade and investment liberalization, some of which occurred within the context of FTAs like NAFTA. Paradoxically, in the wake of the GFC, NTBs like the ones shown in Table 2 are increasingly nested within GVCs themselves. With regard to this trend, Pascal Lamy (2013) warns, “enacting protectionist measures in the
Table 2  Mapping trade policy dynamics by region. \textit{Source:} Authors’ creation based on Global Trade Alert, 2019

| Trade policy information                                      | Sub-Saharan Africa | North America | Middle East and North Africa | Latin Am. and the Caribbean | European Union | East Asia Pacific |
|----------------------------------------------------------------|-------------------|---------------|-------------------------------|----------------------------|----------------|------------------|
| Number of protectionist measures implemented (2009–2018)     | 613               | 2619          | 1015                          | 2151                       | 2701           | 4842             |
| Number of liberalizing measures implemented (2009–2018)      | 398               | 348           | 494                           | 1366                       | 423            | 2657             |
| Share of protectionist interventions that use non-transparent (“murky”) instruments | 40%               | 77%           | 51%                           | 44%                        | 87%            | 83%              |
| Region’s percentage of exports affected by RoW’s protectionism (average 2009–2018) | 29%               | 30%           | 27%                           | 36%                        | 22%            | 39%              |
| RoW’s exports to the region affected by the region’s protectionism (average 2009–2018) | 25%               | 40%           | 10%                           | 19%                        | 23%            | 21%              |
| Region’s most used protectionist measures affecting RoW’s exports | Finance measures that affect trade | Subsidies | Tariff measures | Tariff measures and non-automatic/licensing | Subsidies | Subsidies and non-automatic licensing |
| Region’s most affected sector by RoW’s protectionism         | Motor vehicles, trailers (CPC 491) | Products of iron or steel (CPC 412) | Products of iron or steel (CPC 412) | Products of iron or steel (CPC 412) | Motor vehicles, trailers (CPC 491) | Products of iron or steel (CPC 412) |
|                                                               | Machinery for mining (CPC 444)   | Fabricated metal products (CPC 429) | Basic organic chemicals (CPC 341) | Fabricated metal products (CPC 429) | Products of iron or steel (CPC 412) | Basic organic chemicals (CPC 341) |

Note: RoW (Rest of the World), Sub-Saharan Africa consists of 47 countries, North America 3 countries, the Middle East and North Africa 20 countries, Latin Am. and the Caribbean 39 countries (Mexico included), the European Union 28 countries, and East Asia Pacific 37 countries (China included)
modern world to protect jobs...can have an inverse reaction in economies that are increasingly reliant on imports to complete their exports.” Even prior to the onset of the US–China trade war and Covid-19, GVCs have been rupturing, as companies re-shore production and adapt automation to hold costs down (Acemoglu and Restrepo 2017).

In sum, with the failure of the Doha Round, the explosion of NTBs in the wake of the GFC and the lack of any cohesive leadership coalition to tackle outdated rules, practices, and procedures, norm erosion within the global trade regime has reached crisis proportions. It took the trials of the Great Depression, Germany’s “zero hour” in 1945, and US–UK leadership to champion the creation of supranational institutions to monitor and integrate the post-war international political economy. Without a doubt, the multiple shocks wrought by the pandemic constitute a major critical juncture. In the twenty-first century, we have seen that high levels of economic uncertainty and political instability have superseded the long-held notion that international interdependence would pull the world community through tough times such as these. Could the triple whammy of a destructive trade war, deadly pandemic, and secular decline of US leadership trigger a new generation of policy innovation and institution building on par with the post-1945 era? In terms of the global trade regime, it is difficult to imagine a buoyant recovery of the world economy in the absence of a serious reckoning with the pattern of norm erosion that we have identified here.

4.2 Norm Evasion

Table 2 shows that there are thousands of examples of trade norm evasion by WTO members with regard to NTBs. Our focus here is on China, which is most mentioned as the culprit on norm evasion within the literature on the political economy of trade (Autor et al. 2016; Lardy 2019). Yet, our first example concerns tariff duties, NTBs and norm evasion on Mexico’s part, as it sought to extract hefty side payments from China in its fifteen-year run-up to join the WTO. As the December 2001 deadline for Chinese accession drew near, thirty-seven WTO members had requested bilateral negotiations with China prior to its signing on to the multilateral agreement. This obviously included WTO heavyweights like the USA and the EU, and these separate talks managed to bridge differences that then cleared the way for China’s entry. Mexico, however, was the last holdout vote for China’s WTO accession. As early as 1989, Mexico registered its first bilateral trade deficit with China, as the similarity in industrial exports between the two countries was the strongest of any country in Latin America.

Mexican policy makers first lashed out in 1993–1994 by imposing antidumping duties on a wide range of Chinese products, including footwear, textiles, garments, toys, bicycles, hand tools, electronics, and chemicals. This affected nearly three thousand items, with duties higher than 1000% on some goods (Wise 2020b, 204–206). Just months before the deadline, Mexico offered China a quid pro quo that Beijing promptly rejected: a thirteen-year extension of protection for Mexico’s domestic market, in exchange for its vote on Chinese accession to the WTO. In
September 2001, the two parties finally signed a bilateral agreement that gave Mexico a six-year respite, which China later agreed to extend to 2011 upon Mexico’s request. In open violation of WTO rules, the agreement allowed Mexico to maintain high barriers already in place on Chinese products, while China agreed not to contest these at the WTO during this period. Mexico’s overreliance on protectionism against Chinese imports was ultimately self-defeating, as the country’s trade deficit with China ballooned by about $45.4 billion between 2002 and 2012 (Wise 2020b, 85).

We refer to this Sino-Mexico imbroglio to illustrate that China, too, has been on the receiving end of norm evasion, while also having to jump through higher reform hoops than other developing countries before and after its entry into the WTO (Breslin 2003, 213; Bhattasali et al. 2004). Of course, the tables have now turned. Beijing kept a low profile during the Doha Round negotiations, as Chinese policy makers sought to implement the myriad commitments made upon WTO entry. The USA and the EU, not pleased with China’s growing trade surplus, remained optimistic about the West’s future gains from bringing China into the US-led liberal economic order. Even the hawkish US-China Economic and Security Review Commission (Stewart 2004), while critical early on that China had fallen behind on some of its WTO commitments, treated this as more of a techno-bureaucratic problem for the PRC. With the emergence of Xi Jinping as Chinese Communist Party general secretary in 2012 and as president in 2013, China’s continued commitment to trade liberalization was thrown into question (Lardy 2019).

Xi’s strategy has been to trumpet globalization in such fora as the annual Davos World Economic Forum, the bi-annual meetings of the International Monetary Fund and the World Bank, and ongoing G-20 summits, while compressing the flow of goods, information, and capital into China from the rest of the world. By the time Xi became president, China had fallen further behind in the implementation of its WTO commitments. Since 2013, Beijing has dug in with an aggressive mercantilist strategy, rolled back market reforms, and flouted global trade norms and open market competition (Economy 2018). The Obama administration pursued the TPP as the economic cornerstone of its Pivot toward Asia policy “that would have joined together a dozen like-minded states and pushed China to conform to higher standards of fairness and reciprocity in trade relations” (Schell and Shirk 2019, 10). As we mentioned, Trump rashly pulled the USA out of the TPP during his first week in office. Meanwhile, the main complaints cited by the office of the USTR on the eve of declaring a trade war on China hinge on norm evasion and its continued violation of WTO mandates:

10 Again, this G-20 is different from the one launched within the WTO in 2003. This G-20 was created in the late 1990s in response to a number of financial crises that erupted in the emerging economies during that decade. This G-20 also sought to play a role in financial policy reform following the GFC. The members of this G-20 are Argentina, Australia, Brazil, Canada, China, France, Germany, India, Indonesia, Italy, Japan, Republic of Korea, Mexico, Russia, Saudi Arabia, South Africa, Turkey, UK, USA, and the European Union.
• Intellectual property violations (cyber theft), both military and commercial
• Discriminatory treatment of foreign firms (forced technology transfer); preferences given to Chinese state-owned enterprises
• Overly generous industrial policy, including opaque subsidization of exports and firms
• Ignoring fundamental principles of reciprocity and most-favored nation

4.3 Norm Abuse

Data from the WTO show that between 2002 and 2018, the USA filed 23 complaints against China and China filed 15 against the USA. Of these, nine were settled by consultation in favor of the USA and one was settled in favor of China through consultation. The USA won another ten complaints against China through the WTO dispute settlement mechanism (DSM), while China won four of its complaints against the USA through the DSM. Nevertheless, in August 2018, Trump declared that the WTO was set up “to benefit everybody but us” and added “We lose the lawsuits, almost all of the lawsuits in the WTO.” In April 2019, the DSM ruled in favor of the USA on China’s administration of tariff-rate quotas for US exports of wheat, rice and corn, finding that China had violated commitments that Beijing had made when it joined the WTO (Behsudi 2019). All of these WTO wins for the USA were filed before the election of Trump, who has repeatedly threatened to withdraw from the WTO and has effectively frozen the DSM by refusing to approve nominees to fill vacancies for appellate judges. Regardless of US success at the WTO, Trump had promised his base of supporters to confront China’s “unfair” trade practices and investment policies, and in March 2018, he did just that.

Our purpose here is not to offer a full account of the US–China trade war. Rather, we want to make clear that the unilateral tariffs leveraged single-handedly against China by the Trump administration constitute the biggest abuse of global trade norms in the entire history of the GATT/WTO. By surrounding himself with anti-China advisors, alienating the extensive network of US allies and partners, and dismissing multilateral institutions as useless, Trump and his team have inflicted global and domestic hardship on par with the 1930 Smoot-Hawley tariff passed by the US congress at the outset of the Great Depression. Three misguided US goals for the trade war are to reduce the US trade deficit with China, which has already failed; compel China to purchase more US agricultural products, which the pandemic has rendered all but impossible; and to bring manufacturing jobs back home by truncating the global value and production chains that US companies have thrived on since the 1990s. As we mentioned earlier, the reshoring of US production in the twenty-first century is more likely to lead, not to new jobs, but rather to further application of sophisticated automation in the workplace. Moreover, the realization of these goals would entail significant structural transformation of a kind normally induced not by trade wars, but rather by cohesive economic statecraft, institutional reform and policy innovation.

11 Trump threatens to pull out of WTO, BBC.com, August 31, 2018, available at https://www.bbc.com/news/world-us-canada-45364150 (accessed April 8, 2019).
12 James Politi, WTO rules US tariffs on Chinese imports broke global trade rules, Financial Times, September 15, 2020.
Unfortunately, the January 2020 “phase one” deal signed between the USA and China did not lead to a significant reduction in US duties on Chinese imports (Davis and Wei 2020, 421). Many of China’s retaliatory tariffs therefore remained on US exports. It turns out that China is the top manufacturer of Covid-19 medical equipment (ventilators, masks, and other protection equipment), which is in scarce supply in the USA. Remarkably, US tariffs on those goods remain in the 25% range. What has the USA gained thus far from the trade war with China? The 2020 agreement did strengthen IPR protection and in principle, US farmers will eventually receive some relief in higher exports to China. Yet, these gains were costly for US consumers and for producers in protected sectors, especially autos; it is doubtful that they will outweigh the long-term losses borne by these groups. Moreover, in the absence of imaginative economic proposals to back the president’s bid for reelection in November 2020, maintaining high US tariffs against China has became the de facto economic pillar of the Trump campaign. In the following section, we review preliminary data on how the confluence of US protectionist nationalism and the pandemic with the ongoing trade war offer a stinging indictment on Washington’s continued abuse of global trade norms.

5 Preliminary Effects of Covid-19 on Global Trade Flows

In this section, we draw briefly on the findings in Baldwin and Evenett (2020), editors of the book COVID-19 and Trade Policy: Why Turning Inward Won’t Work. In doing so, we focus on possible protectionist responses to Covid-19 and on the effect of the pandemic on GVCs. In hypothesizing about post-Covid protectionism, Evenett (2020) analyzes trade policy responses to three previous crises, including the Great Depression, the 1980–1983 global recession, and the GFC. He found that the Great Depression triggered tariff increases and import quotas, the 1980s saw a rise in voluntary export restraints, and the GFC resulted in the widespread subsidization of manufacturers and farmers. In Table 2, we classify state subsidies as NTBs and show how such measures are already firmly in place in North America, the EU, and the East Asia–Pacific region.

Evenett reminds us that, going into the Covid-19 crisis, over half of global trade in goods and merchandise was supported by one or more government incentive/s. Exporters, moreover, have benefitted disproportionately from this support. It thus appears that instead of restrictions on exports and imports of the kind deployed in the US–China trade war, post-Covid protectionism will involve further state largesse in the subsidization of firms operating in both exporting and import-competing industries. In other words, and depending on the longevity of the pandemic, governments may be advancing cash to businesses, increasing trade finance through export credit agencies and domestic banks, and bailing out certain sectors of the economy for some time to come.

Until January 2020, some economic analysts were prepared to declare China the victor in the face of US rhetoric about decoupling GVCs and triggering a blue-collar boom in the US manufacturing sector. As Huang and Smith (2020) report, “U.S. domestic manufacturing did not pick up the slack. Instead, the industrial production
index experienced a year-on-year decline for the first time since 2015 in response to supply chain interruptions and tariff-induced increases in production costs. This yielded an overall welfare loss in the form of forgone consumption due to higher prices for retailers and households, contradicting the president’s persistent claim that China pays for the tariff.” Figure 5 shows the share of Chinese intermediate inputs in global high-tech exports. For the US to reduce its dependence significantly on China in these lines, domestic businesses must find other sources. Although Taiwan and Mexico rose to this occasion with the onset of the trade war, US companies still came up short. Again, those US firms forced to re-shore workers to perform more labor-intensive tasks are likely to embrace automation to maintain efficient economies of scale in this unpredictable environment (Acemoglu and Restrepo 2017).

What about the effect of the pandemic on GVCs? The first big supply chain shock came from the strict Covid-19 lockdown in China’s Hubei Province, a center of high-tech production. Multiple firms in three of the top country importers (Japan, Korea, and the USA—see Fig. 5) of Chinese intermediate inputs watched supply chains collapse overnight, for example, in the automotive, electronic, and pharmaceutical industries. It is too soon to separate out the effects of the trade war from the damage now inflicted by the pandemic. In terms of company strategies to reduce risk, Javorcik (2020) emphasizes the urgent need for firms to diversify their supplier base and re-engineer their global value chains to emphasize resiliency over

Notes: High-tech goods include pharmaceuticals and chemicals, computers, electronic and electrical equipment, machinery, motor vehicles, and other transport equipment.

Fig. 5 China’s value-added as a share of total foreign value-added in exports, 2015 (%). Source: Javorcik (2020) Global supply chains will not be the same in the post-COVID-19 world. In Baldwin, R.E., & Evenett, S.J. (Eds.), COVID-19 and Trade Policy: Why Turning Inward Won’t Work (p. 113). Center for Economic Policy Research
efficiency. The past 2 years have reaffirmed that commercial exchange in the twenty-first century is a multilateral phenomenon and that bilateral efforts cannot resolve those conflicts that inevitably arise. At the risk of stating the obvious, post-Covid trade strategies will demand country commitments that override misguided White House nostrums on trade and get back to the business of institution building, cooperation and negotiation at the multilateral level.

6 Conclusions

This special issue on nationalism and Covid-19 goes to press at a time of intense flux. The world community faces three important unknowns. The first is the Covid-19 pandemic. Among experts, there is an emerging consensus that the end of the virus will require a vaccine, which has yet to happen. In the meantime, the shutdown of borders and entire economies has quelled the spread of Covid-19 in Europe and parts of Asia. The Trump administration has refused to take similarly strict measures, haphazardly delegating responsibility to the states. Here, commitments and resources have been uneven, and US infection rates continue to surge. This delay on the part of the world’s largest economy will surely prolong the pandemic and wreak further havoc on global markets. What will the international political economy look like once the pandemic is finally under control? Are we in for another 6 months of social distancing and sheltering at home? Another year? The fact that there is no answer to these questions has wrought a level of uncertainty and insecurity on par with the Great Depression, which lasted a full decade.

The second unknown concerns the collapse of US leadership under the weight of populist-nationalist politics. Will the combination of the November 2020 US presidential election and the pandemic bring about a significant change? Under Trump, for example, the USA has withdrawn from the WHO, the Climate Change Treaty, the TPP, and the Iran deal, and the administration has repeatedly threatened to leave NATO, the WTO and the United Nations. Even those multilateral institutions to which the USA still formally belongs have suffered from cuts and delays in the usual US financial contributions. Allies and alliances are on ice, as Washington has acted unilaterally on any number of global issues. The degree of abdication has been such that a mere change in political party or a shifting majority in either house of congress may be neither necessary nor sufficient for the kind of major reset that the current juncture demands. As the prospect of a prolonged economic depression and a longer horizon on the pandemic looms, we reiterate that the world community may be looking at a set of challenges on par with those faced in the 1930s. Although the G-7, the G-20 and the OECD bloc have been hollowed out by US populist nationalism, the blueprint for cooperation and collaboration still exists.

A third unknown is the change of directorship now underway at the WTO. Our focus in this article has been on the effect of nationalism and Covid-19 on global trade norms and patterns. While the WTO has been in place for 25 years, it seems fair to say that this entity has still not taken off as a bona fide multilateral institution. We have spoken to the deadlock between North and South that derailed the Doha Round, and to the stagnation in rules, processes and procedures that has carried over
from the GATT. The WTO needs better leadership, pure and simple. The futility of the US trade war on China and the damage done to cross-border production networks and GVCs has illuminated the risks of rash unilateralism within the global trade regime. In Fig. 1, we demonstrate how China has thrived since becoming a WTO member since 2001; however, in Table 2 we also see that the East Asia–Pacific region—led largely by China—has displaced North America as the source of illiberal trade policies and predatory trade practices. These asymmetries call for a coordinated collective action coalition of like-minded countries willing to hold China’s feet to the fire in following through on its earlier commitments.

In Figs. 2, 3, and 4, we see that patterns of commercial exchange and globalization have continued in spite of all the distortions that the USA, China, Brazil, India, and other large economies have inflicted on the global trade regime. The dynamic structures persist, although agency and initiative are in short supply. In terms of avenues for future research, this question of WTO reform, and how to go about it, is a crucial one. A second line of inquiry is the virus, itself. The pandemic has elicited numerous calls for studies and special issues such as this one. As we stated at the outset of this article, once it is under control Covid-19 presents the opportunity to conduct a natural field experiment that can accurately measure the full impact of the virus on the global trade regime. A third rich avenue for future research is the phenomenon of populist nationalism in the USA. Have the erratic, antiquated policies of the Trump administration done lasting damage to the image and political capital of the USA in the global community? Has the USA passed the point of no return in its ability to rally a cohesive leadership coalition and revive the spirit of multilateralism?

We argue that the destructive confluence of protectionism, nationalism and the pandemic has opened up a critical opportunity to institute real change. The question remains as to who will lead this charge and what will it look like several years down the road. As for the future of China–US relations, we take our cue from Mohamed El-Erian (2020), who writes optimistically of the possibility of a “rivalry partnership” between the two powers in the post-Trump era, “whereby healthy competition does not preclude the cooperation and shared responsibility that are critical to tackling major global challenges such as climate change and pandemics.”

Acknowledgements The authors acknowledge Erin Baggott Carter, Stan Rosen and Luis Schenoni for their insightful comments and Claire He, Scotty Huhn, and Chenyan Zhou for their able research assistance.

References

Acemoglu, Daron and Pascual Restrepo. 2017. Robots and jobs: Evidence from US labor markets. Working Paper 23285, National Bureau of Economic Research, March.

Albertoni, Nicolás. 2018. The new dynamics of the international trade system. Global Policy Journal 9: 156–158.

Alvaredo, Facundo, Lucas Chancel, Thomas Piketty, Emmanuel Saez, and Gabriel Zucman. 2018. The elephant curve of global inequality and growth. AEA Papers and Proceedings 108: 103–108.
Amsden, Alice H. 2001. *The rise of ‘the rest’: Challenges to the West from late-industrializing economies*. New York: Oxford University Press.

Autor, David, David Dorn, and Gordon Hanson. 2016. *The China shock: Learning from labor-market adjustment to large changes in trade*. *Annual Review of Economics* 8: 205–240.

Baker, Peter. 2018. ‘Use that word:’ Trump embraces the ‘nationalist’ label. *New York Times*, October 23, 2018. Available at https://www.nytimes.com/2018/10/23/us/politics/nationalist-president-trump.htm. Accessed 18 July 2020.

Baldwin, Richard and Simon J. Evenett, eds. 2020. *COVID-19 and trade policy: Why turning inward won’t work*. A Vox-EU.org Book. Available at https://voxeu.org/content/covid-19-and-trade-policy-why-turning-inward-won-t-work. Accessed 4 July 2020.

Behsudi, Adam. 2019. U.S. wins another big case against China at the WTO, *Politico.com*, April 18, 2019. Available at https://www.politico.com/story/2019/04/18/us-china-world-trade-organization-1366384. Accessed 16 July 2020.

Bhattasali, Deepak, Shantong Li, and Will Martin. 2004. *China and the WTO: Accession, policy reform and poverty reduction strategies*. Washington, DC: The World Bank.

Bieber, Florian. 2018. Is nationalism on the rise? Assessing global trends. *Ethnopolitics* 17 (5): 519–540.

Boucher, Jean-Christophe, and Cameron G. Thies. 2019. ‘I am a tariff man’: the power of populist foreign policy rhetoric under President Trump. *Journal of Politics* 81 (2): 712–722.

Bremmer, Ian. 2018. *Us versus them: the failure of globalism*. New York: Penguin Random House.

Breslin, Shaun. 2003. Reforming China’s embedded socialist compromise: China and the WTO. *Global Change, Peace and Security* 15 (3): 213.

Bretag, Deepak, Shantong Li, and Will Martin. 2004. *China and the WTO: Accession, policy reform and poverty reduction strategies*. Washington, DC: The World Bank.

Couch, Colin. 2016. Neoliberalism, nationalism and the decline of political traditions. *The Political Quarterly* 88 (2): 221–229.

Davis, Bob, and Lingling Wei. 2020. *Superpower showdown: How the battle between Trump and Xi threatens a new cold war*. New York: HarperCollins.

De Matas, Jarrel. 2017. Global leadership in an era of growing nationalism, protectionism, and anti-globalization. *Rutgers Business Review* 2 (2): 163–185.

Deegan-Krause, Kevin. 2019. Donald Trump and the lessons of East-Central European populism. In *When democracy Trumps populism*, ed. Kurt Weyland and Raul L. Madrid, 60–83. New York: Cambridge University Press.

Dwamena, Anakwa. 2020. How Jair Bolsonaro and the coronavirus put Brazil’s systemic racism on display, *The New Yorker*. July 9. Available at https://www.newyorker.com/news/news-desk/how-jair-bolsonaro-and-the-coronavirus-put-brazils-systemic-racism-on-display. Accessed 11 July 2020.

Eberstadt, Nicholas. 2017. Making the nation great again: Trumpism, Euro-scepticism and the surge of populist nationalism. *Journal of Comparative Politics* 10 (2): 19–36.

Eben, Jarrel. 2017. Global leadership in an era of growing nationalism, protectionism, and anti-globalization. *Rutgers Business Review* 2 (2): 163–185.

Eben, Jarrel. 2017. Global leadership in an era of growing nationalism, protectionism, and anti-globalization. *Rutgers Business Review* 2 (2): 163–185.

Eben, Jarrel. 2017. Global leadership in an era of growing nationalism, protectionism, and anti-globalization. *Rutgers Business Review* 2 (2): 163–185.

Eben, Jarrel. 2017. Global leadership in an era of growing nationalism, protectionism, and anti-globalization. *Rutgers Business Review* 2 (2): 163–185.

El-Erian, Mohamed A. 2020. Is a China–US ‘rivalry partnership’ possible? *Project Syndicate*, July 21. Available at https://www.project-syndicate.org/commentary/united-states-china-economic-decoup-ling-rivalry-partnership-by-mohamed-a-el-erian-2020-07?utm_source=Project+Syndicate+Newsletter&utm_campaign=71bf83d28a-sunday_newsletter_26_07_2020&utm_medium=email&utm_term=0_73bad5b7d8-71bf83d28a-106373943&mc_cid=71bf83d28a&mc_eid=21fc9268dc. Accessed 26 July 2020.

Enyedi, Zsolt. 2015. Plebeians, citizens, and aristocrats or where is the bottom of bottom-up? The case of Hungary. In *European populism in the shadow of the Great Recession*, ed. Hanspeter Kriesi and Takis S. Pappas, 229–244. Colchester: European Consortium for Political Research.

Evenett, Simon J. 2020. What’s next for protectionism? Watch out for state largesse, especially export incentives. In *COVID-19 and trade policy*. Available at https://voxeu.org/content/covid-19-and-trade-policy-why-turning-inward-won-t-work. Accessed 17 July 2020.

Finger, J. Michael and Julio J. Nogues. 2001. The unbalanced Uruguay Round outcome: the new areas in future WTO negotiations. Policy Research Working Paper 2732, World Bank Development Research Group, December, 15.

Finlayson, Jock A., and Mark W. Zacher. 1981. *The GATT and the regulation of trade barriers: Regime dynamics and functions*. *International Organization* 35 (4): 561–602.
Ghemawat, Pankaj and Steven A. Altman. 2016. DHL global connected index: the state of globalization in an age of ambiguity. Available at https://www.dhl.com/global-en/home/about-us/delivered-magazine/articles/2016/issue-4-2016/global-connectedness-index-2016.html. Accessed 4 July 2020.

Haidt, Jonathan. 2016. When and why nationalism beats globalism. Policy 32 (3): 46–53.

Hobsbawm, Eric. 1990. Nations and nationalism since 1790, 2nd ed. Cambridge: Cambridge University Press.

Huang, Yukon and Jeremy Smith. 2020. In U.S.–China trade war, new supply chains rattle markets. Carnegie Endowment for International Peace. Commentary, June 24. Available at https://carnegie-endowment.org/2020/06/24/in-u-s-china-trade-war-new-supply-chains-rattle-markets-82145. Accessed 17 July 2020.

Javorcik, Beata. 2020. Global supply chains will not be the same in the post-COVID-19 world. In COVID-19 and trade policy. Available at https://voxeu.org/content/covid-19-and-trade-policy-why-turning-inward-won-t-work. Accessed 17 July 2020.

Kingsley, Patrick. 2018. How Viktor Orbán bends Hungarian society to his will, New York Times, March 27. Available at https://www.nytimes.com/2018/03/27/world/europe/viktor-orban-hungary.html. Accessed 8 July 2020.

Kolb, Melanie. 2019. What is globalization? Peterson Institute for International Economics. Available at https://www.piie.com/microsites/globalization/what-is-globalization. Accessed 12 July 2020.

Koremenos, Barbara, Charles Lipson, and Duncan Snidal. 2001. The rational design of international institutions. International Organization 55 (4): 761–799.

Kroebber, Arthur R. 2016. China’s economy: What everyone needs to know. New York: Oxford University Press.

Krpec, Oldrich and Carol Wise. 2020. Transnational lineages of authoritarianism: Hungary and beyond. Global Dynamics of Authoritarianism 13 (28). Available at https://www.21global.ucsb.edu/global-e-may-2020/transnational-lineages-authoritarianism-hungary-and-beyond. Accessed 5 July 2020.

Lamy, Pascal. 2013. Global value chains, interdependence, and the future of trade. Available at https://voxeu.org/article/global-value-chains-interdependence-and-future-trade. Accessed 17 June 2020.

Lardy, Nicholas. 2019. The state strikes back: the end of economic reform in China? Washington, DC: Peterson Institute for International Economics.

Lin, Justin Yifu. 2012. Demystifying the Chinese economy. Cambridge: Cambridge University Press.

Londoño, Ernesto and Manuela Andreoni. 2019. Brazil wanted change: Even before taking office, Jair Bolsonaro delivered. New York Times, January 1. Available at https://www.nytimes.com/2019/01/01/world/americas/brazil-jair-bolsonaro-president.html. Accessed 10 July 2020.

Novak, Benjamin and Patrick, Kingsley. 2020. Hungary’s leader grabbed powers to fight the virus. Some fear other motives. New York Times, April 5. Available at https://www.nytimes.com/2020/04/05/world/europe/viktor-orban-coronavirus.html?smid=em-share. Accessed 11 July 2020.

Orville, Schell and Susan, Shirk. 2019. Course correction: toward an effective and sustainable China policy. Center on US-China relations, Asia Society, New York.

Schwab, Susan. 2011. After Doha: Why the negotiations are doomed and what we should do about it. Foreign Affairs 90 (3): 104–117.

Stewart, Terence. 2004. China’s compliance with World Trade Organizations obligations: a review of China’s 1st two years of membership, Washington, DC: U.S.–China Economic and Security Review Commission, March. Available at https://www.uscc.gov/sites/default/files/Research/china%20compliance%20with%20wto%20obligations%20first%20two%20years.pdf. Accessed 15 July 2020.

Stiglitz, Joseph E., and Andrew Charlton. 2005. Fair trade for all: How trade can promote development. New York: Oxford University Press.

Subramanian, Arvind and Martin, Kessler. 2013. The hyperglobalization of trade and its future. Working Paper 13-6. Washington: Peterson Institute for International Economics, July, p. 3.

Tang, Wenfang, and Benjamin Darr. 2014. Chinese nationalism and its political and social origins. In Construction of Chinese nationalism in the early 21st century, ed. Suisheng Zhao. New York: Routledge.

The Economist. 2008. To protect sovereignty or to protect lives. The Economist, May 15. Available at https://www.economist.com/international/2008/05/15/to-protect-sovereignty-or-to-protect-lives. Accessed 3 July 2020.

Wise, Carol. 2020a. U.S.–China competition in the Western Hemisphere. In Strategic Asia 2020: U.S.–China competition for global influence, ed. Ashley J. Tellis, Alison Szalwinski, and Michael Willis, 276-305. Washington, DC: National Bureau of Asian Research.
Wise, Carol. 2020b. *Dragonomics: How Latin America is maximizing (or missing out on) China’s international development strategy*. New Haven: Yale University Press.

Wolf, Martin. 2004. *Why globalization works*. New Haven: Yale University Press.

Wolf, Martin. 2020. The world falls apart as the US withdraws. *Financial Times*, July 7, 2020. Available at https://www.ft.com/content/7309b1bd-9d91-4eb5-a75c-a29d191367de. Accessed 8 July 2020.

Zhao, Suisheng. 1997. Chinese intellectuals’ quest for national greatness and nationalistic writing in the 1990s. *The China Quarterly* 152 (December): 725–745.

Zysman, John. 1983. *Governments, markets, and growth*. Ithaca: Cornell University Press.

**Nicolás Albertoni** is a doctoral candidate in Political Science and International Relations at the University of Southern California. This research draws on his doctoral dissertation, entitled “The Risk of Trade Protectionism in an Era of Trade Interdependence and Uncertainty.” Albertoni has published three books in Spanish about South American regional integration with a focus on the Southern Cone. He holds a Master’s degree in Economics from USC, and a Master’s in Latin American Studies from Georgetown University.

**Carol Wise** is Professor of International Political Economy at the University of Southern California. Her most recent book is *Dragonomics: How Latin America is Maximizing (or Missing Out) on China’s International Development Strategy*. She holds a Ph.D. in political science from Columbia University.