

DEBAT

Virginie ROBERT

We have some questions here. Here, Mr Gruffat, and then there are two more over there, thank you.

Meir SHEETRIT

I am asking all the panel what do you think will be the influence or the fact that today, on globalization, on the fact that today as a matter of fact anybody can buy anything through the web, and pay with bitcoin, or with all the other bitcoin and all the other coins which exist. Which means the meaning today of globalization is much less because everybody can buy anything from whatever he wants. What do you think it will be? The world is changing, and I do not know if the governments are taking into consideration the fact that as a matter of fact now, even speaking about banks, or Facebook making its own bank, Apple opening its own bank, currency, you can pay, you circumvent all the systems. What will be the influence in general on globalization? Do you think that governments should, if they would, they should discuss any changes in globalization because of the fact they have no control anymore of anything that is going between countries?

Virginie ROBERT

Shadow trade, Gabriel?

Gabriel FELBERMAYR

Yes, so there has been a long history now of thinking in the WTO, or in Brussels, or in Washington, to rewrite trade law in order to take into account those new channels of distribution. For example, E-commerce, or this emerging technology, but we have not made any progress there. There is something that I think is very important in this entire globalization discussion to remember that policies matter, tariffs matter, but over history, what has driven globalization much more than tariffs has been technology, has been the invention of the steamship, has been the containerization of international transportation, has been the automation and digitalization of logistics. Therefore, this is more important than tariffs, so if you talk about the future of globalization, this will be probably made as much by technology as by politicians.

Virginie ROBERT

Mr Bark?

Taeho BARK

I want to say one thing. You mentioned about the new phenomena in the world trade environment. But the WTO which launched so-called "Doha Round" in 2001 was not able to achieve much until now. It may be correct to say rather that the WTO was not able to do anything than it did not do anything. Because of that, we cannot accommodate new developments taking place in the world trade. The problem is the WTO's decision-making mechanism. The WTO decides on anything based on the consensus among 164 members. Therefore, as long as, one country is objecting to some idea, the WTO cannot make any agreements. So in the future, even if the WTO would like to do something, without changing this decision-making mechanism, it will be extremely difficult to achieve any agreement among 164 member countries.

Karl BRAUNER

WTO is not outdated.

Virginie ROBERT

It is not outdated, okay.

Karl BRAUNER

No, and one should not fool oneself. Having a few reforms would not help at all when you do not have the willingness to cooperate. You can design new rules, but if you have no willingness to cooperate, it does not work. What Mr Bark says is completely correct, but in addition to what he observes, we now have a number of working groups on issues like E-commerce, investment facilitation, on small and medium-sized enterprises, on domestic regulation for services which are no longer aiming for consensus, but which are run by a limited group of countries, between 56 and 85, who are aiming at designing rules, and do it in such a way that late-comers could join, but they do not want to be stopped by those who have no positive agenda.

Therefore, things are happening. It is not all gloomy.

Virginie ROBERT

Okay, so next question?

Jean-Claude GRUFFAT

Well, thanks to the panel, thanks to you, Virginie. I think there is more bad news. I am the one who believes that things are not going to get better, regardless of what might be the outcome of the election, for one of two reasons. First of all, I agree that it is probably very difficult to get some sort of agreement between China and the US before the US election. The Chinese may be also hoping that things will be better with the next administration, so they are not necessarily in a rush to sign something.

However, I would like to take one or two very short examples. I was in Canada in early October last year when the USMCA was approved by Canada, and one of the things that was-, and that was on the Canadian media, not the fake news from the US, the Canadian media. They were saying that one of the reasons why Trump was happy with this agreement was that for Wisconsin, which is as you know a dairy state, there was an increase of 5% in the milk product that could be exported to Canada. That was marginal, but it was something that could be used during the campaign to say, 'I have done something for these people', that you were talking about who are feeling that free trade and globalisation is not working to their best interests.

The second remark that I wanted to make is it is not just trade, it is also market access. I agree with you again Marcus when you say that the important stuff is forced transfer of technology or intellectual property. We talked about that but nothing has really happened. At the same time there has been significant steps taken in the US in the CFIUS, Council for Foreign Investment in the United States, taken by limiting access of Chinese and other foreign interest in so-called security-sensitive area, and we have seen some of this. If you cannot export you can always say, 'I can make an acquisition', or 'I can set up a business abroad', which gives you the same market access. However, if at the same time you impose a higher tariff, and also restrict access to certain sectors of the economy, things are getting much worse.

The last thing I have a slight disagreement with you again. I am not picking on you. When you say when Trump pulled us off the TPP, the TPP was never passed. He pulled us from the Paris Accord, from the nuclear deal, but the TPP was not passed. In spite of Obama at the TPA, they did not use it because at that time, as you well know, Bernie Sanders was against it, Elizabeth-, Hillary Clinton was against it, and so on and so forth.

I agree with you, I mean when I look at the Democratic side, Warren and Sanders are going to be worse than Trump on that score.

Virginie ROBERT

Okay, so just two quick questions, one here, one here, and then one here. We do not have much time, so if you do not mind going fast.

Jean-Louis GERGORIN

The question is precisely on this key factor which is the evolution of the US in the coming months, you know, in two years, you know? First, so it is a question mainly targeted towards Marcus, and the first question is do you consider realistic that we have a scenario in which in case of difficulties during the campaign, or the beginning of a recession, or of stock market decline, Trump will do everything possible to have a final agreement with the Chinese, not a temporary one? He could be ready to sacrifice what I would call the structural part of the US demands, I mean technology extortion, and for example IPR etc., in order just to increase US exports to China? Therefore, do you think it is a scenario, because I know, I heard that **[Inaudible]** was fearing that, and he is ready to resign on that, which will be not the first, not the last to resign from his administration.

The second question is after the election, in terms of scenarios, for Trump we see very clearly the only thing that can say that he would be even more unleashed than he is now, especially with trade. Everybody agrees on that. What could you say about the President Warren, you know, because we cannot rule out Elizabeth Warren. She is already the leading candidate?

Virginie ROBERT

Okay, so two questions, if he is going to have a deal at all cost, and what would Elizabeth Warren do?

Marcus NOLAND

The question with Trump is whether in the interests of getting elected, he would sacrifice the possibility of a comprehensive structural agreement with China, in order to get a kind of market access deal which would allow him to declare victory? The answer is: of course. In fact, I would say he is likely to do that. That has been his pattern for three years. He makes grandiose statements and claims, and then he settles for small deals, and then tells the American public that he has done a great job. The first China deal was an agreement that Obama negotiated for which Trump took credit. So yes, of course, that is what he will do. The critical question is then what does he do next, because the problems do not go away.

With respect to Elizabeth Warren, she has released a very detailed proposal on trade policy. It is on her website, and I would just recommend you take a look at it. The way I would describe it is with Republicans, you get protectionism. With the Democrats, you get trade with social work: "we will have trade with you, but we want to fix your human rights, we want to fix your environment, we want to fix your labour laws-"

Virginie ROBERT

Wages.

Marcus NOLAND

-it comes with a lot of baggage. If you read Elizabeth Warrant's policy proposals, I personally find them disturbing because they assume a lot of capacity in developing countries that I simply do not believe is there. While she may be genuine and sincere in wanting to eliminate child labour and improve labour conditions, and human rights, and the environment and everything else in these countries, the US trade system is a complainant-driven system. Once you pass a law that says, if Ghana or some other low-income country violates some kind of labour standard, then it cannot get access to the United States market, whatever the good intentions of Elizabeth Warren and her team, I can guarantee you that American textile producers and the textile workers unions will be hiring investigators and lawyers to go scour Ghana and find some violation of this law which then can be used to block access.

One last plug, since I plugged Elizabeth Warren, and this is much more important. I do cover these issues professionally, and I cannot follow the ins and outs, and what has been delayed, and what has been raised, and what has been lowered, and what has been postponed, and what has been brought forward. My colleague, Chad Bown, has a completely reliable timeline that he maintains on the Peterson Institute website, so if you want to know what is going on with US trade policy, where the current state of play is, and how we got there, go to PIIE.com and look for Chad Bown's trade timeline. It is absolutely indispensable for this set of issues.

Virginie ROBERT

That is very true. Okay, we have one minute left, so I am going to choose someone, and the last person is going to be you in the front because you have not talked at all since-, no, no, this man in front, because we have heard you before, if it is okay? This is the last one.

Professor MACHROUH

Professor Machrouh, Senior Fellow at the Policy Centre for the New South. J'adresse ma question à M. Karl Brauner. La perspective d'un blocage de l'organe d'appel par les Américains paraît presque inévitable, et lourde de conséquences. Est-ce qu'il n'y a pas dans l'enceinte de l'OMC une réflexion à revenir à la pratique du GATT avec des *working groups* comme étant une alternative, même si cela comporte l'inconvénient de revenir à cette notion de *diplomacy-oriented system* and *rules-oriented system*. Merci.

Karl BRAUNER

The answer is no, because what was happening in the olden days, you were making deals, irrespective of what the legal situation was. Now, the rule of law prevails.

There are three reactions to the non-availability of the appeal function. Members could make a public statement, and invite others to join, that they will not appeal. This will be for a transition period only until the impasse is resolved.

The European Union and Canada have set up an arbitration procedure built on Article 25 of the WTO rules on dispute settlement. It resembles very closely the procedures of the appellate body.

The third response is of course that people appeal to the Nirvana, and then the first-instance decisions cannot enter into force, and people do what they want. For me, this is a regression of civilization.

Virginie ROBERT

That is going to be our last word, so it is a little sad, but thank you very much for all our panelists and talking about trade and WTO, and we will leave the floor to next.