

# STEFAN MAIR

Member of the Executive Board, Federation of German Industries (BDI)

## Nicolas BARRE

We have talked about trade at macro level and let me turn to the voice of business, coming from Germany, the world's biggest exporter with China, with Stefan who is a representative of the German business association, BDI.

## Stefan MAIR

Thank you very much. I am happy to be here and to talk about an issue which is of utmost importance to German industry. You probably know, since it is often referred to, that exports make up about 46% of our GDP, but you probably do not know that imports make up about another 38%. We are left with a foreign trade balance well beyond 80%, compared to France where it is 45% and the United States 25%. We are very open and globalised, but also very exposed. I think this is also underlined by foreign direct investments, where we have more than 36 000 German companies having invested more than EUR 1 trillion abroad.

Hence, we follow the protectionist tendencies with very great concern. These days we are mainly preoccupied with the protectionist rhetoric and the measures taken by Trump. However, he is not the only one to resort to protectionism. Since 2008, when the G20 countries committed themselves to keep their markets open, you could count more than 2 500 trade restrictive measures. Some of them have been removed, but many are still in place. We still face major hurdles to market access in China. We have strong pressure on localising production in Brazil, Russia, and many other places. And of course, we have the Brexit vote in the UK, which the British government interpreted in a way that they have to leave the single market. And finally, we also had very strong resistance against the Transatlantic Trade and Investment Partnership in Germany, with mass demonstrations against that.

I think that we have to look at the reason for this and how we can deal with it. From my point of view, there are two very obvious reasons for the rise of protectionism. One has already been addressed in yesterday's session, I think by Uri Dadush, who said that we had a decline of social inequality globally, but an increase of social inequality in major economies. Those people who feel left behind and think that their jobs are taken by workers in emerging economies want those jobs back. I think that we can argue here whether the job losses are due to technological change or globalisation, but in the end from my point of view it is clearly the responsibility of national states to deal with these problems by creating social safety nets to support people who have lost their jobs, by retraining and by providing lifelong learning, but also by investing more in innovation and research.

The second reason for rising protectionism is the feeling of governments and societies that they are losing control over overwhelming global market forces. This was certainly reinforced by the financial market crisis, where unleashed capital markets were blamed for causing the problem. It was Dani Rodrik who phrased this challenge for democracies and nation states in the so-called globalisation trilemma, which says that you cannot have hyperglobalisation, as he called it, democratic politics and national sovereignty at the same time, so you can only combine two of them. Obviously, most governments opted to reinforce national sovereignty over globalisation. I think this is very understandable, because it serves populist sentiments, it can draw on well-established instruments and policies, and it strengthens national governments, and in some cases, authoritarian rule.

From my point of view, the problem is that this option cannot really cope with the global challenges we face. There is no alternative to resort to global governance, even if it means weakening national sovereignty. We have to strengthen supranational governance in the European Union. Hopefully we will have a government in Germany in a few weeks, so that together with France we can really define a reform agenda for the European Union. We also have to reinforce multilateral bodies, including the WTO. This might sound a bit naïve since the Trump administration has opted for a timeout on global governance, but if that is so we have to talk to other partners and test their willingness to bring



global governance forward – partners like China, Japan, India, Africa, or Latin America; but I think we have to make the effort and reinvest in global governance.

Moreover, we also have to do some homework on trade. In the European Union especially, we need a new consensus on trade policy. In the past few years, I think that we have overloaded our trade policy and trade agreements have increasingly become basic treaties with other governments, discussing not just trade, but also investment, labour, social, environmental standards. Now, these treaties are very hard to negotiate and manage in the end. We have to rethink this and involve society and citizens in doing so. Recently, the BDI started to do a series of town hall meetings on the future of trade policy and we will have some workshops with critics of TTIP and trade policy, to try to find a new consensus. I think the same thing is needed for investment protection. We have had strong resistance in Europe against investment protection, many governments are cancelling investment protection treaties because they find them unfair, so more needs to be done to find a consensus on that. I will stop here and leave it to the discussion to go a bit deeper into the issues.

**Nicolas BARRE**

Excellent.