Where Are We Going With Global and U.S. Trade?

Ian Sheldon

sheldon.1@osu.edu
https://aede.osu.edu/research/andersons-program

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Global Trade and the Pandemic

- Global trade forecast to decline by 9.2% in 2020, followed by 7.2% rise in 2021 (WTO)
- Could have been worse – April forecast was a 13-32% decline (WTO)
- Considerable uncertainty about trajectory of trade for rest of 2020 into 2021 – especially with resurgence of COVID-19
- Macroeconomic and trade policy critical to mitigating impact of pandemic on trade and GDP
Index: 2015 = 100

Source: WTO (October 2020)
Regional Impacts of Pandemic

Exports and Imports by Region, 2012Q1-2020Q2

Index: 2012Q1 = 100

Source: WTO and UNCTAD (October 2020)
## Trade and GDP Forecast

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<td>Other regions&lt;sup&gt;c&lt;/sup&gt;</td>
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<td><strong>Real GDP at market exchange rates</strong></td>
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Source: WTO (October 2020)

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<sup>a</sup> Data refers to the current year.

<sup>b</sup> Data for 2021 is a forecast.

<sup>c</sup> Other regions include Australia, New Zealand, Middle East, South Asia, and others.
Downside vs. Upside Risks

**Downside:**
- Resurgence of COVID-19 requiring lockdowns could reduce global GDP growth by 2-3% in 2021
- Uncertain outlook for fiscal policy and high rates of unemployment in many countries – could reduce global trade by 4% in 2021

**Upside:**
- Rapid deployment of vaccine could boost confidence and raise global GDP growth by 1-2%, and global trade by 3% in 2021
- Trade may also be affected by growth in technology sectors, and leveraging of information technology
Downside vs. Upside Risks

Index: 2011Q1 = 100

Trade Volume:
Optimistic and Pessimistic scenarios

Source: WTO (October 2020)
Re-Opening Has Stalled

Source: IMF (October 2020)
Global Agricultural Trade

- Initial focus on food security: export restrictions and stockpiling
- But - agricultural trade proved resilient, exports rising 2% by end of May with regional variation
- Reflects:
  - essential nature of food
  - bulk marine shipments of commodities (cereals and oilseeds) not subject to major disruptions
- Conceals variation across products:
  - increased demand for staples, processed fruits and vegetables (panic buying/eating at home)
  - reduced exports of fresh produce, dairy and meat (decline in food service demand and tourism)
Agricultural Exports by Region

Source: WTO Secretariat (August 2020)
Global Agricultural Trade

- Pandemic intensified downward pressure on prices, placing pressure on producer incomes

- Stocks and production levels for key staples at all-time highs – i.e., no reason health crisis turns into global food security crisis

- However, by end of 2020, 270 million expected to be acutely food insecure – 82% increase on pre-pandemic (World Food Program)

- Critical to keep trade flows open and supply chains operational
U.S. Agricultural Trade

$ billion

Exports 2019  Exports 2020  Imports 2019  Imports 2020

WASDE Annual Forecast
2019: $135.5 billion
2020: $135.0 billion
2021: $140.5 billion

Source: USDA/ERS November 12, 2020
U.S. - China Agricultural Trade

U.S. Agricultural Exports to China

Phase 1 Agreement:
U.S. Export Values vs. 2020 Target

Source: USDA/FAS, November 2020

Source: PIIE, October 2020
U.S. - China Phase 1 Trade Deal

- Phase 1 trade deal a commitment by China to “voluntary” agricultural import expansion (VIE)

- Equivalent to import subsidies of 12-23% (2020), and 42-59% (2021) (Feenstra and Hong, 2020)

- Challenging to meet these import commitments via Chinese state trading

- US appeal of WTO panel ruling in favor of China may affect hitting targets

- Additional uncertainty about U.S. trade policy post-election
By September 2020, Chinese agricultural imports from US at $12.9 billion – 48% below cumulative 2020 target

Phase 1 Targets:
2020: $36.6bn
2021: $43.5bn

2018 – Actual:
$16.2bn

2021 - China GDP Growth:
$33.1bn

2021 - Trend:
$19.9bn

Source: PIIE, October 2020
Markets Other Than China?

Source: USDA/ERS November 5, 2020
Future of U.S. Trade Policy?

- Unlikely to see U.S. in new FTA negotiations
- Coalition sought with allies to set trade rules and isolate China, focusing on IP theft, forced technology transfer, and use of subsidies
- Support for WTO reform and U.S. leadership in setting trade rules
- Use of targeted tariffs, with focus on specific violation of trade rules
- End “trade war” with EU, and seek to resolve Boeing-Airbus export subsidy dispute