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We will now broach the issue of trade if Bark Taeho would like to enlighten us with his own experience.

Turning to Bark Taeho, it would be a great privilege for us to have your own experience as Minister of Trade on this element of globalization. As I said, we had the formidable expansion of global trade, some weakening of global trade at least of the correlation between global growth and global trade. Could you enlighten us on the present situation and the future?

Bark Taeho

Thank you very much, Mr. Chairman. I also want to congratulate Chairman Montbrial for holding this miraculous conference at this time and thank the WPC organizers for inviting me. This morning, I would like to share some of my thoughts on the topic of this session with you, from the perspective of a trade specialist because my background is mostly in the field of trade.

I would like to begin my brief remarks with my observations of some recent trends related to international trade. First, we can see in many countries that the general public's views on free trade and globalization are being changed to be somewhat negative. In other words, the general public tend to think that free trade and globalization are some of the causes of high unemployment and income polarization. As you know very well, politicians use these sentiments for their political campaigns in the election and often emphasize that more jobs can be created through less imports and more domestic production. Buy American, hire American, and reshoring incentives are the examples of the recent US government policies aiming to boost domestic production.

Second, the areas of the US-China disputes are being expanded from trade to national security and high-tech competition. The US claims that the unfair industrial subsidy of the Chinese government is the key issue and the US government launched export restriction measures against China. On the other hand, China argues that the US export restrictions are causing a global market failure and hence the intervention of the Chinese government should be expanded.

Third, intensifying geopolitical competition between the US and China as well as the difficulties coming from the Covid-19 pandemic have led the US to build its own secure and

resilient supply chains for high-tech products, such as semiconductors and batteries for electric vehicles.

Fourth, the responses to the climate change are being strengthened and the scale of digital trade is rapidly increasing.

Well, these trends can directly or indirectly affect globalization. However, according to the OECD experts, although certain products and specific firms have been affected by these trends, aggregated data collected by the OECD has not yet shown any significant changes in the GVC structure. We understand each government can use policy measures to pursue its specific national goal such as building its supply chain at the national level to protect national security and promote industrial self-reliance. Even in this case, however, firms will try to bypass these policy measures in order to achieve their own goals of profit maximization. Firms can do this through diversifying their supply sources and shortening, regionalizing or even redesigning their GVCs. In other words, firms are always considering various factors, such as cost including wages, access to resources, availability of intrinsic assets, and proximity of consumers and so on when they construct their supply chains.

Of course, firms cannot ignore policies of the government as well as its alliance partner countries. In the case of Korea, leading firms such as Samsung, LG, and SK have recently decided to make large-scale investments as the US tries to build its supply chains for semiconductors and batteries. However, if other major countries insist on establishing supply chains at their national levels, these Korean firms may have to invest in Europe, China, and Korea. There are concerns that this could lead to overinvestment and excessive facilities of the Korean firms in the end.

I think that in the future, rapid digitalization, increasing risks of climate change, rapidly growing AI technology, and servicification of manufacturing and so on will influence more on globalization than government policies. In order to see globalization evolve in a desirable direction in the future, it would be crucial to provide the right business environment with transparent and fair multilateral rules in various fields. However, today, we do not have proper multilateral trade rules for important issues which may significantly impact globalization in the future such as industrial subsidies, measures related to environment like carbon border adjustment taxes, and digital trade.

As we are all aware, the multilateral trading system of the WTO does not properly function these days. It faces the most serious crisis since its launch in 1995. Although the 12th WTO Ministerial Conference will be held in Geneva at the end of November, experts do not expect much about the results. Furthermore, we do not find any leadership among major countries in strengthening the multilateral trading system.

In conclusion, the world trade order will remain unstable and the WTO will not play a constructive role in future globalization. I am sorry to be a little bit pessimistic. I will stop there. Thank you very much.



Jean-Claude Trichet

Thank you very much, Minister. You finish your statement on a rather somber note, obviously, but, unfortunately, I think it is realistic.