

JEAN-MARIE PAUGAM

Deputy Director General of the WTO

Jean-Claude Trichet, former President of the European Central Bank, Honorary Governor of the Banque de France

Jean-Marie, you have the floor.

Jean-Marie Paugam, Deputy Director General of the WTO

Hello everyone. Let me begin by thanking our hosts and, of course, Thierry de Montbrial for their invitation. I want to make three remarks that are a kind of assessment of globalization on the eve of the new year, which has some important dates.

The first is that globalization continues. Previous speakers have said this. We have debated deglobalization for years, but trade continues to grow: trade in goods, with technical discussions to accurately measure progress and reconfigurations. This will be discussed in depth at a round table. John talked about the reconfiguration and shortening of value chains, but trade is still growing. In the end, trade is incredibly resilient. Trade in services demonstrates this even more clearly because it is growing very fast. So we are not in an era of deglobalization.

Second, there are cracks and fragmentation in three areas that are still under control but “hot,” with significant trends. The first is environmental and climate policies because they are uncoordinated. There is a sort of governance gap between the Paris Agreement and the WTO, for example, to ensure that the impact of climate policies on trade is optimized and coordinated in the best possible way. This is obvious on carbon pricing, for example, where Europeans are putting a price on carbon while the Americans are granting subsidies for carbon alternatives. When you run a company, you look at your investment choices while keeping those kinds of differences in mind. This is true of export restrictions and standards, especially green standards, which are very important. There is a whole area where fragmentation can be seen around these policies, which, moreover, are totally legitimate. I believe the opening speeches reminded us of the issues at stake.

The second area of fragmentation involves everything to do with economic security policy, which, again, covers a lot of ground. It includes supply security, for which the Covid crisis was a major trigger. It also concerns the supply of energy and essential goods, especially foodstuffs, and industrial autonomy policies, which can lead to public interventions that can fragment trade. And this is another hot spot.

The third area of tension is security policies, i.e. “I do not want to trade with you because you are not my friend or we are at war.” Sanctions, embargoes, and so on play an increasing role in international trade, although here again we are not facing a hemorrhage.

These three areas of tension are interrelated. Sometimes they overlap. The issue of electric vehicles, for example, is very interesting because it encompasses the climate issue, the industrial and trade issue and sometimes the safety issue.

When a country like the United States says, “We are wary. We do not want to import electric vehicles with on-board software that could threaten national security,” it is clear how the three areas overlap. I seldom use the word “protectionism” because I think we are a pretty long way from the traditional protectionism that aims to gain a comparative edge, even though this still exists. So, there are three areas of tension.

They are shaking up the governance system. The WTO must be thought of as a stock, a flow and a dispute settlement mechanism. The stock is the acquired gains, the principles of transparency, non-discrimination and good faith that have underpinned global growth since GATT. These principles are more or less respected. There are breaches, low blows and even more during trade wars, but no massive rejection of these principles, which still legally govern 75% of world trade. All free trade agreements are built on the same foundation, which in practice accounts for most current trade.

The flow, which is the negotiation of new rules, is much more complicated. Issues of disagreement are found in all international organizations about the inherited balance sheet, knowing whether the previous rules are balanced or not. So, there is a demand to rebalance the rules before negotiating new ones, which tends to complicate the WTO’s ability to act. This is slightly different from what John was saying. At the WTO, we have the possibility of majority rule in our texts, but it has never been used in practice, so we are still governed by consensus. This makes movement a bit slower, for example on the issues I mentioned earlier, such as climate policies.

Third, as you know, disputes were settled by the WTO’s appellate body, which has established much jurisdiction in trade relations. In a way, this has been “shut off” by the United States, which considered it a breach of sovereignty. Talks are starting up again on the issue. This does not mean that in the meantime, all trade disputes are outside the law. The previous system, which had no appellate body and was known as a panel system, will continue to operate. We still receive requests for legal settlements to disputes on a daily basis. In this respect, the glass is half full. With this in mind, important dates are coming up, in particular Trump’s inauguration.

Jean-Claude Trichet

Thank you very much. That was very interesting. You are wary about the incoming American administration. Perhaps you will be asked about it.