

Impact of the pandemic on China's foreign trade

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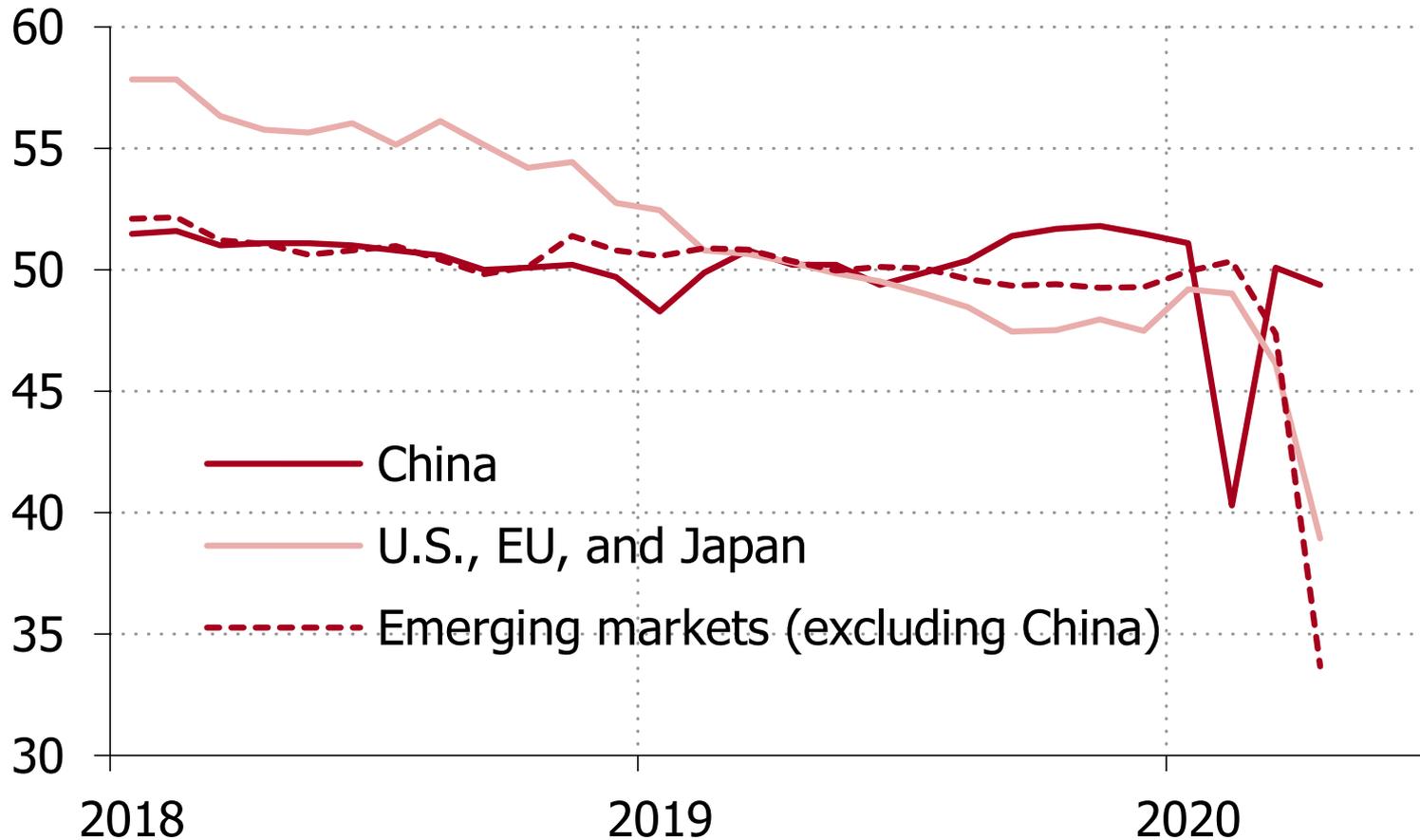
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All economies are hit by the COVID-19

Manufacturing PMI (%)



China's trade is recovering better than expected

	Growth rate in April (MoM)	Growth rate in April (YoY)	Growth rate from January to April
Total trade	1.3	-5.0	-7.5
Exports	8.2	3.5	-9.0
Imports	-6.3	-14.2	-5.9

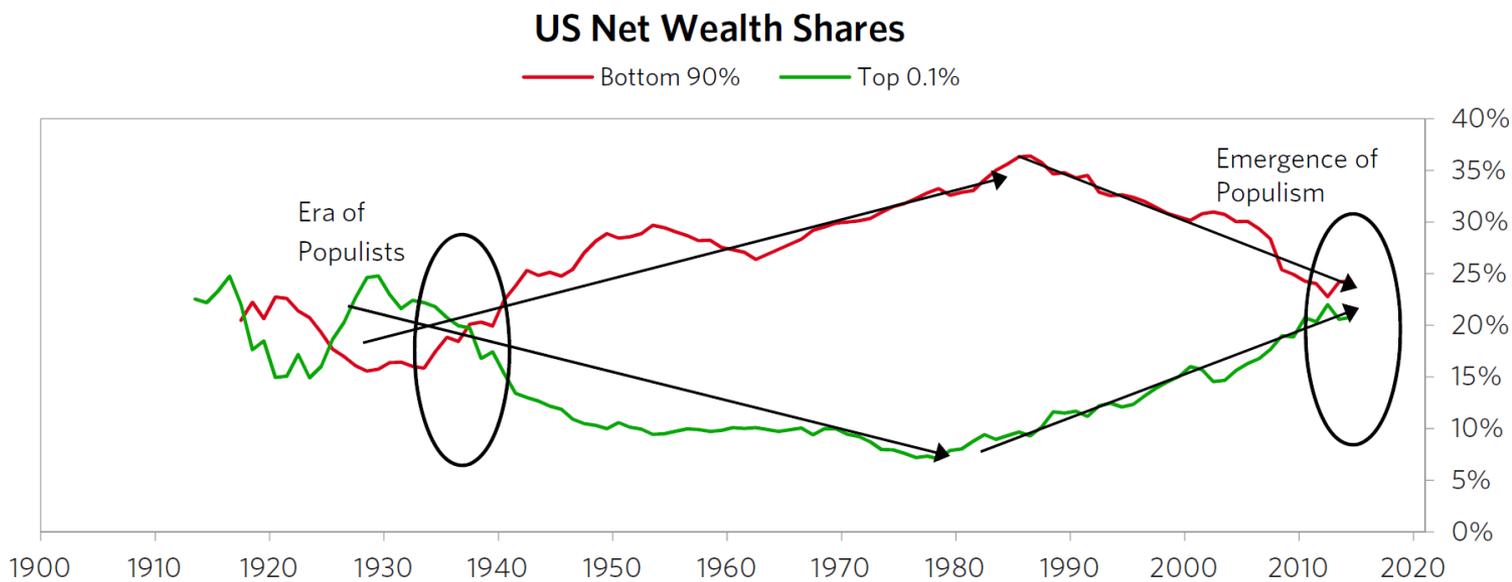
But external demand is not dependable



The more dangerous is the spreading virus of deglobalization

- The election of Trump reflected the overwhelming sentiment of anti-globalization in the origin country of globalization
- President Trump turned his own illusion and the anger of his constituency into the policy actions of deglobalization, including trade war against China, technological war against Huawei, import restrictions against its allies, exit from TPP, coercion on partners to renegotiate FTAs in favor of US, blockage of WTO appellate body.
- Trump administration has abandoned US leadership of international trading system and US morality as a free trader.
- Most intellectuals underestimated the power and damage of populism and anti-intellectualism in the US

The source of anti-globalization in the US



The pandemic has reinforced and accelerated the ongoing deglobalization

- The lockdown measures to fight the pandemic created a natural experiment of decoupling
- Companies have to adjust their global supply chains to avoid the risks
- The Trump administration is trying to use the pandemic to legitimize its protectionism
- Rumors, conspiracy theories and finger-pointing have been poisoning the global atmosphere
- The international institutions sponsoring globalization are in danger and under attack

How should China respond to the threat and risk of full decoupling with the US?

- Isolating China is an illusion unless China wants to close itself
- China has been voluntarily and successfully integrating into the international economic system in the last four decades
- China's challenge to the existing world order has been exaggerated given the nice records of China in international organizations like the WTO
- In contrast, the US is dismantling the international systems established by itself through a series of disruptive actions
- China is not afraid of decoupling with the US, but China won't be decoupling with the rest of the world
- China should work harder to expand the commonalities between its socialist market economy and other market economies through deeper and faster reform and opening up, which is the best way to support globalization