

BARK TAEHO

President of Lee&Ko Global Commerce Institute, former Minister for Trade of Korea

Thank you, Mr. Chairman, you raised some important but very difficult questions and I do not know if I have the answers to them. Since I am a trade expert, I will say something about the trade area, starting with some brief remarks on issues related to the global supply chain and I potentially want to touch on the possibility of future world trade governance.

I will start with the three major causes for the recent global supply chain restructuring. First, as you know very well, there was the Covid-19 pandemic, the war between Russia and Ukraine and various sanctions against Russia are causing supply chain disruption. Second, the US trade measures based on national security concerns are also causing supply chain distortions. For example, and you probably know this very well, additional tariffs on steel and aluminum, also a quota imposed on South Korean steel exports and export controls on China for semiconductors and semiconductor equipment, are distorting trade in those products. Third, trade policies based on politically motivated nationalism, which favor domestic production and reshoring, are also causing supply chain restructuring. All of these are affecting international trade and the supply chains of global firms.

Several concerns are emerging in the light of these developments. First, we notice that countries like the United States, which have criticized China for giving heavy government subsidies in specific sectors, now provide industrial subsidies to promote their own domestic sectors, like semiconductors. According to the US CHIPS and Science Act, the US government will provide USD 52 billion of subsidies in the semiconductor sector. This means that industrial policies could be revived in most countries, including the United States and probably the EU, triggering industrial subsidy competition among major countries. We worry that we might lose the opportunity to reform the rules on industrial subsidies at the WTO.

Second, some trade policy measures based on national security concerns, green economy or politically motivated nationalism, such as those in the US Inflation Reduction Act, may violate the WTO rules of the MFN principle and the national treatment. For example, the IRA includes tax credit provisions, which discriminate against electric vehicles produced or assembled outside the North American region. Regarding these aspects of the US legislation, some trade experts even including those in the US, are questioning whether the US supports defending and reforming the rules-based multilateral trading system, or simply pushing for anti-China or America first policies.

The third concern is about the issue of decoupling between the US and China. As you well know, the US economy and many other economies in the world are already deeply interconnected with the Chinese economy through many years of globalization and trade.



Therefore, it may not be realistic or even feasible to suddenly cut off all trade between the US and China. I think we should consider limiting the US decoupling from China to a few technologically sensitive sectors, which are directly related to national security. Even in the case of semiconductor, decoupling should focus on a few technologically advanced chips.

Last but not least, I have another concern related to the decoupling issues I have just mentioned. We now know that the Indo-Pacific Economic Framework participating countries are discussing the contents of the agreement of the IPEF proposed by the United States. Of course, we do not yet know the details, but probably in the second pillar of the Indo-Pacific Economic Framework, there will be some provisions for supply chain resilience, which might exclude China in their supply chains for certain products and materials. If this is the case, we can easily expect China to react in one way or another. Trade experts are actually saying that this kind of confrontation between IPEF participating countries and China might lead to a serious kind of trade war, which really concerns us.

These are the concerns I wanted to share with you. As a trade economist, I do not see that the world trade governance, we talked about that in the first session, particularly the multilateral trading system of the WTO, properly deals with these problems. Furthermore, no major countries raise these concerns these days, so in this context I would like to suggest that the WPC participants start to raise the appropriate voices. I particularly think that our session is the right place to discuss some ideas about the future global trade governance. I am not providing specific solutions, but I am raising the concerns. I will stop here.

Jean-Claude Trichet, Vice Chairman of the Académie des sciences morales et politiques, former Chairman of the European Central Bank, Honorary Governor of the Bank of France

Thank you very much, Bark Taeho. It was very clear and this danger of nationalism introducing its own fragmentation at the global level and the decoupling between the US and China you mentioned, and a potential trade war, is extremely important in our perspective.