

THE PROSPECTS FOR INTERNATIONAL ECONOMIC RELATIONS FOLLOWING THE COVID-19 EMERGENCY

The COVID-19 pandemic has taken the whole world by surprise. Previously the belief had been widespread, not only in advanced countries, that events of this type belonged to the past and were nowadays limited to countries with particularly low levels of *per capita* income.

It is legitimate, however, to ask whether the surprise effect was magnified by imperfections in the circulation of information, and if so, also to ask what the causes of these imperfections were. There is no doubt that independently of the surprise effect, some advanced countries found themselves less prepared than others to face the pandemic. It is clearly worth trying to answer the question as to whether this was due to the time sequence in which these countries were affected or to the varying ability of different health systems to respond. Obviously, the answer to this question can help frame policy indications for the near future.

The different response capacity to the health problems posed by COVID-19 is bound to affect the economic costs of the pandemic as they affect individual countries. It is plausible to argue that a better level of responsiveness will help cushion the loss of GDP caused by the pandemic. In the immediate future, however, economic growth in both advanced and developing countries is penalized by the increased uncertainty that marks the context in which individuals are forced to make decisions.

This issue of *Economia Internazionale/International Economics* examines some of these questions. It opens with an analysis of the effects of trade frictions between the United States and China on the transmission of information about the virus. The next contribution focuses on the reaction of public opinion and institutions in advanced countries to the spread of the pandemic. The third contribution is dedicated to an analysis of the response capacity of the Italian health system to COVID-19. The last two contributions deal more specifically with the economic effects of the pandemic. The first of these two shows how the emergence of COVID has increased economic uncertainty abroad, in particular in the United States, while the second focuses on the economic consequences of the pandemic.

The first paper, *The United States-China Trade War and the Emergence of the Global COVID-19 Pandemic* by Oluwole Owoye and Olugbenga Onafowora, maintains that the retaliatory trade wars between the United States and China contributed to hindering the necessary collaboration and coordination as well as the transparent sharing of information about the COVID-19 pandemic. The retaliatory trade wars between the world's two largest economies turned symmetric information sharing about global infectious diseases to asymmetric information sharing, giving rise to an inability to prepare for the emergence of the current global COVID-19 pandemic shock. In the first two decades of the 21st century, the World Health Organization (WHO), in collaboration, coordination and transparent information sharing with global health care systems, managed to curtail the outbreaks of deadly infectious diseases such as SARS and Ebola. Owoye and Onafowora argue that symmetric information sharing enabled the WHO and other global health care systems to build a firewall against these deadly infectious diseases. The absence of collaboration, coordination and symmetric information sharing resulting from the trade wars forced both countries to resort to information distortions; hence the inability to face the global COVID-19 pandemic properly. Using conceptual economics, they also show that the confluence of the retaliatory trade wars and COVID-19 pandemic has had significant negative repercussions on economies worldwide.

The second contribution, *When the Contagion Effect Went Live: the First Responses to the COVID-19 Pandemic* by Lorenzo Esposito and Giuseppe Mastromatteo, concentrates on the initial institutional responses to the pandemic in the advanced economies, by analyzing discussions in the press and in the scientific literature. They first deal with the international and domestic measures aimed at countervailing the collapse of income and production, the new role of governments and central banks in the economy, and how the adopted anti-shock measures have already forced some countries to shift their institutional economic policy framework. They show that this is especially relevant to the European Union, and in particular to the Stability and Growth Pact. Lastly they discuss whether economic theory will be able to come forward with new ideas and provide novel and viable solutions.

The third paper, *COVID-19, a Perspective for the Italian Health Service* by Giuseppe Profiti, demonstrates how the COVID-19 epidemic has highlighted the structural shortcomings of the Italian health service. He shows that these shortcomings are due to the gradual reduction of

public expenditure in the health sector. This expenditure policy finds its motivation both in the need to contain public finance aggregates due to EU constraints and in the allocative choices made in recent years that penalized the health sector to the advantage of other areas of welfare expenditure.

The possibility of accessing the new and greater resources made available by European programs as a result of the COVID-19 epidemic opens up fresh perspectives both in terms of funding sources and interventions within the service. Choice in the allocation of resources becomes crucial to the future sustainability of the health system where investments must be such as to guarantee an increase in productivity greater than the increase in current resources. To achieve this, according to Profiti, the privileged areas of intervention are the hospital network, the post-acute residential network and long-term care services as well as local and home care services. He also points out that if these changes are to be practicable, it is important to change the rules governing the decision-making processes of public investments.

The fourth paper *The Ides of March. Did the Italian COVID-19 Crisis Fuel US Economic Policy Uncertainty?* by Georgios Garafas and Dimitrios Dimitriou, empirically investigates the possibility that the severe hit Italy suffered as a result of the COVID-19 pandemic at the beginning of 2020 increased the US's Economic Policy Uncertainty (EPU) index. Using Johansen cointegration and Granger causality econometric techniques, they conclude that the above relationship holds. It seems that the outbreak of the COVID-19 emergency that occurred in Italy at the beginning of this year fuelled economic uncertainty in the US. Their results show that increased uncertainty in a European country such as Italy can play a major role in shaping the economic situation and prospects globally.

The fifth contribution, *The Impact of Coronavirus and the Policies Needed* by Nicola Acocella, shows that the pandemic will have many consequences, which will become all the more important and severe the longer it goes on. The consequences of the pandemic will include both those of an economic nature – on the levels and distribution of income – and of a social and political nature. Acocella also emphasizes that the pandemic will influence the framework of economic and political international cooperation, confirming or aggravating the protectionist tendency of recent years. Finally, he calls for policies designed to increase cooperation in the

search for antidotes and, to this end, suggests creating a pool of resources accessible to all the main countries.

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