



Pandemic Response Reflects Unlearned Lessons of U.S.-China Trade War

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As they awakened to the urgent need for cooperation, G20 leaders held an [emergency virtual meeting](#) on March 26 about the new coronavirus pandemic. Previously, multilateral coordination among the [G7](#) and the [UN Security Council](#) had failed to yield so much as a joint statement, largely due to U.S. insistence on using the label “Wuhan virus.” On the eve of the G20 session, however, U.S. President Donald Trump had finally put a halt to the counterproductive [war of words](#), and the participant nations and international organizations [agreed](#) to join forces against the pandemic. Following a phone call between Trump and Xi Jinping, his Chinese counterpart, [senior health officials](#) and diplomats from [both countries](#) agreed to set aside their differences.

A rhetorical pledge to work together is welcome but insufficient. Getting the virus under control and reactivating the global economy will require coordination not only between the world’s two biggest economies but also among individuals, businesses, and other governments worldwide. Despite the common goal of slowing the spread of the virus, these actors are pursuing their own incentives and motivations, which

in turn are imposing costs on one another. Due to the nature of public goods, the world’s governments must collectively step in to manage health security. But as the U.S.-China trade war has revealed, the world may lack the necessary governance frameworks, leadership, and collective will to address such large-scale challenges.

TROUBLING TRADE WAR PRECEDENTS

As the trade war has shown, Trump’s [continued fixation](#) on bilateral trade deficits and China’s purchasing obligations under the January 2020 phase one trade agreement has obscured the underlying source of tensions: technology transfer and the flow of knowledge between nations. Although technology upgrades are important for growth in all economies, most frontier innovations take place in the world’s wealthiest countries. Because knowledge is a vital global public good, the global trading system established under [World Trade Organization \(WTO\) guidelines](#) was intended to promote knowledge diffusion from advanced economies



to those in emerging markets. Global supply chains were expected to facilitate knowledge sharing and lower production costs.

China understands this system better than anyone: a [2011 World Bank study](#) demonstrated that no other country has absorbed foreign technology as thoroughly, thanks to Beijing's comprehensive strategy. The United States views China's success as an unfair affront to its economic competitiveness and geopolitical standing and as evidence of the naivete of economic integration. In response, the U.S. government has employed policy tools such as export controls and investment screening to restrict the diffusion of knowledge in defense of national security interests. Yet these measures inevitably carry costs.

In principle, the general public will be better off the more that knowledge is shared. This presents a challenge for firms, which need a commercial incentive to develop novel ideas and tend to worry about their ideas falling into the hands of competitors. In pursuit of profit, companies sometimes sell technologies that have military applications or enter into commercial relationships that create national security risks, such as U.S. semiconductor sales to China. Governments must then weigh those risks against the economic gains.

In its efforts to manage this complex tradeoff, Washington has overstated both the desirability and the feasibility of restricting global technology flows. Regrettably, China's pursuit of technology has also been overly aggressive—often involving industrial espionage and intellectual property theft—and there are [clear instances](#) in which China has misused U.S. technology for malicious purposes. Both sides have taken matters too far, and they have been unable to agree on a sustainable solution that allows technology to flow to where it is most beneficial while still addressing legitimate security

concerns. These trade war tensions have thus made clear the need for a broader governance framework to manage the global allocation of knowledge.

A PANDEMIC OF MISMANAGEMENT

As individuals, companies, and governments come together to contain the coronavirus, they are confronting these same challenges. The more the world collectively mobilizes and shares resources, the more the health of people everywhere will be enhanced.

Scientific researchers are playing a special role in efforts to address the crisis. The United States and China have the world's most robust [research relationship](#), but those links have come under attack during the trade war as the U.S. government has sought to slow technology transfer. While espionage should unquestionably be rooted out, state interventions in the name of domestic security harm scientific collaboration and often backfire. In one recent case, a University of Florida chemistry professor returned to China after coming under investigation and promptly [developed a coronavirus test](#) that generates results within forty minutes—a technology that might have helped the initial U.S. response to the virus.

At an individual level, there has been [remarkable collaboration](#) on coronavirus research, with scientists setting aside national identity and academic rivalry for the greater good. To the extent that researchers are acting out of self-interest, their greatest gains will be reputational rather than financial, so there is every reason for them to spread their ideas widely. Despite limited government transparency, scientists in China [released](#) genetic sequencing data for the coronavirus in early January, allowing researchers around the world to contribute to a collective epidemiological understanding of the threat. Inspired by the scientific community's

push for [unencumbered access](#) to research, a [free and public compilation](#) orchestrated by the White House Office of Science and Technology Policy now boasts over 24,000 scholarly papers on coronaviruses.

Meanwhile, companies are striving to meet the explosion of new demand for a variety of goods needed to fight the virus, including many that have yet to be developed. Nonetheless, firms may be unable or unwilling to meet society's needs if left to their own devices. Consider the example of the [competition](#) to develop a vaccine for COVID-19, the disease caused by the coronavirus. Such innovations often take place at biotech companies like U.S.-based Moderna, which has made a monumental effort to bring a vaccine to the testing phase [in record time](#). But companies of its small size are unequipped to manufacture a coronavirus vaccine at scale. To do so, they must work with larger pharmaceutical companies that may [be](#) reluctant to make the necessary upfront capital investment. In past epidemics such as SARS and Ebola, [demand had waned](#) by the time a vaccine was ready to be mass-produced. By contrast, the global nature of the COVID-19 outbreak and the fear of recurring waves of the pandemic create such an urgent need that governments will likely have to subsidize production.

As the leading innovator, the United States is at the forefront of drug and vaccine development. Yet its efforts to ensure an adequate supply of basic medical equipment for the coronavirus response have been an appalling failure. Take the example of [medical face masks](#), 80 percent of which are produced in China (although often [under the management of U.S. firms like 3M](#)). As its own domestic outbreak worsened, China's government [mandated restrictions](#) on mask exports. A similar situation has arisen in Malaysia, which produces [two-thirds](#) of the world's medical gloves but lacks the capacity to meet heightened global demand,

notwithstanding the impact of the virus within its own borders. After all, states have a primary obligation to protect the health and safety of their own citizens, and in times of crisis they cannot always be counted on to share.

For hardliners and China hawks in the United States, these shortages only further [justify the need for economic decoupling](#) and reduced reliance on global supply chains. Without question, the present crisis has exposed an extreme concentration of critical resources. From an economic standpoint, however, total self-sufficiency is nonsensical; such a notion ignores the principle of comparative advantage and rejects the benefits of trade. It comes as little surprise that the United States does not specialize in the domestic production of masks.

Moreover, Washington's woes have been partially self-inflicted: the federal government [neglected to plan](#) for this eventuality in the face of repeated warnings and never replenished the strategic reserves of medical supplies that were drawn down during the 2009 swine flu outbreak. Maintaining the strategic stockpile is the job of the federal government; individuals and companies cannot fund or coordinate such an effort. Ironically, shortages in the United States have been further [exacerbated](#) by tariffs on Chinese medical products. Notwithstanding these blunders, there is clearly a point at which security vulnerabilities become untenable, and some loss of economic efficiency must be tolerated. In the absence of effective global governance, however, countries have been left to fend for themselves, making individual vulnerabilities even more pronounced.

In formulating a strategy for containing the pandemic, just as for trade, governments are seeking to ensure the safety and economic well-being of their citizens. To be most effective, though, they should make decisions jointly, as the presence of the virus anywhere



in the world is a threat to safety and economic activity everywhere. The World Health Organization (WHO) may intend to coordinate such an endeavor, but doing so would require more resources and authority than it currently possesses. Amid its limited efforts to ensure cooperation, the organization has already faced criticism for being [too deferential to China](#). Nations can work together by comparing experiences and promoting effective policy strategies, but ultimately someone will need to coordinate fiscal policy and resource sharing.

BROKEN GLOBAL GOVERNANCE

For the past century, the world has looked to inspired U.S. leadership to overcome global crises. But despite an acute need, the United States has recently declined to play that role. Rather than seek to preserve order and openness in the international trading system that it helped design and nurture, the world's leading economic power has furthered trade conflict by erecting barriers and imposing restrictions. The world now lacks a leader to represent the interests of both developing and developed economies in promoting prosperity.

The United States might once have been expected to [organize a coalition](#) to confront a global crisis, but America First nationalism has kept it from rising to the occasion during the coronavirus pandemic. Trump insists that a vaccine be produced on U.S. soil, and his administration has allegedly outbid countries like Canada, France, and Germany for [scarce medical supplies](#) or diverted shipments intended for them. In Trump's worldview, it is better to make relative gains on rivals than to pursue strategies that would leave everyone better off. This winner-take-all mentality extends well beyond fostering the competition needed to drive innovation and is ultimately counterproductive.

China has appeared similarly unprepared to take up the mantle of leadership that the world needs. In 2005, then deputy secretary of state Robert Zoellick [called upon China](#) to become a "responsible stakeholder" and

"strengthen the international system that has enabled its success." Fifteen years on, China has yet to demonstrate either the capacity or the will to assume responsibility commensurate with its economic weight. China should have realized that the international community would not indefinitely tolerate controversial trade and investment practices. During the coronavirus outbreak, China's initial cover-up, propagandistic rhetoric, and failure to meet [international standards for product quality](#) have hampered its efforts to earn the world's trust in spite of its success in arresting the epidemic at home and its subsequent eagerness to support others.

Neither great power is meeting the world's needs: one is losing the interest and sway needed to exercise global leadership and the other is not yet ready to do so. As some observers [have noted](#), such a vacuum necessitates intervention by third parties, though none have stepped into the void. Europe remains divided in its foreign policy interests and preoccupied with [its own pandemic response](#). The United States has undermined the key multilateral institutions responsible for global trade and health by [blocking the appointment of judges](#) to the WTO appellate court and recently announcing a [halt to WHO funding](#). International financial institutions such as the International Monetary Fund and the World Bank are mainly designed to offer assistance to vulnerable economies; they lack mandates to deal with structural weaknesses in global governance by establishing ground rules or enforcing behavior. The UN Security Council might be able to play [such a role](#), but it is often paralyzed by the veto power of its five permanent members. That has left the G20 to issue unenforceable statements pledging cooperation.

As the coronavirus pandemic has made the failures of global institutions even more apparent, something will soon have to give. Nationalism and protectionism cannot rebuild the global economy or combat viruses that know no borders. Supporting a balanced and orderly flow of goods, people, ideas, and public health services will require a new international consensus and a broader collaborative vision.

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