

Recovery from COVID-19 needs free trade, not protectionism

Speaking today, EuroCommerce Director-General Christian Verschueren called upon leaders across the world to drive the economic recovery after the COVID-19 pandemic by freeing up global trade:

“Before the virus became a global crisis, we saw a worrying spread of an equally pernicious development – the mistaken belief that economic growth can come from imposing tariffs and blocking imports. If we are to see the world economy start growing again after a downturn maybe as bad as in the 1930s, world leaders should get together now to agree on how to do so. Above all, they need to avoid the same mistakes made then of closing down international trade. Supply chains are complex and global, and these need to stay open if all of our economies are to recover quickly.”

Retailers and wholesalers depend on cross-border and global trade to get consumers the products they expect to see in the shops, or the components manufacturers need to stay in business. All economists are predicting the impact of the virus will depress all countries’ GDP significantly and, with uncertainty about the future of people’s jobs, consumer confidence is as low as it was after the financial crisis of 2009.

The WTO has warned, that unless governments act – and act together – to avert this, world trade may have dropped by 30% by the end of this year. While there may be sound reasons to look to onshore some activities to create additional resilience and achieve certain sustainability goals, the worst thing governments can do to their own and the world’s economy is to depress it further with protectionist policies, whether by imposing tariffs or by protecting uneconomic state-owned enterprises.

Verschueren added:

“Global trade has been the reason for the unprecedented rise in prosperity, lifting millions out of poverty since 1948 when the GATT was formed. The EU has led the world in resisting the mistaken policies of some major trading partners who believe that trade is a zero-sum game. It should continue to do so, and other trading partners do the same.”

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