



## Panel Discussion on “Trade in a Multipolar World” 23 August 2018

On 23 Aug 2018, the European Union (EU) Centre in Singapore, National University of Singapore and Université Sorbonne Nouvelle co-organised a panel discussion on “Trade in a Multipolar World”. The panel comprised Dr. Razeen Sally from Lee Kuan Yew School of Public Policy, Dr. Henry Gao from the Singapore Management University, Dr. Louise Dalingwater and Dr. Jean-Baptiste Velut from Université Sorbonne Nouvelle. The discussion was moderated by Head of Department of Political Science, NUS, Dr. Kim Soo Yeon.

Dr. Razeen Sally kickstarted the discussion by pointing out that the economy is currently experiencing the strongest recovery since the 2008 global financial crisis. Dr. Sally noted that US tax reforms aided global economic recovery by triggering a series of positive knock-on effects across the world. During the crisis years, trade barely kept pace with GDP growth, but steady recovery has led trade to now experience a 1 to 2 percentage point higher growth than GDP – the same differential seen pre-crisis. However, Dr. Sally warned that the turn towards protectionism may derail recent economic recovery. He clarified that the tilt towards protectionism predates Trump, as WTO data shows that governments have already begun resorting to non-tariff barriers years before Trump took office. However, with Trump, there seems to be a shift from ‘creeping’ to ‘accelerating’ protectionism. Though standard macroeconomic models

forecast the present tariff war unleashed by Trump to only cause a small 0.5% dent in the American GDP growth, Dr. Sally cautioned against accepting these figures at surface level as he argued that these models underestimate the costs arising from increased uncertainty. In fact, he argued that in the medium to long term, accelerating protectionism would further impact investment productivity, exacerbating any stagnation currently experienced. Finally, Dr. Sally pointed out that the US had contributed to global economic stability by providing global leadership and public goods required in the world economy for decades. The recent retreat by US would hence result in changing geopolitical conditions, and Dr. Sally expressed a less sanguine outlook should global leadership shift into the hands of China.

Dr. Henry Gao opened his remarks by recounting his time at the World Trade Organisation (WTO) over summer. While questions whether the WTO is in crisis remain rife, Dr. Gao argued that the WTO is very much alive and kicking. However, he acknowledged that the lack of American leadership is a problem which should be solved. He pointed to the example of the US blocking the appointment of the appellate body, which effectively took the system hostage. To make matters worse other countries are now joining the US in refusing to continue with the reappointment process. By Oct 2018, only 3 members of the original 7 appellate body members would be in office, and by the end of 2019, only one member – representing China – would be in office. Dr. Gao, however, clarified that the American global leadership retreat is not a recent phenomenon under Donald Trump, as the appellate body fiasco has its origins during the Obama administration. On Trump's calls for US withdrawal from the WTO, Dr. Gao noted that the American President does not have the power to withdraw the US from the WTO, as it requires a majority vote in Congress. Contrary to prevailing perceptions Dr. Gao argued that the US has in fact been actively involved in the WTO recently, as evidenced by a joint statement with Japan and the EU on the development of stronger rules on industrial subsidies

On the issue of the Sino-American trade war, he expressed doubts at China's ability in retaliating against the US \$200 billion tariff on Chinese goods, since Chinese exports to America last year stood at only \$120 billion. Though Chinese Vice-Premier Liu He is presently leading negotiations with the USA, Dr. Gao expressed doubts that an agreement will be reached by November. Yet, he noted that the Sino-American trade war may be beneficial in providing the necessary external pressure for China to realise that it is no longer a small, new and poor WTO member. He argued that this much required external pressure may act as a trigger for China to step up and demonstrate more responsibility and global leadership in this new economic climate.

Dr. Louise Dalingwater began her remarks by noting that the risks of a 'no-deal' Brexit has recently risen drastically. She acknowledged that different EU member states would face varying degree of negative economic consequences owing to Brexit due to the different levels of exposure to the UK. For instance, Ireland would face severe economic consequences owing to its open and dependent relationship with the UK. Similarly, Germany, France and the Benelux countries are also predicted to suffer owing to the high volume of trade they share with the UK. Dr. Dalingwater characterised Brexit as a form of "self-harm" imposed by the UK on itself, as it would cause serious disruptions for European citizens and European businesses living and functioning in the UK. She highlighted that a no-deal Brexit would result in the UK having to renegotiate over 700 trade deals, and this would seriously disrupt cross-border production chain. Dr. Dalingwater also commented on the intensified uncertainty arising from the heightened no-deal prospects, which have led to the financial sector looking to shift out of the UK and relocate in continental Europe, and potentially dampen investments prospects in the UK.

Dr. Jean Baptiste Velut covered three key points in his remarks – the decline of US leadership, the rise of narcissistic diplomacy as well as the persistence of multilateralism and regionalism. Firstly, Dr. Velut acknowledged the that there has been a backlash against previous US interventionism, as evidenced by America's recent return to a form of isolationism where Washington has become less willing in intervening overseas. He clarified that this return to isolationism predates Trump, as US foreign policy under Barack Obama had already called for "leadership from behind" and "light footprint" abroad. Under Trump, this approach shifted from foreign policy to the economic sphere, as the Trump administration has attempted to reverse Free Trade Agreements initiated or agreed by his predecessors and is more amenable to small bilateral business deals. Dr. Velut also touched on the rise of narcissistic diplomacy, using Trump as his principal example. For instance, Dr. Velut explained how the Trump administration has no one concerted strategy for TPP, TTIP, NAFTA or the US-China trade war. A lot of decisions made by his administration were not strategized and, as a result, lack coherence. This leads to a shift from macroeconomic determinism to personal psychology where policies are not driven by a consistent yardstick. Lastly, Dr. Velut argued that America's retreat from global economic leadership does not equate to the end of competitive liberalism as cross-regionalism is very much alive and well. He pointed to countries like Singapore, Australia, Chile and Mexico, while unhappy about America's return to protectionism, had tried to compensate by actively seeking like-minded partners who champion free trade and made the most out of it. Dr. Velut hence optimistically concluded that America's absence on the world stage does not mean the collapse of the international economic system.