



Global Trade Series 2021 Summary

The AIG Global Trade Series 2021 is a series of 10 podcasts analyzing the complex interplay of factors shaping the global trade system.

This summary document highlights some of the predictions and policy prescriptions that emerged from the ten conversations on the future of global trade between the series moderator, Rem Korteweg of the Clingendael Institute, and 24 leading experts on trade affairs.

All of the podcasts in the series can be listened to here: www.aig.com/gts. The Global Trade Series is a collaboration between AIG and the following international organizations with leading expertise on global trade: Georgetown Law, Institute of International Economic Law; Chatham House; the Clingendael Institute; the International Chamber of Commerce; the Jacques Delors Institute; the Research Institute of Economy, Trade and Industry; and the Bertelsmann Stiftung (Knowledge Partner).

In 2022, the AIG Global Trade Series plans to continue these important conversations, focusing on a wide range of the most important trade related issues.

This summary is written by Rem Korteweg, Senior Research Fellow, Clingendael Institute.

Series Partners



Knowledge Partner:
BertelsmannStiftung

Open Strategic Autonomy: Navigating the New Direction of EU Trade Policy



Podcast recorded:
31 March 2021

Elvire Fabry, Senior Research Fellow, Trade Policy and Brexit, Jacques Delors Institute

Marianne Schneider Petsinger, Senior Research Fellow, US and the Americas Programme, Chatham House

- The EU's new trade strategy is less focused on developing bilateral trade agreements, and more on tackling global issues, including digitalization, sustainability, and WTO reform.
- In its pursuit of "open strategic autonomy", the EU will have to manage tensions between "openness" and "autonomy".
- The policy shows renewed assertiveness –by proposing new tools for investment screening, pushing back against foreign subsidies and reciprocity in public procurement - but it lacks detail on how to address inequalities produced by trade, the strategy's connection with EU industrial policy and how to reduce strategic dependencies.
- Relations with the United States are key. The EU and the US must resolve transatlantic trade tensions – including in the area of digital taxation, climate policies and tariffs - while developing a coordinated approach towards political and economic developments in the Asia-Pacific.

Where Next for the World Trade Organization and Global Trade Rules?



Podcast recorded:
13 April 2021

Ignacio Garcia Bercero, Director, Directorate General for Trade of the European Commission

Jennifer Hillman, Professor from Practice, Georgetown Law, Institute of International Economic Law; Former Member, WTO Appellate Body

Tetsuya Watanabe, Vice President, Research Institute of Economy, Trade and Industry (RIETI)

- New rules must be developed to deal with industrial subsidies, competitive distortions, and state-owned enterprises. A key question the WTO needs to address is how to develop effective disciplines on subsidies.
- New agreements should lead to green-boxing subsidies for health and 'green' products.
- To avoid increasing regionalization and trade fragmentation, countries should strive to bring plurilateral trade agreements into the WTO.
- The WTO has an important role to play to promote sustainable trade and development, connecting trade policy to environmental goals, labor standards and fostering greater equality.
- But if the WTO cannot enforce its own rules, it has a problem. A functioning WTO dispute settlement body must be developed by MC13 (2022-2023).
- The WTO's continued relevance will depend to a large degree on how much effort the US administration is willing to invest in reforming the organization.

Trade and the Indo-Pacific: CPTPP, BRI & RCEP



Podcast recorded:
20 May 2021

Vasuki Shastry, Associate
Fellow, Asia Pacific Programme,
Chatham House

Deborah Elms, Founder and
Executive Director of the Asian
Trade Centre

Tetsuya Watanabe, Vice
President, Research Institute of
Economy, Trade and Industry,
RIETI

- RCEP combines China, Japan, South Korea and 12 other countries in South-East Asia in a single trade arrangement, simplifying regional rules of origin. It will spur intra-Asian trade at a moment when the impulse for global trade integration is slowing.
- CPTPP is an agreement among like-minded countries. China's interest in joining CPTPP raises the question whether Beijing will agree to CPTPP standards, for instance on digital and labor.
- With the US absence from Asian trade initiatives, Asian countries are concerned about China's increasingly central role in Asian supply chains. The EU's bilateral trade agreements in the region offer some balance. An EU-India deal would be a game-changer.
- The EU's plans with Japan and India to develop infrastructure and digital connections across the region could offer an alternative to China's Belt & Road Initiative. Though its proposals are currently dwarfed by the scale of Beijing's projects.
- The US should develop a trade strategy for the Asia-Pacific.

After the Pandemic: Trade, Health and Protectionism



Podcast recorded:
14 June 2021

Mary E. Lovely, Senior
Fellow, The Peterson Institute

John W.H. Denton AO,
Secretary General,
International Chamber
of Commerce

- The rise in export controls, domestic subsidies and restrictions on inward foreign investment are distorting international trade and reducing trade's ability to promote a global economic recovery.
- The pandemic demonstrated the need for better information on supply chains and shortages; increased transparency to reduce the allure of export controls; and improved coordination to address bottlenecks, both across companies and across borders.
- Supply chain transparency involves identifying underutilized production capacity, facilitating more long-term financing and improving global governance to coordinate responses.
- Supply chain redundancies and stockpiling medical equipment can help reduce the impact of health shocks. But maintaining them costs money. Public support must be sought for this.
- Resilience must not translate into self-reliance. Contrary to what politicians claim, overall supply chains worked during the pandemic. Only in some specific areas does decoupling and reshoring make economic sense.
- In developed economies, particularly in the US, there is a perception that trade is bad for domestic jobs. The understanding that international trade is an important tool to help less developed countries appears no longer widely shared. Technology transfers are now seen as a net negative. If a global post-Covid recovery is to take shape, this perception must change.

Climate and Trade: On the Road to COP26



Podcast recorded:
6 July 2021

Christian Bluth, Senior
Expert, Bertelsmann Stiftung

Emily Lydgate, Senior
Lecturer in Environmental
Law, University of Sussex

- The EU's Carbon Border Adjustment Mechanism (CBAM) aims to reduce 'carbon leakage' and raise global climate ambitions by exporting elements of the EU's emissions trading system. But it is also a unilateral trade measure that sparks concerns among the EU's trade partners. The EU should invest more effort to get international support for CBAM from like-minded climate allies.
- A 'climate club' is the optimal solution for the environment and the global economy. An EU-US agreement would be a good place to start.
- An effective implementation of CBAM requires making an environmentally ambitious instrument, that is technically feasible and acceptable to the WTO.
- One of the challenges that must be resolved is to ensure that CBAM does not discriminate against developing economies and does not undermine the notion of "common but differentiated responsibility" and fairness.
- WTO members may not approve of the precedent that CBAM sets. The EU should be prepared to respond to a WTO challenge.
- Beyond the WTO, COP and the OECD have a role to play in developing climate trade measures.
- If agreed, CBAM will go into effect by 2026. This measure must go in parallel with other trade initiatives that can have a quicker effect, for instance removing fossil fuel subsidies.

Digital Transformation: Standards, Taxation and Global Governance



Podcast recorded:
20 July 2021

Chris Southworth,
Secretary General,
International Chamber
of Commerce, UK

Kelly Ann Shaw, Partner,
Hogan Lovells

Erik van der Marel, Senior
Economist, European
Centre for International
Political Economy

- Three different models of digital standards are emerging: a US, European and Chinese one. This creates friction for businesses, at a time when digitalization offers big opportunities for improving international trade.
- The differences among these models are fundamental and reflect different ideas about sovereignty, privacy and a philosophy about how to run the economy. Resolving them will not be straight-forward.
- A way must be found to accommodate all three models without causing global digital fragmentation.
- Middle-sized economies – like the UK, Japan, Canada and others – should aim to bring the three 'digital blocs' together.
- Transatlantic cooperation on digital standards makes sense strategically, but is economically difficult due to disagreements over digital taxation, Europe's desire to build its domestic digital industry and privacy concerns. The Transatlantic Technology and Trade Council is a step in the right direction. But digital cooperation may initially be more likely between the US and UK.

Trade Integration and the Americas



Podcast recorded:
10 September 2021

Shannon K. O'Neil, Vice President, Deputy Director of Studies, and Nelson and David Rockefeller Senior Fellow for Latin America Studies at the Council on Foreign Relations

Alvaro Santos, Professor of Law and Faculty Director of the Center for the Advancement of the Rule of Law in the Americas, Georgetown Law

Steve Liston, Senior Director, Council of the Americas

- USMCA includes improved labor enforcement clauses, changes in dispute settlement and new rules on auto parts. It creates a regional trade bloc in the Americas.
- This is causing some tension between members of both CPTPP and USMCA (Canada and Mexico), for instance regarding rules of origin for cars.
- There was bipartisan US support for USMCA. It suggests that the trade deal could become a model for future US deals in the region. But US appetite for new trade agreements appears limited. Instead, the US is focused on implementing and enforcing existing agreements, potentially raising tensions with its preferential trade partners. Meanwhile, China is the largest trading partner for many countries in the region and the EU is exploring deeper trade ties.
- The US should develop a more proactive trade strategy towards the Americas.
- Latin American countries could reap the benefits of the trend in near-shoring. Similarly, they should do more to pre-empt the green transition in trade by investing in green energy and sustainability. That is, if their politics allow it.

US- China Relations: When Decoupling Meets Dual Circulation



Podcast recorded:
21 September 2021

Alicia García Herrero, Senior Fellow, Bruegel

Stephanie Segal, Senior Fellow, Center for Strategic & International Studies

- Policies by the Chinese government to achieve economic self-sufficiency have led the US to take steps to reduce its exposure to Chinese supplies and the Chinese economy. This is taking place in a context of deteriorating trust. The Covid pandemic is acting as a further accelerator, fuelling the quest for self-sufficiency.
- China is pursuing its national interests in its economic policy. And so is the US. The difference is that the US no longer sees Chinese economic growth as a US interest.
- The US is concerned that China may achieve dominance in technological sectors that are essential to the next wave of economic growth and are closely linked to next-generation military technologies. This includes semi-conductors, 6G telecommunications, quantum and biotechnology. In these areas a competition for dominance has emerged between the US and China, resulting in decoupling and dual circulation, with strong overtones of national security.
- For the vast majority of economic activity, decoupling is not an issue of concern.
- Scepticism about China in the US private sector is not as strong as it is among US policymakers. But the mood is shifting. The same is true for Europe.
- For the EU, instead of reacting to growing US-Chinese tensions, it should focus on itself, strengthening the single market, understanding its dependencies and increasing political cohesion.
- Health and pandemic response, alongside climate policies, are areas where China and the US could foster deeper cooperation. But Beijing may have no appetite to treat these issues as separate from disagreements over high-end technologies.
- Domestic political realities are impeding the US to be more of a leader on international trade. China's interest in joining CPTPP may be a wake-up call for the US.

Is Trade Working for All?



Podcast recorded:
11 October 2021

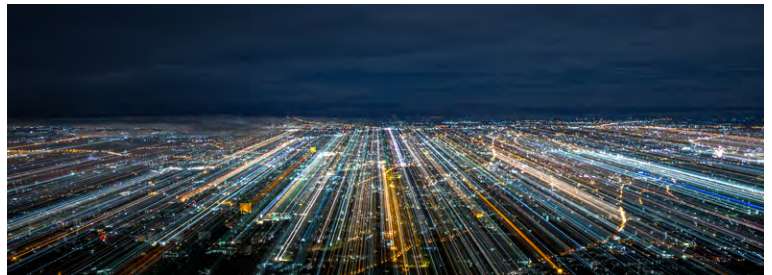
Cecilia Malmström, Non resident Senior Fellow, Peterson Institute for International Economics; Former European Commissioner for Trade (2014 to 2019)

Marion Jansen, Director of the Trade and Agriculture Directorate, OECD

Moderated by Marie Kasperek, Executive Director, Institute of International Economic Law, Georgetown Law

- “All means all.” Trade liberalization produces winners and losers. The challenge is to ensure that the gains of trade are distributed equally.
- EU free-trade agreements have specific chapters dedicated to SMEs, human rights, labor standards or environmental protection. But implementation of these measures and enforcement is difficult. Though including these clauses is important, stronger trade enforcement should be considered.
- “Greening” trade deals includes binding references to the Paris Agreement, clauses on protection of endangered species, and the commitment to prevent environmentally damaging trade practices.
- In the EU’s investment agreement with China (CAI), China disciplines itself on equal treatment and on SOEs. Bilateral agreements can be useful to increase inclusivity. But trade defence instruments are necessary as well.
- A global tax deal can play a major role to strengthen labor standards. It would bring a halt to a ‘race to the bottom’ and give back redistributive power to governments. Besides, a global tax deal could restore some trust in multilateral agreements.
- The global trade and gender arrangement (GTAGA) is a new initiative between Canada, Chile, New Zealand and Mexico to link different mechanisms designed to promote gender equality with trade liberalization.
- Support for digitalization should be gender-neutral.

Is the Future Regional?



Podcast recorded:
12 October 2021

Martin Sandbu, European Economics Commentator, Financial Times

James Crabtree, Executive Director, International Institute for Strategic Studies (IISS), Asia

Wendy Cutler, Vice President, Asia Society Policy Institute (ASPI)

- The bulk of ‘global’ trade takes place within regions. This will intensify. At the same time, a period of history is coming to an end when the development of economic links and geopolitical competition could be kept separate. It is giving rise to economic security concerns and accelerating the trend of regionalization.
- Value-added trade is increasingly in services, which are regulated. Trade in these services is easier between countries that trust each other. Trade in digital services and data offer a clear example. Also, trade is increasingly becoming contested as consumers are more concerned about – for instance - the carbon footprint or ethical standards of a particular product. More regionalization is the consequence.
- The introduction of regulatory issues in free trade agreements, makes them much more complicated and harder to conclude. It is likely that there will be more ad-hoc, issue-specific plurilateral deals – e.g. on semiconductor supply-chains – instead of big multilateral ones.
- These plurilateral deals are increasingly influenced by geopolitics. For instance, both Taiwan and China have indicated an interest in joining CPTPP. How the CPTPP members deal with this, has geopolitical ramifications.
- Competition over standards and regulatory models will shape the trade agenda in the coming decade.
- Fracturing is also happening inside companies, as firms struggle with the realities of competing regulatory models. While initially this fissure will run along the three major trading blocs, increasingly this will be country per country. Companies may eventually be forced to choose which markets they can afford to be in.
- The question is whether regulatory cooperation can be achieved between blocs. Transatlantic regulatory cooperation could yield economic and geopolitical benefits. As US public and political perceptions converge with European views on the question of data regulation, there is an increasing chance of US-EU alignment.
- The US will not join CPTPP anytime soon, but it might lead on issue-specific deals. A digital trade deal has been mooted.
- Managing the economic and political tensions and complexities associated with the trend towards regionalization is a central challenge in the coming decade.

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