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I turn to John. Do not be surprised if we address many different problems, the idea of this seminar traditionally is that we address a lot of problems and then we discover that we miss two or three that are so important but it should come from the audience. John, you have the floor.

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Thank you. Our Chairman instructed us to focus our remarks on a specific topic, so I will address what is happening with regard to international trade. As I said yesterday in the plenary session, from 1950 to 2008 — almost without exception — international trade grew faster than the overall economy. In other words, trade was a sustained key driver of global expansion — just as was intended by the architects of the post-war international system.

Since 2012 — essentially since the fading of COVID — we have experienced the reverse, that is, a decade in which during eight out of 10 years, trade has grown more slowly than the overall economy, and there are many reasons to expect that this could remain a common occurrence in the future. In general, global growth post-covid has been relatively slow, resulting in slower growth in per capita personal incomes as well as reflecting slower population growth. Nevertheless, the relatively slow growth in trade has given rise to concerns about possible deglobalization, fragmentation, etc. At the same time, there has been a dramatic deterioration in the operations and effectiveness of the World Trade Organization.

One of the key priorities of the first G20 Leaders Summit — that took place in November 2008 — was to prevent new trade restrictions and to promote the adaptation of new liberalization, specifically the successful conclusion of the WTO's Doha Development Round. In the event, however, the opposite has occurred. New protectionist measures have been adopted, and the Doha Round has been completely abandoned. Moreover, the WTO's dispute resolution mechanism effectively has collapsed, symbolizing a deterioration in the trading system's underlying rules-based structure.

It is worth thinking more broadly about the underlying aspects of the deterioration in the relative role of trade in global growth. For most of the period post-World War Two, trade expansion was driven by cost and efficiency considerations. These economic incentives for expanding trade were created through market opening, reductions in restrictions, and the lowering of tariffs, among other measures.

This focus on creating new economic incentives through trade stood in direct contrast to the previously widespread view that import substitution and/or central planning were viable



strategies for development. I recall important work of the Commission on Growth and Development that was established by the World Bank and chaired by Michael Spence, the Nobel Laureate. The Commission concluded that there was no case of sustained development of emerging or developing economies that did not involve an opening to the world markets.

What is happening at present is best viewed as reflecting a shift in priorities, rather than an abandonment of the pursuit of economic efficiency or an abandonment of the message of the Commission. These newly emphasized priorities can be characterized as a heightened concern regarding security, including security about energy supply, about food and health, about technology.

As my friend Marsha Vandenburg has pointed out, the newly emphasized concern about security reflects “three Cs”. The first C is conflict, underscored by Russia’s invasion of Ukraine, by the Israel/Hamas conflict and by US/China tension. The second C is COVID, that fostered a recognition of potential threats to the resilience of supply chains – hence the danger of relying on foreign trade and avoiding potential transport bottlenecks. The third C is climate and the obvious need for international cooperation in addressing the challenge, but also the possibility that climate-oriented measures -- like a border adjustment tax for carbon -- could create new barriers to trade.

Finally, as we have discussed earlier today, concerns have emerged about keeping up with emerging technologies and the associated proliferation of new forms of subsidies as well as new forms of trade restrictions. As we have heard this morning, subsidies in this area are becoming so ubiquitous that they are virtually meaningless: If everybody is subsidized, no one gains any particular advantage by applying subsidies. Additional concerns involve trade in data and the associated worries about data security and about cross-border data access.

The latest data also portray a geographic reallocation of trade. This might be labeled as trade diversion, but in any case, growth of manufactured exports has been notable from Bangladesh, Indonesia, Vietnam, Cambodia, India and, in the United States especially from Mexico. Recent research has shown that in many cases the businesses that are the source of the expanding trade in these markets actually are flowing from the investment of firms that formerly located those activities in China.

Looking forward, the recent G20 leaders’ summit statement included a new section on trade that stated that the G20 leaders are committed to a trading system that is “rules-based, non-discriminatory, fair, open, inclusive, equitable, sustainable and transparent with the WTO at its core”. What are the measures that they agreed to do this, to accomplish this? First, they committed to resurrect the dispute settlement system by next year — good luck with that. They will promote exports from micro and small and medium enterprises, that they support the G20 generic framework for mapping global value chains, that they will continue work on the high-level principles on the digitization of trade documents and they will support the WTO’s “aid for trade” program. Frankly, this does not sound like a very active agenda for turning around underlying trade trends.

My conclusion is that these three Cs — conflict, covid, climate — and T, technology, are going to have an ongoing impact on global trade, and it is going to be a while before the rebuilding of a trading system that is consistent with the goals announced by the WTO will bear clear results.

Jean-Claude Trichet

Thank you very much indeed. You are killing one of my very small list of positives because I would say despite the geopolitical tensions, despite the quarrels and the wars, we had a



communique of the G20, the full body of the international community signed it. The triumph of India in managing that to get that communique has been quite remarkable. Also in our domain, pure financial domain, the system of the Basel Committee, the Financial Stability Board reporting to the G20 continues to function. Therefore we have there something which is perhaps miraculous but continues to go and we will see, your skepticism is perfectly justified.

John Lipsky

I was focused just on trade.

Jean-Claude Trichet

You are right on trade we are very likely to be disappointed, that is absolutely clear. Thank you so much.