

BARK TAE-HO

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Let me now turn to Tae-ho. Thank you very much for coming over from Seoul and giving us your perspective of trade. You have been very much engaged in global trade negotiations, both from an incentive perspective and from a protecting perspective. You have been, as I said, the Minister for Trade in Korea and you have a very interesting perspective on future trade regimes.

Please, over to you.

Bark Tae-ho, President of Lee & Ko Global Commerce Institute, former Minister for Trade of Korea

I would first like to join other participants in thanking the organizer and sponsors for inviting me to this prestigious gathering of the WPC 2023 in Abu Dhabi. This afternoon, I would like to share some of my thoughts on the evolving landscape of the world trade environment.

As we all know very well, the global trade environment has been undergoing unprecedented transformation. As a trade economist by training, I believe the most fundamental change is the increasing prevalence of negative views towards free trade and globalization among the general public. There is a wide-spread perception that domestic industries and labors have suffered from domestic companies' overseas investments and excessive imports from foreign countries, leading to job losses and growing income inequality. In other words, the benefits of globalization and free trade are disproportionately distributed, negatively affecting lower-income individuals.

Politicians have strategically promoted these negative sentiments on globalization and free trade to capitalize on the psychological states of low-income voters, predominantly composed of workers, for their advantages in the election. Indeed, this has led to protectionist policies in many countries that prioritize domestic production over corporate overseas investments and imports from abroad.

Another critical aspect impacting the world trade environment is the strategic competition between the U.S. and China. Following the imposition of extra tariffs on imports from China by former President, Trump, the U.S.-China disputes have broadened the scope of national security to include economic and technology areas. The U.S. considers steel and aluminum crucial elements for its national security and is actively engaging in securing its dominant

position in strategically advanced technology sectors, such as semiconductor, EVs and EV batteries, AI and so on.

In addition, global companies have experienced real challenges stemming from the COVID-19 pandemic and the war between Russia and Ukraine, and recognized the imperative need to restructure their supply chains. In particular, the war has triggered increased prices for energy, food, and key minerals and led to various economic sanctions against Russia, resulting in supply chain disruptions.

At the same time, major countries are actively promoting initiatives related to various social and environmental objectives, including enhancing labor and human rights, reducing carbon emissions, and protecting the environment.

Let me provide some examples of major countries' policy measures. The U.S. has introduced the Chips and Science Act, allocating 52 billion dollars in subsidies to the semiconductor sector. The EU has also introduced the EU Chips Act, which provides substantial amount of subsidies to increase the global market share of its semiconductor.

It is crucial to notice that countries, previously critical of China for providing heavy government subsidies to specific sectors, now offer themselves industrial subsidies to promote their domestic industries. This means that industrial policies will be revived triggering unfair trade activities among major countries.

Of course, China continues to provide government subsidies to key advanced technology sectors, including semiconductor, EVs and EV batteries and AI.

The U.S. restricts exports of semiconductors and semiconductor equipment to China. The U.S. has also introduced the Inflation Reduction Act (IRA), which includes provisions discriminating against EVs assembled outside North America and EVs equipped with batteries manufactured with parts or minerals from foreign countries of concern. Furthermore, the U.S. tightly controls foreign firms' investments in the U.S. and screens overseas investments by American enterprises.

At the same time, leading nations worldwide have advocated for policies to establish stable supply chains for critical raw materials. These policies aim to minimize the risk associated with over-dependence on a few specific countries for those materials. For example, the U.S. is endeavoring to establish a "critical minerals club" with the EU through the Trade and Technology Council (TTC) and another club with the IPEF participating member states. Also the EU has introduced the Critical Raw Materials Act (CRMA) to limit its dependence on a single country for critical raw materials to a maximum of 65%.

As we can see, major countries are utilizing subsidies, trade, and investment measures to achieve their national objectives in various areas, including national security, the economy, technology, society and more.

However, some of these may violate the multilateral trade norms of the WTO, such as the subsidies agreement and the principles of the Most-Favoured-Nation (MFN), and the National Treatment (NT). Certain measures included in the IRA are good examples of these violations.

Nonetheless, the world trade governance, particularly the multilateral trading system of the WTO, is not effectively addressing these issues. As we all know, the WTO dispute settlement



system remains incomplete because there are no judges at the Appellate Body since the end of 2019 and appointing the Appellate body judges has been unsuccessful.

So, even if a WTO member wins a dispute through the panel investigation, the final legal results will be pending until the Appellate Body, which currently does not have judges, can make a ruling. Therefore, it would be meaningless to accuse any members for their violation of the WTO norms and principles for the time being.

We now find ourselves in a world where major nations are adopting various unilateral policies, focusing on their domestic political agenda, to achieve economic as well as non-economic objectives. The negative consequences of these unilateral actions on the world trade will progressively escalate. If this trend continues, the world trading order will remain fragmented, increasing uncertainty in the world trade environment.

Under these circumstances, it would be practically impossible for the whole WTO members to discuss sensitive issues. However, doing nothing would not be a desirable option either. We should note that the WTO allows member states to take unilateral actions if fair and non-discriminatory implementation of these actions is guaranteed.

Considering all these, it would be crucial for countries with similar interests and positions to gather and engage in transparent and unbiased discussions on various issues including new commercial rules. If a consensus is achieved, participating members should begin implementing the agreement. Of course, the agreement should be open to non-participating countries that may wish to accede later.

Many trade experts consider the Open Plurilateral Agreements (OPAs) among like-minded member states as a second best option for addressing important issues at the WTO where consensus among all WTO members is impossible to reach. They believe that the OPAs can serve as a complement to the WTO system and could be ultimately multilateralized.

In conclusion, I would like to note that serious efforts from major trading nations are urgently needed to respond to this crisis situation and mitigate uncertainties in the global trade environment. Thank you very much.

Nikolaus Lang

Thank you, Tae-ho. As you said when you spoke about the crisis environment, I think the fact that WTO is not active anymore has created a vacuum, which we also see in a multipolar world where the key institutions that used to steer the global economy have been massively weakened.

Bark Tae-ho

Yes.