

Global Trade

Series 2020 Summary



The AIG Global Trade Series 2020 is a series of 10 podcasts analyzing the complex interplay of factors shaping the global trade system.

This summary document highlights some of the predictions and policy prescriptions that emerged from conversations between the series moderator, Rem Korteweg of the Clingendael Institute, and 23 leading experts on global trade. All of the podcasts in the series can be listened to here: www.aig.co.uk/gtspodcasts.

The Global Trade Series is a collaboration between AIG and the following international organizations with leading expertise on global trade: Georgetown Law, Institute of International Economic Law; Chatham House; the Clingendael Institute; the International Chamber of Commerce; the Delors Institute; the Lee Kuan Yew School of Public Policy, National University of Singapore; and the Bertelsmann Stiftung (Knowledge Partner).

In 2021, the AIG Global Trade Series plans to continue these important conversations; focusing on a wide range of the most important trade related issues.

This summary is written by Rem Korteweg, Senior Research Fellow, Clingendael Institute.

Series Partners



'The Slow Death of Multilateralism', can the G20 or the WTO do anything about it?



**Podcast recorded:
16 June 2020**

Jennifer Hillman, Professor
of Practice, Georgetown Law;

Rufus Verxa, former Deputy
U.S. Trade Representative;
President of the National
Foreign Trade Council

- Despite US-China trade tensions, support for the World Trade Organization (WTO) – and for multilateral rules-based trade – continues.
- Aside from the US-China trade war, subsidies are the next major issue facing the WTO. The pandemic has led most developed countries to subsidize particular companies and sectors to keep their economies afloat, putting more pressure on the need for WTO reform and updating subsidies disciplines.
- In the context of the pandemic, the WTO should contribute to redundancy in global health supply chains, promote cooperation on R&D, reduce export restrictions, facilitate rapid distribution of health supplies, ensure fair distribution of any vaccine and ensure adequate IPR protections.
- The global trade system must be responsive to changes in the world economy. For instance, the WTO must deliver on common rules and norms for digital trade.
- Reform of the Appellate Body should be accompanied by changes in the definition of LDC (least developed countries) status and an increase in penalties for countries that violate rules or transparency requirements.
- How WTO reform will proceed depends on the outcome of the US elections. Vice President Biden would jettison President Trump's American-alone approach to China, would use the rules of the WTO system and work with allies to "be tough" on China. But there is no substantive difference between both candidates on reforming the Appellate Body, addressing the issue of LDC status, changing subsidy disciplines, and updating transparency rules.

How will Globalization Change?



**Podcast recorded:
13 October 2020**

Alicia Garcia-Herrero,
Senior Fellow, Bruegel;

James Crabtree, Associate
Fellow, Asia-Pacific Programme,
Chatham House; Associate
Professor in Practice, Lee Kuan
Yew School of Public Policy,
National University of Singapore

- The COVID-19 pandemic has been characterized by a lack of meaningful international cooperation. It has thereby become an accelerant of deglobalization.
- "Gentle" deglobalization is desirable, but this must be managed towards a stable equilibrium that will satisfy both the US and China. Yet there appears to be a political and institutional vacuum to do so. This is particularly worrisome in the tech sector. 'Tech' and 'digital' are supposed to be the sources of future global growth, but these areas of greatest hope are also the areas of fiercest competition, and the ones where deglobalization has become most apparent.
- China's 'dual circulation' policy is its back-up plan in the event deglobalization continues.
- Post-COVID-19, there will be more regionalization of value chains and of regulatory standards.
- The EU has a role as an economic zone to show the way in terms of not taking sides between the US and China.
- Smaller economies will increasingly be pushed to choose which bloc they want to gravitate towards. Smaller economies have a greater stake in preserving the previous order. But it also means that small, open economies have a greater incentive to be more creative, smart and agile in the new environment.

Europe's Evolving Trade Agenda



Podcast recorded:
9 June 2020

Elvire Fabry, Senior Research Fellow, Jacques Delors Institute;

Ignacio Garcia Bercero, Director, Directorate General for Trade of the European Commission; European Union Visiting Fellow, Oxford University

- The European Union should engage with the WTO, build alliances of like-minded countries, promote regulatory cooperation, deliver bilateral FTA's and lead on trade initiatives for the Digital and the Green agendas.
- The Franco-Dutch non-paper on trade & sustainability is an initiative which the EU could use to leverage its internal market to promote sustainability goals. This may be key to increase domestic support for trade.
- The EU should also develop WTO-compatible trade defence instruments, such as reciprocity in public procurement and investment screening.
- Amid US & Chinese assertiveness on trade, the EU will have to manage the tension between its ambition to promote open, rules-based multilateral trade, and the urgency to protect its trade interests.
- Continuous engagement with domestic audiences about trade and trade policy is necessary.

Digital Trade: One of the Winners? The Future of the Digital Economy



Podcast recorded:
31 August 2020

Marietje Schaake, International Policy Director at the Cyber Policy Center, Stanford University's Cyber Policy Center;

Alan Beattie, Associate Fellow, Global Economy and Finance Programme and Europe Programme, Chatham House; Senior Trade Writer, Financial Times

- The European Union should avoid the term "digital sovereignty" as it suggests centralization, a willingness to duplicate and top-down control. It is better to focus on diversification. The EU should spell out enabling conditions that sellers need to meet to enter the EU's digital/tech market.
- In order to rein in Big Tech and oppose state-driven authoritarian governance models, like-minded countries should work together to develop global tech norms and rules. The EU could take the lead to build a liberal, democratic coalition of the willing that focuses on how technology is to be governed.
- The EU cannot be digitally sovereign – or set rules for the digital world – if it does not have a big tech sector to regulate.
- The pandemic will increase pressure on European governments to find sources to tax. This will give a push for a digital services tax.

What Now for Sustainable Trade, the Climate Agenda and the Global Trade System?



Podcast recorded:
16 July 2020

Geneviève Pons, Director
General of the Brussels office
Jacque Delors Institute;

Pascal Lamy, President
Emeritus, Jacques Delors
Institute

- The ‘trade planet’ and ‘environment planet’ need to be coupled. Trade and environmental agreements must factor each other in more.
- A proper global carbon price is ‘the magic bullet’ as it will inform economic decisions about localization, modernization and innovation. In its absence, carbon leakage must be prevented.
- The EU should introduce a carbon border adjustment mechanism that is equal to the EU Emissions Trading System. The focus should be on cement and electricity first. The instrument will be made WTO-compliant by setting up an institution that will judge whether the prices set for market participants are fair or not.
- Multilateral trade rules must be made more environmentally friendly by giving priority market access to environmentally friendly goods and addressing subsidies for environmentally harmful goods. Bilateral trade agreements should include better sustainability impact assessments, more civil society engagement, and better monitoring.
- Binding agreements on levelling the global playing field for environmental protection are necessary. This is the only way to maintain domestic political support for global trade in Europe. There will be no majority in the European Parliament for trade agreements that do not bite in ‘green’ terms.

The US, China and the EU: the great decoupling?



Podcast recorded:
28 July 2020

Yue Jie, Senior Research Fellow
on China, Chatham House;

Scott Kennedy, Senior Adviser
and Trustee Chair in Chinese
Business and Economics, Center
for Strategic and International
Studies;

Frans-Paul van der Putten,
Senior Research Fellow, the
Clingendael China Centre

- “The US, Europe and China are frustrated with each other.”
- Both the US and China are pursuing different forms of decoupling, though China’s economy was never fully coupled to the global economy.
- The US has been pursuing a form of “economic regime change” in China. In response, China has been promoting a model of increasing self-reliance.
- Meanwhile, Europe has not been willing to push China to change its economic model and has focused on decreasing its vulnerabilities to China instead.
- China domestically wants to address intellectual property rights (IPR) and subsidies issues, but it is reluctant to make concessions in response to outside pressure.
- Instead of a US-China deal, or an EU-US trade breakthrough, US membership of the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) may perhaps be a bigger game-changer.

Does the Pandemic Make an EU-US Trade Collision Less or More Likely?



Podcast recorded:
17 August 2020

Marie Kasperek, Director,
Institute of International
Economic Law, Georgetown
Law; Non-Resident Senior
Fellow, Atlantic Council;

**Marianne Schneider-
Petsinger**, Senior Research
Fellow, US and the Americas
Programme, Chatham House;

Andreas Esche, Director,
Bertelsmann Stiftung

- A second Trump administration will double-down on America First trade policies
- Yet a Biden administration may improve the transatlantic mood, potentially resolve Airbus v Boeing, help to reform the WTO and remove tariffs.
- But regardless of who ends up in the White House, a European digital services tax could be explosive to EU-US trade ties, more than an EU carbon border tax.
- A new US administration will ask the EU to confront China more rigorously, e.g. by strengthening export controls and scrutiny of Chinese firms.
- The US and EU could work together on post-pandemic recovery, e.g. on common strategic reserves and strengthening supply chains.

What is the Outlook for Trade Integration in Africa?



Podcast recorded:
7 October 2020

Katrin Kuhlmann, Visiting
Professor of Law, Georgetown
Law; President and Founder,
New Markets Lab;

Wamkele Mene, Secretary
General of the African
Continental Free Trade Area
(AfCFTA) Secretariat

- The AfCFTA (African Continental Free Trade Area) is a 'good news' story about trade integration, at a time when the world is facing the risk of trade 'decoupling' and fragmentation.
- The AfCFTA shows that, for Africa, trade is a part of the solution to promote development and recover from the pandemic. The initiative aims to write a common African rulebook for trade, reduce tariffs and develop a continental customs union within a timeframe of 15 years.
- African economies have shown a strong commitment to the multilateral trading system. This support would be underlined by an African leading the WTO.

As Economies Revive, is a Surge in Protectionism Inevitable?



Podcast recorded:
1 September 2020

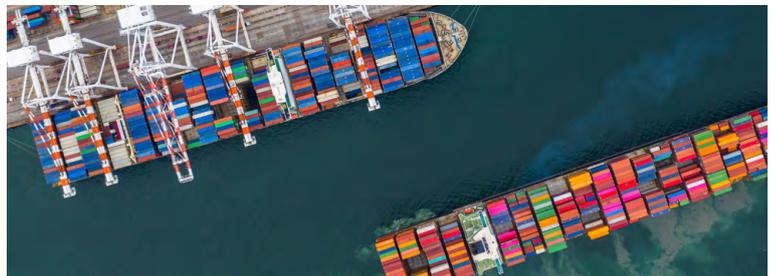
Emmanuelle Butaud- Stubbs,
Secretary General, International
Chamber of Commerce France;

Chris Southworth, Secretary
General, International Chamber
of Commerce UK;

Christian Bluth, Megatrends
Project Manager, Bertelsmann
Stiftung

- Aside from the rise in export restrictions, subsidies are a new global concern that is creating trade distortions.
- Most publics in developed and developing countries want their governments to do more to protect them from the impact of globalization.
- An inclusive trade policy requires involving civil society, NGO's, environmental groups, consumers and business in the policy conversation. Only including the voice of business is not enough.
- As economies focus on the COVID-19 recovery, attention must shift to rebuilding trust in international trade. The WTO can help to address the level of distrust by striking a deal on E-commerce as well as by delivering on the green agenda.

Prospects for a UK-US Trade Deal



Podcast recorded:
25 June 2020

Marjorie Chorlins; Senior Vice
President for European Affairs,
U.S. Chamber of Commerce;

David Henig, Director of the UK
Trade Policy Project, European
Centre for International Political
Economy

- A US-UK deal is difficult due to uncertainty about the UK's post-Brexit trade relationship with the EU. For example, whether or not the UK signs up to EU rules and regulations will have a material effect on the US negotiating position. US business is signalling to the UK to sort this out first.
- On a digital services tax, Washington and London disagree, complicating a potential deal.
- The US wants a "good deal" with the UK, not a quick one, and that will likely involve significant agricultural concessions.
- The UK market is a fraction of the European single market. The US is now looking for other voices inside the EU that are liberal and pro-trade.
- An EU-UK deal will happen before a US-UK one. But the Brexit negotiations will require many more rounds of talks, as there will be numerous issues regarding rules, regulations and equivalence that will not be resolved in any accord.

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