Peterson Institute for International Economics

The securitization of trade: Where is globalization going? A conversation with Chrystia Freeland

February 4, 2026

This is an unedited AI-generated transcript that may contain errors. Please confirm quotes in the corresponding event recording. If you find substantive errors, please contact meetings@piie.com.

[00:00:31.17] - Cecilia Malmström

Good morning, good afternoon, good evening. Welcome to this year's first episode of Trade Winds. My name is Cecilia Malmström. I'm a senior non-resident fellow at the Peterson Institute of International Economics in Washington. We are only one month into the year, but it has certainly been an eventful one. So far globally, international, but also a lot in trade. With the new Trump administration, we have seen tariffs taking a new dimension in the world. The tariffs because of national security imposed on steel, aluminum, cars, pharma, etc. We have reciprocal tariffs that were imposed to basically the whole world on Liberation Day last April. And then we see tariffs coming up and down, often as a geopolitical tool when a country or someone does something that is not pleasing the US administration. We have seen it on Greenland, we have seen it on Canada to punish the country for the agreement with China, and we now see how the administration is trying to force pharma companies pharma companies from all over the world to lower their prices, and if not, they will face very high tariffs. We could reflect a lot about this, but going a little bit beyond the hourly tweets from the White House, what are we actually seeing right now?

[00:02:06.05]

The geopolitization of trade, the weaponization of tariffs, is not new. It has happened before, but the amount of it has certainly grown. We have seen it with the Trump administration, but we have also seen countries like China doing it before. For instance, when Lithuania wanted to open a Taipei representation in their capital of Vilnius, they were also punished with tariffs. And so was Australia when they criticized the Chinese government's handling of the COVID virus a couple of years ago. There were also punishments related to the Australian export of wines. So we can talk about this, but what went wrong? How did we get there? And what can we expect to come? We have today no other guest than Chrystia Freeland, who is former Deputy Prime Minister of Canada. She has been a Finance Minister, she's been a Foreign Minister, she has been a Trade Minister, she has of course been member of the Canadian Parliament, she is a journalist, and she is now Economic Development Advisor to the President of Ukraine, President Zelensky, and incoming Chief Executive of Rhodes Trust. So, a perfect person who has also lived in politics both under Trump 1 and Trump 2, and she will help us to see and explain where we are and where we possibly might go.

[00:03:33.18]

So, Chrystia, a very warm welcome. It's an absolute pleasure to have you here.

[00:03:38.11] - Chrystia Freeland

It is great to be here, Julia, and for people, especially maybe for people who are a little bit younger than you and I are. Shocking to believe. Um, uh, Cecilia and I met as trade ministers. Um, we came to call one another sisters in trade. Um, are very like-minded. Um, if we were together in the same place, you would see, um, that although we have a lot in common in our thinking in our stature, there's a great difference between us. So I think we look funny in some of the pictures of the two of us together, and because Cecilia is very tall and I'm not. And we became sisters in trade when together we negotiated CETA, the Canada-EU, which I think today is more important than ever. So I just want to start by saying it's great to be with you, Cecilia. Celia, thank you for everything that you've done.

[00:04:40.04] - Cecilia Malmström

No, no, thank you. And it's good to have that transparency that we know each other, that we have negotiated together, and that we are kind of the mothers to a very good trade agreement between European Union and Canada. So, Chrystia, what do you make of the situation today? What's your take?

[00:04:59.26] - Chrystia Freeland

Well, look, I think your introduction was great. And When you started with the current administration and its weaponization of trade, I scribbled a note to myself to say what you went on to say, which is for people who have not been focusing on trade, this can seem entirely new, but of course it's not. And another friend of ours, a former USTR, Mike Froman, has this great line where he talks about how we are all China now and that the United States, that China has won ideologically on trade because the United States is now copying China's approach. And I think that's really true. And it is really important at this fraught moment to bear in mind. You mentioned China's trade retaliation against Lithuania. You mentioned China's trade retaliation against Australia. But of course, next door to you, your Norwegian neighbors will remember trade retaliation over a Nobel Prize. So it's not a new thing that Nobel Prizes get caught up—

really, it's not. I mean, it's absurd. Yet true— would get caught up in a weaponized trade world. And of course, Canada experienced it when we honored our extradition treaty with the United States, and in retaliation, not only were two Canadians illegally arrested and imprisoned and held captive in conditions which were ultimately deemed to be effectively torture, but there was trade retal— China retaliated against Canada on trade as well.

[00:07:05.00]

So on pork, on canola. So this is not an entirely new thing. What went wrong? I think it's— that is a really important question because it's very easy now as the system is being battered with a very crude and angry sledgehammer to be nostalgic about it. But I think that the system was going wrong and breaking down well before the 2024 election in the United States. To my mind, you know, we're going to be talking for a while, but I'm going to name two principal problems. The first one is China and the second one is Russia. On China, I think that history will show it was a grave mistake to admit China to the WTO. I think China's WTO admission was driven by some really well-intentioned ideas, right? We were kind of at that end of history moment. And I think there was a view that we were all going to converge to a sort of liberal democratic nirvana. Or at least to peacefully existing and trading and becoming prosperous together, and that admitting China to the WTO would not only make us all more prosperous, but would make the world safer and more secure.

[00:09:03.07]

That was at that time.

[00:09:04.23] - Cecilia Malmström

At that time, it seemed logical. I don't think I remember when that happened. And of course, there were doubts. And I don't think we really thought everything was going to be nirvana and China would pass into a fully fully fledged open liberal democracy overnight. But there were actually at that time, 20 years ago, some important reforms being made in China. So maybe it was naive, but, you know, we saw that something was moving. At least looking back, it didn't. But at that time, at least—

[00:09:33.00] - Chrystia Freeland

I totally agree. And I think it's very important not to castigate the whole End of History vision and not to trash it because it was based not only in hope, but in what I would say is ultimately a very positive and generous vision of the world and of human beings. And it was based in a view that all human beings, whether they lived in Russia or in Poland or in China, had the same desires that you and I have, Cecilia, to be free and to be prosperous. And that working together, we could build a world where being free and prosperous wasn't just the province of the lucky transatlantic countries. But could be available to all of humanity. To me, that was the end of history idea. I think it's very, very positive. I'm not giving up on it. We shouldn't. I think that it's— we shouldn't. No, I think it's actually very wrong to give up on it. But we need to be realistic about what is actually happening in the world. And so going back to China's WTO entry, Why do I think it is one of the core drivers of the great disruption we're experiencing in the world today?

[00:11:21.08]

I would say for 3 reasons. First of all, China entered a rules-based trading system as an economy driven by entirely different, right, as a centrally planned economy driven by an idea of growth based on, you know, export-led growth. And other countries had done it before, but no country on the scale of China.

[00:11:53.16] - Cecilia Malmström

And so heavily subsidized, right?

[00:11:56.02] - Chrystia Freeland

No country big enough to have that— big enough. I would also say like smart enough, really good at it. China has been excellent at export-led growth. And, you know, I think you and I both remember how at the time of WTO entry of China and right after and afterwards, it was considered, you know, kind of unsophisticated and sort of dumb for people to complain about how this was going to hollow out manufacturing jobs and that was going to be a problem. And sort of fancy people at institutes like the places you and I hang out in would sort of say, oh, you know, that's so unsophisticated. And what about Ricardo? And what about Smith? And it's all going to be okay. For me, a very intellectually transformative paper which I wrote about in my book, Plutocrats, before it became widely famous, was the China Shock by Arthur and his co-authors. And it documents really clearly that it wasn't— that it was real, that for manufacturing-based communities, the China Shock meant not only did a lot of people lose what had been good unionized jobs, but the whole community suffered. So even if you didn't lose your job, the general wage— general wages in your community and availability of jobs decreased.

[00:13:36.17]

And it was a very regionally focused impact. So one, you had the China shock, and I think the China shock explains so much of US politics. And so much of the rise more broadly of populism, more broadly of a distrust in the elites who had, you know, of whom we were ones, right, who sort of scolded and said, don't worry about it, it'll all be fine. So I think that was problem number one. I think problem number two is where you started with your introduction. Problem number two with China's admission to the WTO, it's where you started with your introduction. And that is, we had this kind of end of history notion that we'll all be trading together, we'll be friends, it'll be great. I think the person who had the best metaphor for that vision was Tom Friedman with his golden arches theory of conflict. Are you familiar with this?

[00:14:34.11] - Cecilia Malmström

Right?

[00:14:34.28] - Chrystia Freeland

No two countries that each have McDonald's will go to war with each other. And we sort of thought, I think, with China's admission to the WTO, China would start playing by our rules and we would be all rich and living in peace. But China turned, turned that around. And what China recognized was once we became dependent on each other, once we had these economic connections, those could be turned around. And weaponized. And that is something that was not anticipated and is more and more of a problem. And we see it now driven from the US, but it started long before that. And then the third thing that I would say, and sort of on that second point, point. How I would characterize the problem is we had this vision, again, very end of history related, that somehow trade and security could be decoupled. And you will remember that very well from being a trade minister. Those conversations were completely separate, right? Like the trade people were at one table, the security people were at another table. It was even considered, you know, rude and inappropriate to talk about security issues in the trade conversation, right?

[00:16:11.19]

That was purely economy. And what we saw was China didn't see it that way. And China understood you could use trade as a tool in other areas. And the more interconnected we became, the more vulnerable we became to each other. We're seeing that really play out today. And then the final thing that I would say, and this is something you and I worked on a lot in CETA, and still talking about China and WTO entry, you know, a lot of what we've just been talking about now are issues that we tend to see having been raised by the right, although trade unions and the left were very concerned as well about the impact on manufacturing jobs. But I think that the third thing that we didn't fully anticipate, which is an issue, is what is the impact of trade on our values?, on environmental standards, on labor standards, on human rights. And to what extent can countries like yours and mine, Cecilia, maintain high labor standards, maintain high environmental standards if our economies are fully exposed to big partners that do not maintain those standards. And often those standards are expensive. So that would be like my first sort of set of China's 2001 WTO entry problems.

[00:18:05.04]

And I think we all now need to think very hard as we look ahead to how do we build a trading system that doesn't repeat those mistakes.

[00:18:21.10] - Cecilia Malmström

I think that that's a very valid point, even if, of course, it has also brought advantages. I mean, we have built up more competitive industries. It has created a lot of jobs, both in China, obviously, but also in Europe, in the US, in Canada, all across the world. But how would you link this to the great love of tariffs by the American president on Greenland, on Canada, on Europe, on everything else? Because this, this, we have seen it in the past in the US, but not to the same extent. Of course, there was Trump 1, but Trump 2 is, is more geopolitical in its trade policy in a way. Is this an— so you, would you imply that this is an inspiration from China, or is it a way to try to protect the US from China but in this dragging a lot of potential allies in this accelerating security or economic war?

[00:19:21.24] - Chrystia Freeland

So Cecilia, I very obviously do not speak for the American president or the US administration. And I wouldn't presume to do so. I guess sort of bringing it back to where we are today, I might say a couple of things that might be interesting to you. You know, the first is I think it is really important to recognize that I, I really believe the first election of President Trump in 2016, and to some extent his reelection was driven in part by the issues that you and I are talking about. I think particularly by the China shock in the United States, by the hollowing out of the Rust Belt in the United States, of communities that had depended on manufacturing, And I think what was politically so powerful about President Trump in 2016 was people felt in their real lives in these communities that things were not working for them, and they heard from elite experts that everything should actually be okay. And I think it's really important for us to recognize that reality so that we can fix those problems. In terms of where we go from here, I would say 3 things. The first is what you just mentioned, actually.

[00:21:20.20]

Trade does actually work. Like, that's the part that sometimes gets lost in these political conversations around trade. Trade does make us richer. That part is true. And, you know, I have been a finance minister, and when you're a finance minister, what you want is an economy that's growing and you don't have to spend money to make it grow. It's very hard to find policy like that really, really hard. Trade is a policy where, like, the Trade Minister is never asking the Finance Minister for money, or not very much. Trade is a policy that actually makes economies grow. It makes people richer. It makes companies more competitive. It brings prices down. So let's remember that. And, you know, at a time when affordability, when economic growth, when this challenge of how can our kids— I think Cecilia, you and I are roughly the same age. I'm 57. We're considered to be the generation—

[00:22:32.29] - Cecilia Malmström

I'm much younger. We're considered to be the generation. We're the same age.

[00:22:38.15] - Chrystia Freeland

Yeah. We're considered to be the generation that is like doing okay. Maybe our parents' generation considered to have done even better. But the younger generation looks at us and says, in, in the Western industrialized world, how can we have the lives of our parents? And at the heart of that question is, how can we collectively create an economy that's going to give younger people a great life? How can we have an economy that grows fast enough for them? And so look, trade is going to be part of the answer. And if we stop trading with each other, it's going to be— we're going to be stepping on the brakes precisely when we need to step on the gas. So let's remember that. I want to say one thing, though, about where we are today that I think also is really important to talk about in the trade conversation and is usually not talked about in the trade conversation. And that is Russia. And for me, actually, the moment that I really had this epiphany that we had to profoundly change our institutions was Russia's full-scale invasion of Ukraine in 2022. And I remember—

[00:24:13.02] - Cecilia Malmström

4 years ago this week.

[00:24:15.01] - Chrystia Freeland

Yeah, right. Yeah, yeah, 4 years. Russia has been trying to invade Ukraine for longer than the Soviet Union fought the Second World War. Think about that. And at that moment, what was shattered was the European, and particularly the German theory of how Europe was going to work. Christian Lindner, who I think is our mutual friend and was German finance minister while I was finance minister, said to me once in a little bit of sort of, I would say, rueful despair. He said, we Germans, we thought we were so smart, like we thought we really had stuff figured out.

But at the end, how have we been building our economy in recent decades? We built it on cheap Russian gas, on exports to China, and on not spending money on defense. And similar to China's entry to the WTO, there was this assumption that building a close economic relationship with Russia was going to be a golden arches theory of peace. And that—

[00:25:45.08] - Cecilia Malmström

I think many countries warned about this. Germany certainly did build itself into very clear interdependence, their own dependence, but many countries warned about what could happen. And here we are.

[00:25:57.13] - Chrystia Freeland

They certainly did. And, you know, to me, it's because the economic impact of the Russian invasion of Ukraine is not on the scale of some of the other economic forces in the world. I think we can forget to to bring it into the trade conversation. But we must, because I am already hearing people again talking about how, well, you know, the way to solve all these wars in the world is just for us to bring our economies together. And once we're all economically connected with each other, we'll never have wars again. It didn't work before, it won't work again. And as we think about where we go from here, I think we need to find a way to bring the trade conversation and the security conversation back together again. That is not to say that we don't trade with countries, um, with whom we do not have a security relationship. Of course we do, we must, but we need to recognize in a world where the weaponization of trade is real, we need to be thoughtful about where we're building economic dependencies.

[00:27:33.21] - Cecilia Malmström

Don't you think we're learning a little bit? You talked about the risks with trade as well. I mean, that we didn't think about the environment, about labor standards and so on. But for quite some years now, at least Canada and the European Union and some of our like-minded countries have included references to important international conventions agreed in the United Nations and so on. Labor standards in the CPTPP, there's quite a lot of ambitious work going on on labor standards. We have some other references to human rights clauses on child labor and so on. And we're also trying to embed the trade agreements much more in economic security. The latest, when EU and India concluded a negotiation last week, that was also connected to a security cooperation. And with China and Canada now approaching some smaller deal, but a deal, there's also a broader cooperation built in there. And countries all across the world are now trying to de-risk both from China, from Russia and the gas and oil, obviously, but also from the US economy and trying to to diversify their trade relationships, not only because it's potentially good for the economy, but also as a part of a more broader security strategy that you need to put your eggs in different baskets and that you need to de-risk from unhealthy dependencies.

[00:28:57.09]

So, I think we have learned a bit the last years.

[00:29:00.19] - Chrystia Freeland

Yeah, I think 100% we have. And I think that is absolutely the direction that are going. I may surprise you by saying a trade deal that I think recognizes some of the things that we are talking about is the new NAFTA, the USMCA, that I negotiated with Bob Lighthizer and Ildefonso Guajardo of Mexico. And one of the really significant elements in that deal was, for the first time, a labor value content provision where part of the agreement in the car sector was that you had to have— to qualify for the NAFTA preferences, you had to have parts made by workers earning at least a certain wage. That had never been done before. And I think that was really, really powerful and important.

[00:30:12.08] - Cecilia Malmström

Yeah, that was truly very groundbreaking. And you were involved in the updating of what USMCA or NAFTA II, different acronyms used to be depending on where you come from. And this was supposed to be updated again. Or reviewed this year. Do you think this will happen, or will it be put apart? I think both Canada and Mexico have shown willingness to engage, but there doesn't seem to be much interest from Washington.

[00:30:41.15] - Chrystia Freeland

No one has yet given me the crystal ball, Cecilia, so I'm not going to make predictions. But what I will say is Renegotiating NAFTA with the first Trump administration had a lot of rocky moments. There were many insults exchanged in public. Negotiations in private had a lot of tough moments as well. And at the end of the day, the reason we got a deal, and this was a deal, like I'd like to point out, the new NAFTA was described by President Trump as the best trade deal ever.

[00:31:28.23] - Cecilia Malmström

I remember.

[00:31:30.06] - Chrystia Freeland

Pelosi was Speaker when it was passed by Congress. So it could be one of the only actions where we had Nancy Pelosi and Donald Trump acting together and agreeing. That's a pretty big deal.

[00:31:48.10] - Cecilia Malmström

It is.

[00:31:49.15] - Chrystia Freeland

And I think, you know, when I reflect on what made it work and how we got there, I give a lot of credit to Bob Lighthizer. Um, he can be very tough. Uh, he is not, uh, I would say an unreflective fan of trade in all its forms, shall we say. But he's really, really smart, and he understands the value of trade. Steve Verheul, Canada's chief trade negotiator, said to me when we started, he said, you may think that it's better to have an unintelligent counterparty because you can run circles around them. Actually, in a negotiation, you want the smartest possible counterparty because they— so I give Bob a lot of credit. And the other thing that I— the other sort of fundamental driver for why we got there, I believe, was at the end of the day, it was very much in the national interest for the US, for Canada, for Mexico to have this relationship. And that is a reality of very many bilateral and multilateral trading relationships in the world. It is a reality of global trade. And that is something that gives me medium and long-term confidence. But the third thing I'll say, which is a lesson for me of my personal history, is appeasement and capitulation was not the winning strategy.

[00:33:47.06]

The winning strategy was, you know, the line that I repeated over and over was, "We will not escalate." but we will not back down. And when 232 tariffs were first imposed on Canadian steel and aluminum, Canada did respond with a dollar-for-dollar retaliation. And we were joined in that by Mexico and by the EU. Remember, we worked together.

[00:34:13.21] - Cecilia Malmström

We did.

[00:34:13.28] - Chrystia Freeland

And we did it, I believe, in a friendly way, if I can put it that way. More in sorrow than in anger, very much saying we want to be friends, we want to work together, but if you hit us, we will hit back. And I do think at that time that was an important part of the approach and an important reason that ultimately we got to a good deal.

[00:34:50.28] - Cecilia Malmström

No, I agree. At that time, Canada, Mexico, and several others, and we also took the whole notion of 232 tariffs to the WTO, and we retaliated small but fair. And maybe that was a lesson that wasn't learned at the first time. But now with the threats against Greenland, where the EU very firmly set down its foot and say, no, this is enough, we will not let you take or buy or acquire Greenland. And if you do, there will be consequences. We will not escalate unnecessarily, but if needed, we have these tools. And now, of course, let's see what happens. The issue is now discussed. So let's see. But the immediate threat is not on the agenda today, but it might very well be this afternoon. You also were very, very engaged in negotiating the CPTPP on Canada's behalf. And I have been happy to see that there has been rapprochement between the CPTPP countries and the EU. They had met on the ministerial level just before Christmas to discuss how they can improve their respective trade relations, but also how they can take a stronger view in trying to reinforce and modernize global trade rules, WTO plus, so to say.

[00:36:03.27]

Is this also something you would see that a more modern trade approach?

[00:36:11.02] - Chrystia Freeland

Yeah, I totally agree. And I think Cecilia, you and I spoke of a trade community that could be the EU plus the CPTPP.

[00:36:26.26] - Cecilia Malmström

Many years ago.

[00:36:28.10] - Chrystia Freeland

Yeah, yeah. And look, I think that that could be an incredibly important path forward. And I do believe that you know, even as we talk about global trade rules, we need to recognize that a lot of the action is going to be in plurilateral agreements. And, you know, we already— you and I were together at WTO ministerials before the global trading system started to be really disrupted the WTO's ability to move forward was— I was going to say questionable at best, but maybe I'll be more blunt. It wasn't really able to meaningfully move forward. And I think we also have to be truthful and say WTO ability to to enforce rules when the big players didn't want them to be enforced was nonexistent. So, you know, I think a lot of the focus today needs to be on plurilateral agreements, on working with communities of countries that have, I would say, a degree, a high degree of shared not only shared interests, but I think we shouldn't be scared of saying shared values, um, as part of the trade conversation and finding they can work together more closely. And a critical part of that does need to be agreed dispute settlement.

[00:38:18.24]

A critical part of it does need to be that countries that are parties to these agreements need to agree to be bound by the rules. And I do have to say, you know, we've been talking about Russia, China, the US. I'd like to take a moment to say three cheers for Europe. It can be a little bit trendy right now to criticize the EU, to talk about—

[00:38:52.15] - Cecilia Malmström

We're used to that.

[00:38:53.24] - Chrystia Freeland

Yeah, you know, I think the EU is very— are you guys masochistic in some deep cultural sense? The EU is very sort of good at self-flagellation and self-criticism. As an outside friend, I'd like to say, I think the EU is incredibly important right now. It is actually stepping back, the notion of being able to bring now 27 countries together in a single economic space, imperfect, sure, but a single economic space. Wow, that's actually a miracle. And right now we're talking about, you know, ways in which the world is falling apart. Europe is an example of how the world has come together, hugely increasing the prosperity of Europeans. And I think that this could be the coming years when we sort of figure out what are the rules of the global economy. And global security going to be, Europe could be the leading voice in that conversation. Europe knows how to collaborate because that's something that Europe does inside all the time. Yes, painfully, but you guys are good at it. And Europe is the one beemoth economy that has shown it is prepared to be bound by the rule, the agreements which it signs, even when it's painful.

[00:40:48.29]

Something that made a huge impact on me and on all Canadians was that during COVID when— remember that moment, we've now sort of forgotten it, but when everyone was racing to get vaccines, and EU companies honored their contracts with Canada even before all Europeans had the vaccines they needed. That's really significant.

[00:41:21.15] - Cecilia Malmström

And do you think this can be the— if we start looking a little bit forward, I mean, we know lots of things have gone wrong, we could have done it differently, Now we are where we are. I know that you are right now writing a book about globalization and the future and so on, and summarizing a little bit your long political and economic career as well. And there's not one single solution, but are we looking at something like more of a coalition of willing with the EU, Canada, and like-minded friends trying to establish new rules, but also building on the good ones that worked, but maybe twisting them a little bit into— how do you see the future? What's coming out of this? Because it's very popular as well to talk about the death of globalization. Well, some parts are dead, but you know, the fact that we can sit here and talk across different continents is also part of globalization, and that certainly is not dying. So how do you see the way forward? Would you share some views with us?

[00:42:18.26] - Chrystia Freeland

I think that what you've just said is exactly right, and I think that is already happening. Is going to continue. I think you're also right, Cecilia, you know, trade hasn't stopped.

[00:42:36.22] - Cecilia Malmström

No, it's very resilient, actually.

[00:42:40.22] - Chrystia Freeland

Very hard to stop trade. And I would maybe just make two additional points. One, and this may be not so popular with any Canadians who are listening. So I'm gonna, but I'm gonna be brave because right now in Canada, there is a very, very strong nationalist feeling. We are proud of our sovereignty. And we are very clear as a country that we're going to fight for Canada. Prime Minister Stephen Harper, who's not from my political party, but he said something very powerful last year, which is he said, "If it's a question of sovereignty, Canada should be prepared to pay any price at all." And that is a very, I would say a common mood in Canada. So I've said all of that, and having said that, I'm gonna say let's not count out America. I love that Winston Churchill line about America ends up doing the right thing after trying everything else. And I ultimately, at the end of the day, have faith in America. And I have faith that that is where America will end up. I'm really glad, you know, that you are doing this work at the Peterson Institute because, you know, right now I think those of us who are outside America are very focused on dealing with an America that is treating us especially America's allies, that is treating us differently from what we are used to.

[00:44:43.24]

And by the way, I do want to offer a shout out to the Prime Minister of Belgium, and Belgium I think is not known for its flamboyance. I think that would be fair to say, Cecilia.

[00:45:00.18] - Cecilia Malmström

But— They are known for my big bowlers.

[00:45:01.21] - Chrystia Freeland

But I think that comes for a reason. Absolutely, where he said, it's one thing to be happy vassal, but we're not prepared to be miserable slaves. So we outside the US are focused on that happy vassal versus miserable slave issue. I think Americans right now are very focused on what's happening inside America, understandably so. One thing that I hope you can do with Tradewinds and we can do, Friends of America, is help ensure that Americans understand how much goodwill there is in the world among America's allies. For an America that treats its allies with dignity and seeking a reciprocal mutually beneficial relationship. Um, and I really hope that Americans don't lose sight of that possibility because a world where America is on the side of the angels is a much better world for all of us.

[00:46:27.14] - Cecilia Malmström

That's hopeful. Thank you for those words. We have a lot of people who are watching this and a lot of young people, and there's lots of questions coming in. So if we have— if you have a few minutes more, I wanted you to reflect on a few more concrete issues. We have one person who said, Was there any actual alternative to admitting China to the WTO 25 years ago? You started by saying that that was a mistake and it was naive looking back. But do you remember, was there actually any alternative? Could we have done differently? And how would that have changed?

[00:47:04.16] - Chrystia Freeland

Yeah, I think there was an alternative. And there was actually a lively debate about, about it. I do— again, I want to be clear, hindsight is 20/20 vision, and all of us could go back and the world could be perfect if we had time machines. What maybe the question is getting at is, wasn't it necessary and important and right even if you didn't, even if you weren't a believer of this kind of end of history vision, which again, it's a beautiful vision. Let's not give up on it. But even absent that, maybe what the questioner is asking is, don't we need a global economic system in which China is a part. Um, and if that is the intent of the question, that's absolutely right. Look, the reality is China is in the global economy, um, whether it's in the WTO or not. Um, and a second reality I would say is I think all countries I think that seeking a constructive relationship with China where possible is the appropriate stance of the international community and of countries. And I think, you know, if the perspective of the questioner is, you know, to say it would be wrong to try to exclude this huge country, possibly the largest economy in the world, from economic relationships with the rest of us.

[00:49:06.17]

Excellent point. But what I would say is that is different from that reality and seeking to have a constructive relationship where we can, but to limit our vulnerabilities and to be prepared to speak out where there are challenges. You need to do all of those at the same time. And I would say China has just been smarter than the rest of us, and it's time to recognize that.

[00:49:52.08] - Cecilia Malmström

There are several questions on this particular topic, but I think one was also that we all did quite a lot of money on China joining, but what we failed to do, and you also alluded to this in the beginning, is that we didn't learn to play the game in the same way, and we were not really prepared to it. But maybe this is something we're catching up.

[00:50:14.21] - Chrystia Freeland

Yeah, I'm not— look, I think that's right, and I think that, you know, trade ultimately is mutually beneficial, but it— and it creates dependencies, and I think policymakers need to be really thoughtful about what are those dependencies. And you can approach it in two ways. If it's a dependency with a close and trusted partner, maybe you don't have to worry about it very much. I think to take CETA as an example, I think both Canada and the EU felt It's okay to be dependent on each other because we trust each other and we're allies. Um, with other countries, I think more care needs to be taken. Uh, I like, uh, Ursula von der Leyen's, uh, notion of de-risking. I think that's really important, and even in business No business likes to be dependent on a single customer, even actually if the customer is your great friend. So I think for all of us to de-risk is a good idea. And then I think with, we need to be, we do need to be thoughtful about countries where there is a track record of weaponizing economic dependencies and think quite carefully how to make our own countries and ideally groups of allies less vulnerable to that.

[00:52:13.16]

Um, and, uh, think maybe about how by working together again, the coalitions of the willing, and protect ourselves. And then the final point, which is more also a macroeconomic point. I do think the, you know, a model of overcapacity of export-driven economic growth, particularly practiced by a really big economy, we have to be thoughtful about the challenges. And, you know, you and I have been at like a million dialogues of overcapacity in steel, right? Millions of conversations. But we never actually really did anything about it. And so mechanisms have to found where there is an intentional, effective government policy of overcapacity, of export-led growth. How does it affect the global system and how does it affect specific partners? And there needs— there need to be mechanisms that go beyond just saying we'll keep talking about it. And I do think I'm going to make a prediction for you, Cecilia. And actually, you've been asking me questions, but can I ask you a question? Because I'm very interested in your view on this. I think that we are going to see an issue of overcapacity, this issue of the China shock. I think it's going to become increasingly an issue for Europe.

[00:54:07.17]

Because with US trade policy, that Chinese oversupply has to go somewhere. I see more and more of it going to Europe. And I have heard surprising comments from Europeans about their awareness of it. I've heard them talking in ways that only the Americans were talking a few years ago. How is Europe going to deal with that flood of Chinese exports that now doesn't get into the US as easily and is directed at the EU? What's going to be the result and the response?

[00:54:49.15] - Cecilia Malmström

Well, that's one of the most topical issues discussed right now, because you're right. On the one hand, we see China trying also to do all kinds of trade agreements in the Indo-Pacific to find new partners for their exports. But of course, a lot is going to Europe. And there's discussion about using trade defense instruments, increasingly tariffs or anti-dumping duties and so on. I think there are 22 ongoing anti-dumping investigations against China, everything from steel to small little nails without head, whatever they're called, to cement and in lots of different areas. And then we have the EV issue, of course. So that is one track. And then there is also a track that is being discussed right now. How can we we promote more European production and that the consumers would buy more European. And that's tricky, of course, because politicians cannot really select winners. And when it comes to EVs, you know, the Chinese EVs are actually quite affordable and good quality, as opposed to some European. If they come, they start coming out quite a lot of good European alternatives. So, it's a discussion of how you formulate the industrial policy with trade, with promoting European production, but also better creating conditions for European productions and not really selecting the winners.

[00:56:13.05]

And you know Europe, that's 27, there are probably 27 different views on how this is going to end. But I think a small combination of all of this, it's on the agenda for a high-level meeting next week. Week. So probably something will come out of that.

[00:56:31.04] - Chrystia Freeland

And do you see a sharp— sorry, I'm going to ask, can I ask you one final question, Cecilia? Because very interesting, I think it'd be interesting for listeners. Do you see, you know, is this a turning point for Europe? And has Europe figured out some smart new way to handle this?

[00:56:50.03] - Cecilia Malmström

No, there's a lot of different alternatives popping up. There's not one single solution. I think there will be a mixture of different elements, hopefully merging to a more strategic way forward. And of course, all the trade agreements that are being concluded is also part of that, that you, you broaden your options and that you de-risk and you engage with other partners as well to de-risk also from China, which is one very important issue. And one element we didn't touch upon, and we don't have time for for that now is, of course, the dependence that Canada, US, and European Union, many others, has when it comes to Chinese minerals and metals and rare earths, where we're all very dependent on China because they control the process, they own the mines and the extraction and so on. So, there, I think there's a lot of possibilities for increased cooperation between this group of friends and allies to see what we can do jointly, because the investments are heavily costly, of course. Chrystia, we could continue for hours to discuss this. You've been very generous with your time. We are approaching the hour. I know you are busy, and also there were more questions coming in.

[00:58:04.14]

I'm sorry we couldn't take all of them, but some you have touched upon in your answers as well. So thank you so much for sharing your views, your concerns, and I would say a little bit of optimism as well in the end. And hopefully we can, we can talk later, and maybe when your book is done, we can, we can discuss the results that as well at a later stage. So thank you so much, Chrystia Freeland, for joining us, and thank you all who have been watching today.

[00:58:28.29] - Chrystia Freeland

Wonderful to be with you, Cecilia.