The Impact of COVID 19 on Global Trade, Trade Agreements, and Trade Negotiations

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The National Union of Public and General Employees (NUPGE) is a family of 13 Component unions. Taken together, we are one of the largest unions in Canada. Most of our 425,000 members work to deliver public services of every kind to the citizens of their home provinces. We also have a large and growing number of members who work for private businesses.

The office of the National Union of Public and General Employees is on the traditional and unceded territory of the Algonquin peoples and is now home to many diverse First Nations, Inuit, and Métis peoples.

We recognize the crimes that have been committed and the harm that has been done and dedicate ourselves as a union to moving forward in partnership with Indigenous communities in a spirit of reconciliation and striving for justice.

Bert Blundon, President

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This paper offers a brief overview regarding how the COVID-19 pandemic has affected global trade, trade agreements, and trade negotiations.

The COVID-19 pandemic caused a serious shock to the global economy, of which trade is a key aspect. The pandemic triggered skyrocketing unemployment, plummeting global demand, and a dramatic increase in wealth concentration and inequality. There is no consensus about when, or whether, a global economic recovery might emerge, and there is little agreement about what kind of economic recovery to expect. There is uncertainty about the extent to which COVID-19 will continue to have a negative impact.

For existing trade and investment agreements, the pandemic has exposed the flaws (known to many labour critics) in specific aspects, namely threats of lawsuits under the various investor-state dispute settlement (ISDS) mechanisms, and restrictions to the development of, and access to, vaccines under the WTO.

With regard to ongoing trade talks, the pandemic prompted calls to suspend negotiations of some, and there appears to be evidence that it has stalled others.

A key concern for unions representing public sector workers is that COVID-19 revealed the way neoliberal trade and investment agreements create unemployment and compromise access to necessary public goods and services like medical supplies and equipment. They do this by making it easier and cheaper for companies to adopt anti-union job-killing strategies of offshoring and outsourcing to assembly and manufacturing facilities outside Canada. By undermining local *supply chains*, the trade agreements to which the Canadian government is a signatory leave us exposed and vulnerable to the temporary closures of offshore assembly and manufacturing facilities caused by the pandemic.

Consequently, one of the defining features of the contemporary conversation around trade is that there are renewed calls to adopt a different industrial strategy: to change the way we do global trade, and to adopt alternatives to existing trade and investment agreements in the interest of workers and all citizens.

1. Impact on global demand

The COVID-19 pandemic has been causing a profound shock to the global economy, and this includes global trade. An indication of its impact on domestic economies is evident in statistics and statements released by the International Monetary Fund (IMF). Because of waves of lockdown controls, and the slow removal of harsh restrictions, the global economy is in the midst of its sharpest downturn since the Great Depression, with over 170 countries—almost 90 percent of the world—experiencing negative per capita income growth in 2020. The IMF reported that the lockdowns dealt a "catastrophic hit" to the global economy, characterizing the "magnitude and speed of collapse in activity" as "unlike anything experienced in our lifetimes," and describing it as "a crisis like no other."

Typical examples of economic shock within particular states are apparent in Canada, the UK, the US, and member states of the European Union. In all these cases, COVID precipitated economic recessions and depressions among the deepest in history, and with ongoing damage for employment and growth. In particular sectors like the restaurant industry, tourism, the airline industry, and the carbon economy, this damage may last for many years to come. In each case, there is uncertainty about the timing and strength of economic recovery.

2. Impact on trade

The dramatic decline in global demand helps explain why COVID-19 is causing a shock to global trade. In April 2020, the World Trade Organization (WTO) estimated that the economic shutdowns caused by COVID-19 would result in a decline in trade volumes of between 13% and 32%. A month later, on May 20, 2020, as explained in the *Guardian*, the WTO released figures revealing considerable economic damage caused by the coronavirus pandemic. As COVID-19 was bringing the world economy to an effective standstill, the WTO said import and export activity would fall “precipitously” in the first half of 2020.

The pandemic undermined global demand for goods and services, and the pandemic disrupted the global supply of goods and services. One of the reasons why global trade collapsed is that the lockdowns stymied consumer demand, which concomitantly slowed down the supply. Suppliers stopped ordering as much as they usually would, so fewer goods and services were shipped around the world.

Global supply chains: Disruptions, delays, and restrictions

There are other ways that the pandemic disrupted supply. The most significant impact the COVID-19 outbreak had on global trade was that it undermined the global supply chain in manufactured goods, and this is due to 3 key reasons:

a. **Disrupted manufacturing**: as workers around the world fell ill, or were required to quarantine, the pandemic disrupted assembly and manufacturing operations, thereby reducing the supply of parts and assembled products.

b. **Delays in Supply Lead Time**: the pandemic caused significant delays in delivery of parts and finished products, especially by ship, thereby creating supply shortages, which in turn contributed to the temporary closures of assembly and manufacturing plants.

c. **Export restrictions**: in response to the health threat, and to guarantee the priority of domestic need, governments adopted policies restricting exports (or applied measures such as licensing requirements), mainly on pharmaceuticals and medical products.

Let’s examine more closely how COVID-19 disrupted global supply chains in manufactured goods, with particular attention to the specific example of medical supplies.

a. Disrupted manufacturing

At the peak of the impact of COVID-19 on global supply chains, thousands of companies reduced or temporarily shut assembly and manufacturing plants in the US and Europe.

Companies that depended heavily or solely on factories in China for parts and materials were left the most vulnerable when production fell sharply at Chinese manufacturing plants.

Understanding the role of China is necessary because its relative importance in the global economic system has increased significantly, particularly in the past 18 years. During this period, China's GDP increased almost 4-fold: In 2002, China's GDP represented 4.31% of global GDP, whereas today it represents about 16%. And in the past 2 decades, China has more than doubled its share of trade with the rest of the world, with many more industries now heavily dependent on that country for manufacturing goods.

Corporate strategies: Cost cutting = union busting

An important reason why COVID-19 was able to shock the global economy is ideology, namely neoliberalism and its core convention of globalization.

An important component of neoliberal globalization is that it is organized around an overarching logic of reducing supply-chain costs. Driven by this logic, multinational corporations pursue various union-busting and job-killing strategies of cost cutting, such as lean manufacturing, offshoring, and outsourcing.

The consequence of these cost-cutting measures is that when there's a supply-chain disruption, manufacturing will stop quickly because of a lack of parts.

According to a report by the Harvard Business Review, what makes the scale of this supply disruption so remarkable is that the vast majority of global companies actually "have no idea" of their risk exposure to Asian suppliers because "few, if any, have complete knowledge of the locations of all the companies that provide parts to their direct suppliers."

b. Delays in supply lead time

The COVID pandemic had an impact on delivery lead time (the time from finished production to delivery), and this contributed to the vicious cycle of disrupted supply of parts and assembled goods. The pandemic caused delays in the normal delivery times, particularly shipping by sea, which, for example, on average, already takes as many as 30 days from China to the US or Europe. These delays resulted in reduced industrial capacity and the temporary closure of assembly and manufacturing facilities around the world.

c. Export restrictions: A supply chain case study: medical supplies

A case study of why supply chains matter is the disruption and shortages of critical medical supplies and equipment, the threat of which the COVID-19 pandemic has brought into sharp focus. This has prompted studies of trade balances where Canada and Canadian provinces fit within global supply chains, and calls to reduce Canada's vulnerability to future disruptions.

As explained by Canadian Centre for Policy Alternatives' analysts Scott Sinclair on April 2020 and Daniel Poon on May 2020, at the onset of the pandemic, the world's top 10 exporters of medical supplies and equipment (including the US and China) adopted regulations restricting the export of personal protective equipment (PPE). This resulted in a global shortage of

- N-95 respirators
- medical gowns
- surgical masks
- hand sanitizer
- face shields
- mouth and nose protection equipment
- protective garments, gloves, goggles and visors
- medical products and consumables
- adhesive dressings, bandages, first-aid kits
- medical equipment and
- pharmaceutical products

These supply disruptions exposed Canada's dependency on (and vulnerability to) foreign-owned multinational companies headquartered in the US and China, as well as in a host of other countries, such as Japan, Switzerland, Germany, the Netherlands, and Mexico.

Failed industrial strategy

A consequence of COVID-19 that both Sinclair and Poon highlight is that the supply chain obstacles precipitated by COVID-19 are exposing the extent of Canada's import dependency on indispensable medical supplies, the limits of domestic stockpiles, and poor industrial capacity.

And this has led to calls for a long-overdue modern Canadian industrial policy: one that replaces 3 decades of economic policy steeped in the failed laissez-faire ideology of the Washington Consensus. The Washington Consensus is characterized by blind trust in unregulated markets, and the ruthless cost-cutting outsourcing model of just-in-time, cheap-as-possible supply chains. Sinclair points out that the pandemic has underlined the value of having a flexible, technically capable domestic manufacturing sector. And suddenly everyone is paying attention to global supply chains, which are now seen as a source of vulnerability, not simply a means to cut costs.

3. Impact on trade negotiations

With regard to ongoing trade talks, the pandemic prompted calls to suspend negotiations of some, and there appears to be evidence that it has stalled others.

At the outset of the pandemic, a campaign joined by over 300 trade experts, labour unions, notably Public Services International, and other justice-seeking civil society organizations, urged member states of the World Trade Organization to suspend trade negotiations until the pandemic passed. They demanded that public health and saving lives be put first in all global policy development, thereby allowing governments to prioritize life-saving public health policies.

Meanwhile, in 2020 other bilateral and multilateral trade negotiations limped along. For example, the EU-UK Brexit talks restarted virtually and then resumed in person. Relations between Argentina and Brazil were strained, accelerating to the point that there is uncertainty regarding Mercosur. Argentina initially expressed reluctance to push ahead with current deals, including the one with Canada, but then appeared to backtrack a bit.

By late 2020 and the beginning 2021, during the second wave of the pandemic, 3 new trade and investment agreements were signed: in Canada, Europe, and in the Asia-Pacific region.

On November 15, 2020, a new trade agreement was signed, creating the biggest trade bloc in history. The Regional Comprehensive Economic Partnership spans 15 countries and 2.2 billion people, or nearly 30% of the world's population, according to a joint statement released when the deal was signed by the member states. Based on 2019 data, their combined GDP totals roughly $26 trillion, and they account for nearly 28% of global trade.

On November 21, 2020, Canada signed a Canada-UK Trade Continuity Agreement (Canada-UK TCA), which is an interim post-Brexit trade agreement.

On December 24, 2020, the EU and UK negotiators agreed to The EU-UK Trade and Cooperation Agreement, which is provisionally applicable since January 1, 2021.

4. Impact on existing trade and investment agreements

a. Implementation of agreements already negotiated

At the outset of the pandemic, there were 2 trade agreements to which Canada is a party that had not yet been fully implemented: the Canada-US-Mexico Agreement (CUSMA) and the Comprehensive Economic and Trade Agreement (CETA) with the European Union, which is provisionally implemented until ratified by all EU member states.

The pandemic did not stop the implementation of CUSMA on July 1, 2020. The agreement entered into force despite calls from civil society representatives and business leaders to delay the start date. Amid the unfolding COVID-19 public health crisis, business groups requested a delay in the implementation of CUSMA. In particular, there was a strong push from the automotive industry representatives to delay implementation because of the difficulties faced by companies adjusting to new rules and regulations.

But the pandemic sidelined any movement regarding Canada’s trade agreement with Europe. The full ratification of CETA was already stalled because of concerns among citizens in Cyprus, the Netherlands, and Italy. Then with skyrocketing case numbers and deaths, all the member states of the European Union focused squarely on health and safety.

In any case, with regard to existing trade and investment agreements, the pandemic exposed some problems that were not unexpected among labour critics. From the beginning of the pandemic, 2 particular issues emerged that captured public attention, namely

- the threats of lawsuits under the various investor-state dispute settlement (ISDS) mechanisms, and
- the restriction to the development of, and access to, vaccines under the WTO.

b. Investor-state dispute settlement (ISDS) claims

At the outset of the pandemic, numerous commentaries were published expressing concern about a wave of investor-state dispute settlement (ISDS) cases that could be filed against governments that adopted regulations to tackle the COVID-19 pandemic and the ensuing economic crisis. In blog posts, web stories, and other publications, trade experts, UN bodies, human rights experts, and a number of different law firms, voiced concern. Specialist law journals speculated that "the past few weeks may mark the beginning of a boom" of ISDS cases.

Included among the voices were the

- International Institute for Sustainable Development,
- economist Jeffrey Sachs and other experts in human rights and development with the Columbia Center on Sustainable Investment,
- academics writing for the *International Economic Law and Policy Blog,*
- well-known activists like Pia Eberhardt of the Corporate Europe Observatory and the Transnational Institute,
- Trade Justice Network Coordinator Jesse Wattam.

These critics sounded the alarm on the possibility that corporations may use this pandemic crisis to launch ISDS cases against state measures related to COVID-19 to combat the pandemic, and to reap immense monetary damages.

The result was a global campaign organized by these groups, and most notably by the Seattle to Brussels Network (and documented in a NUPGE web story) in which hundreds of labour unions, international civil society organizations, and activists, called for a moratorium on, and suspension of, all ISDS claims for COVID-19-related measures during the pandemic.

What things might be vulnerable to ISDS attack?

What's causing concern and criticism is that ISDS cases could arise from actions that many governments have already taken with the aim of protecting the health and safety of citizens—for example,

- restricting and closing business activities to limit the spread of the virus and protect workers;
- securing resources for health systems by requisitioning use of private hospital facilities, putting private health care providers under public control, or requiring manufacturers to produce ventilators;
- mandating relief from mortgage payments or rent for households and businesses;
- preventing foreign takeovers of strategic businesses stricken by the crisis;
- ensuring access to clean water for handwashing and sanitation by freezing utility bills and suspending disconnections;
- ensuring medicines, tests, and vaccines are affordable;
- restructuring debt.

Every one of these policies has been enacted in the public's interest in the midst of the worst health crisis in over 100 years. Few have denied the legitimacy and necessity of these measures. Nevertheless, global trade and investment agreements (including some to which Canada is a party) entitle private investors to sue the governments that enacted them.

c. World Trade Organization (WTO)—Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS)

Call to suspend TRIPS rules: Coalition of the Global South

As explained in a December 2020 NUPGE web story, since the beginning of the pandemic, under the leadership of a coalition of states in the Global South, including India and South Africa, there has been a worldwide movement against intellectual property rights, a pillar of 21st century neoliberal globalization. The movement is calling on the World Trade Organization (WTO) to suspend intellectual property rules where they restrict access to key medicines and technology and hinder the fight to save lives. This would be essentially a waiver that would allow countries to bypass certain protections on intellectual property rights under the WTO.

The COVID-19 waiver is supported by World Health Organization, UN Human Rights Experts, UNITAID and UNAIDS, the labour movement, for example, Public Services International, as well as organizations like Médecins Sans Frontières (MSF), and Amnesty International. It has also found some limited media attention, for example editorials in the Globe and Mail, the Chronicle Herald, Common Dreams, and The Conversation.

The issue here has to do with the WTO's Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS), which enshrines rules to protect intellectual property rights in a context of liberalized global trade. Critics argue that these rules conflict with other important social goals like the protection of public health. If these rules are left in place as the pandemic wears on, they could slow the rapid development of vaccines, treatments, technology, and technical know-how that are needed to end the pandemic, particularly for people in developing countries whose access to these products is most at risk from these TRIPS rules.

As a result, 99 WTO members have called for all member states to temporarily waive these rules until the World Health Organization (WHO) declares the pandemic over. Many other prominent voices have joined these WTO members in this call, including the Director-General of WHO, UNAIDS, several past and present international leaders, numerous non-governmental health organizations, and a number of global health researchers.

Vaccine oligarchy + monopoly capitalism = poor public health

Without a waiver, the less wealthy half of humanity may have to wait years before their citizens can enjoy the same level of COVID-19 protection Canadians will receive over the coming months. And yet, at 2 meetings of the WTO, wealthy member states—including Canada, along with the US, UK, Australia, and member states of the EU—have rejected the idea of a TRIPS waiver. Effectively, Canada has joined an oligarchy of wealthy industrialized countries who have consented to exercise exclusive control over vaccines in relation to the rest of the world.

What concerns the organizations and labour unions spearheading the waiver movement is that the monopoly powers given to pharmaceutical companies by the WTO's TRIPS will give free licence to companies to make extravagant profits, despite the tens of billions of dollars in public funding spent on COVID-19 vaccines and therapeutics globally. Meanwhile, workers and the public have made efforts and sacrifices in extremely difficult circumstances to ensure we overcome the crisis.

If these waivers are not implemented, pharmaceutical companies will be able to prevent other manufacturers from producing COVID-19 vaccines and medicines, impeding scaling up of production. The WTO rules will ensure that a handful of colossal global pharmaceutical companies will have a monopoly over the market and dictate prices even to governments.

This monopoly capitalism will have a direct impact on public health: it will restrict even further the fiscal capacity of states by consuming the public finances required to build the health facilities, to hire the health workers, and to secure access to the medicines we need.

The Government of Canada's "vaccine hypocrisy"

It's important to point out that the Government of Canada is a key member of this global vaccine oligarchy, and this has led to criticism.

A notable example is an op-ed published in The Chronicle Herald, Halifax, November 30, 2020, by Gavin Fridell & Rylan Higgins, 2 university professors based in Halifax. They called out Prime Minister Justin Trudeau on his "vaccine hypocrisy," by which they mean that the Trudeau government is teaming up with other wealthy countries to block low- and middle-income countries from developing their abilities to manufacture vaccines. "This move also aims to stymie the capacity of these countries to produce diagnostics, tests, ventilators, and other drugs," they argued. "This is a misguided and entirely unjust way of treating less powerful nations during an unprecedented pandemic."

Technology: Stopping cheaper, easier to access generic alternatives

The critics point to evidence highlighted by Médecins Sans Frontières (MSF) of barriers posed by intellectual property protections to a fair and efficient response to the pandemic. The example cited is in March 2020, in Italy. A manufacturing company was unable to produce sufficient ventilator valves, so 2 engineers reverse engineered the valves and produced them on a 3D printer. The printed valves cost around $2 to $3 each, compared to $11,000 charged by the manufacturer, and helped save many lives. Since then, the engineers have not been able to share the digital print due to possible legal and medical issues.

For this reason, organizations around the world have led calls for governments in Europe and North America to support the waiver championed by the Global South.

Securing monopoly of supply: Vaccine nationalism

Besides opposing the TRIPS waiver, Canada has also joined the leading ranks of the "vaccine nationalists"—wealthy countries that have signed private deals with vaccine manufacturers. These rich countries have been criticized for cornering the supply of future COVID-19 vaccines. In September, Oxfam reported that wealthy countries with just 13% of the world's population had already purchased rights to more than half of all promised vaccine doses. And it was reported by Common Dreams that 82% of doses of Pfizer's vaccine were bought up by rich nations.

Compounding the injustice is the unprecedented amount of taxpayer funding that the global pharmaceutical companies have received to develop vaccines, but without any public control or accountability. According to MSF, although Pfizer/BioNTech, Moderna, and AstraZeneca/Oxford University have together taken $6.68 billion in public funding for their vaccine candidates, the corporations have retained control over key decisions, including who gets the vaccines, when they get them, how much they get, and how much they pay.

5. **Alternative trade that promotes a balanced, inclusive equitable economy**

Perhaps a silver lining in all this is that the pandemic created an unexpected opportunity for serious discussion about alternatives to the existing trade model—how we must change the way we do global trade. Even the free-market oriented Premier of Ontario had to pay lip service to the emerging consensus when he quipped that "we want manufacturing here in Ontario. . . . I can't rely on the rest of the world right now. . .There is nothing we can't build."

Jim Stanford offers a more sophisticated commentary in an essay published April 2020 by the Centre for International Governance Innovation. Stanford contrasts 2 kinds of trade agreements: one that promotes a business-dominated deregulated economy, and another that promotes a balanced, inclusive, and equitable economy. Stanford rejects the former and promotes the latter: trade agreements should not try to enforce a one-size-fits-all template for a business-dominated deregulated economy. Instead, trade agreements should be limited to reducing tariffs, facilitating trade promotion and trade infrastructure, harmonizing product standards while respecting genuine safety and environmental goals.

All this points to a very important point about the weaknesses of the Canadian economy and the ways it could be improved to be more just and equitable. There is a greater awareness as a result of the pandemic that the Canadian government and Canadians need to focus on redeveloping our productive capacity. Further, Canadian governments have given up the right to use the most effective tools that could be used to achieve that goal, such as preference for Canadian producers, direct financial assistance, and public ownership.

These are economic tools that have been mobilized with great success in the past. The pandemic has opened our eyes that it is time to retrieve them from the political dustbin and restore them as legitimate and necessary options in the public interest.

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