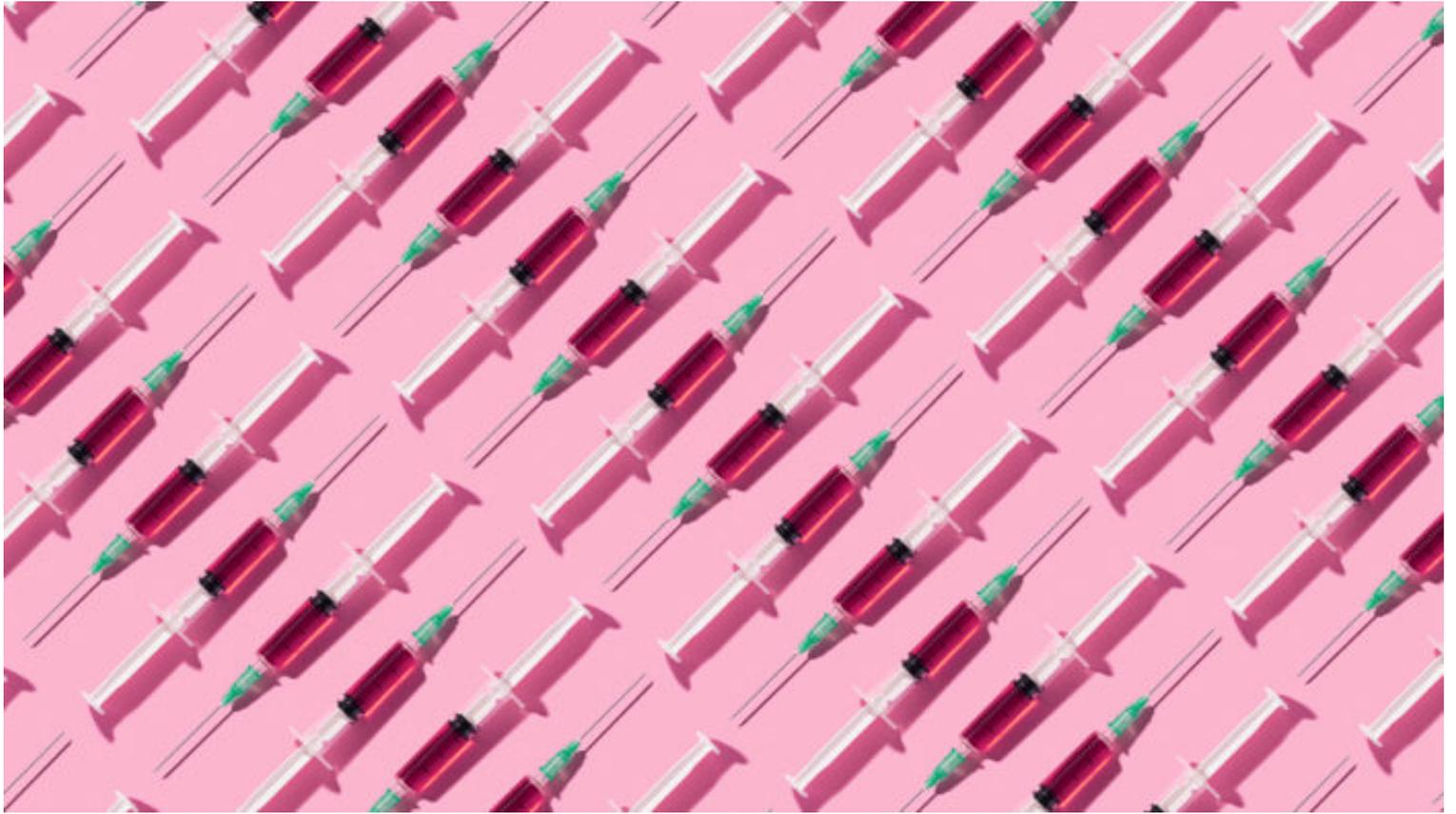


ECONOMICS & SOCIETY

Will Governments Restrict Foreign Access to Pandemic Supplies?

by [Henry Farrell](#) and [Abraham L. Newman](#)

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As the Covid-19 pandemic unfolds, there is a lurking threat that we can no longer ignore: What happens if countries hoard or even nationalize vital resources to fight the disease? On March 2, according to the *New York Times*, the White House tried to persuade CureVac, a German company that is working on a Covid-19 vaccine, to move to the United States. A German newspaper claimed that the Trump administration wanted the U.S. to secure sole access to a vaccine, a claim the U.S. and the CureVac both denied. But the German government was rattled; its foreign minister, Heiko Maas, proclaimed that “we cannot allow a situation where others want to exclusively acquire the results of their research.” German Chancellor Angela Merkel met with senior German officials to discuss how to prevent the bid. A few days later, the *Global Times*, a newspaper owned by the Chinese Communist Party, published an editorial claiming that “the development of a vaccine is a battle that China cannot afford to lose,” arguing that China cannot rely on either Europe or the United States to give it access to a vaccine.

It seems that we may be facing the dangerous prospect of “reverse protectionism,” in which states restrict exports rather than imports, and fight with each other to win control of scarce resources needed to protect their citizens. Just as traditional protectionism deepened the Great Depression, the new protectionism could prolong the Covid-19 pandemic by making it harder for states to fight it, worsening its impact. Even if this doesn’t come to pass, the high level of mutual suspicion currently brewing between states will make it harder to coordinate an international response. Mistrust will reverberate through global supply chains.

Businesses that aren’t in the healthcare sector don’t usually pay much attention to the politics of global health. They should be paying attention now. Few business leaders seem to understand that the coronavirus is not just hitting demand and supply and sending the world into a recession — it is also reshaping the fundamental relationship between states and markets. As states try to protect their citizens, they are becoming far more interventionist. Many of these interventions may last far longer than the crisis itself.

This means that business needs to pay attention to how national governments start to intervene in markets to fight coronavirus. Everything depends on whether governments continue to recognize that they benefit from working together, or whether they instead start to fight with each other over business and the goods that it supplies, turning to a new era of autarkic hoarding.

The Common Good

Traditionally, states have recognized that they have a common interest in fighting contagious disease. The World Health Organization and nonprofit organizations, such as the Bill and Melinda Gates Foundation, coordinate global networks, in which states and private actors work to prevent or cure a variety of infectious illnesses. Preventive measures and cures are what economists call “public goods.” If one country uses a drug to halt an epidemic, it doesn’t hurt the citizens of other countries. Instead, it helps them, by making it less likely that the epidemic spread to them too. From the start of the coronavirus outbreak, cooperation among states was far from perfect. China, for example, failed to provide timely information on local outbreaks that might have embarrassed senior officials.

Over the last few weeks, however, some governments took a very different approach, as they realized that certain key supplies, such as protective masks were in short supply. When Italy was hit by coronavirus, it begged for help from other European Union member states. Despite belonging to the European single market, Germany and the Czech Republic responded by banning the export of masks and other protective equipment. Turkey and Russia imposed similar controls. The French government requisitioned all the face masks it could find for its own use. Only China, which is emerging from its own crisis, will be willing to provide help at first.

Now, ventilators – which are needed for the worst-hit victims of coronavirus – are about to become a new source of tension. Countries such as Germany, which have many ventilators, are apparently unwilling to share them, even with close allies such as France. The U.S. has invoked the Defense Production Act, which will allow it to effectively impose production contracts on ventilator manufacturers, likely favoring the U.S. over foreign

customers. It is unclear how effective this will be, since many manufacturers are outside the U.S., and those that are on U.S. territory depend on foreign components that are also in short supply.

Such actions are unsurprising. It is hard for governments to be generous when their citizens are frightened and supplies are tight. Yet it may lead to a spiral of fear and retaliation that hurts businesses and citizens alike. The Great Depression was far worse than it ought to have been because governments put up high tariff barriers against imports, while assuming that they would still be able to export as usual. The consequence was that every state's exporters crashed, prolonging the crisis indefinitely.

Coordinate or Perish

As we write this, the world risks sequestering into distrust and selfishness. If governments extend their bans on the export of critical supplies, other governments may protect themselves or retaliate by banning exports in turn. If governments require their businesses to produce only for the domestic market, or requisition supplies and refuse to share with foreign nationals, it can create a dynamic in which it would be far harder for individual governments to fight the contagion. Everyone would end up much worse off in a world where governments fought each other over supplies and businesses were forced to prioritize their home markets.

It is quite possible that this won't happen. Germany has already eased its export restrictions, while China has gone much further. Now that China is over its own coronavirus crisis, at least for the moment, it can afford to be generous with supplies to fight the contagion. China is deliberately setting out to supplant U.S. global leadership, for example, by providing testing kits and millions of masks to the European Union. The more that some governments behave in this way, the less likely it is that other governments will fall into the trap of coronavirus nationalism.

Yet the United States is still pushing in the opposite direction. U.S. Commerce Secretary Wilbur Ross notoriously commented in January that China's problems with coronavirus would "accelerate the return of jobs to North America." Senator Tom Cotton (R-Ark.) is

set to introduce legislation that would “pull America’s supply chains for life-saving medicine out of China.” Trump’s trade advisor Peter Navarro claims that “in a crisis like this, we have no allies,” and is pressing to bring the supply chain under U.S. control, so that it can be secured. If this approach just replicated suppliers elsewhere, it might create some useful redundancy in the global system, ensuring that the U.S. could protect its citizens in an emergency, while not hurting anyone else. If, instead, the U.S. sought to control global supplies, other states might fear that it would protect its own interests at everyone else’s expense.

This is the fear that is driving the CureVac vaccine controversy. For sure, senior U.S. officials have denied that they would ever want to monopolize a vaccine for U.S. citizens alone. The Global Times is notoriously belligerent, but it too says that China would share any vaccine with other countries. Nonetheless, Germany’s foreign minister has said, on the record, that Germany cannot afford to take the risk that the U.S. might take exclusive control. If close allies fear each others’ intentions, it is no wonder that China fears what the U.S. and Europe might do if they had control of a vaccine, while the U.S. worries that China might weaponize the central importance of its pharmaceutical industry. These fears may seem irrational — it would make no sense for one country to deny vaccine access to another country — but they are real.

It will be a very uncomfortable world for business if these mutual suspicions grow and become established. In the short term, these suspicions may hamper global cooperation against the coronavirus, leading to many unnecessary deaths and prolonging the severe economic disruption from the disease. But equally troubling is the longer-term risk that bellicose rhetoric could undermine support and trust in global supply chain networks, which are already under strain. The push towards lean supply chains and just-in-time production has produced bottlenecks and unexpected vulnerabilities. Government officials could quickly take advantage of such vulnerabilities to score political points and in turn shake business confidence in their global investments.

The better world for business, for governments, and for citizens would be one in which governments stop competing for control of resources and turn instead to competitive generosity. China is trying to steal America's allies by selling them essential supplies to fight coronavirus, or just giving them away. The president of the European Commission, Ursula von der Leyen, released a video praising the Chinese leadership for coming to Europe's aid. In an earlier era, the U.S. might already have prepared itself against the virus's onslaught and already had plans to help allies and win over former adversaries through the generous provision of aid. This is exactly what the U.S. government did in the wake of the 2008 financial crisis, as it implemented huge bailout programs and emergency credit — not just for U.S. banks, but the global financial services sector. The virtual G7 summit held this week, however, saw the U.S. offering few concrete policy solutions and forced world leaders to scramble to write a political communique on whether countries would share an eventual vaccine.

This isn't just a question for governments. Business and nonprofit organizations can become engaged in the global generosity game too, even in the absence of coherent U.S. policy. Organizations such as the Gates Foundation have developed a formidable presence in key areas of health policy such as vaccine development, and close ties with international organizations, such as the WHO. The private sector should be lobbying government officials to guarantee a global response that protects not just their domestic markets but the international health system that they too rely on. By demonstrating leadership, building networks, and helping to demonstrate that no-one will be excluded from vaccines or other global public goods, the private sector can help to soothe fears and tensions, reducing the risk of a new protectionism that will do no one any good.

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Henry Farrell is a professor of political science and international affairs at George Washington University.

Abraham L. Newman is a professor at Georgetown University's Edmund A. Walsh School of Foreign Service and in its Department of Government. He also serves as the director of Georgetown's Mortara Center for International Studies.

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