Peterson Institute for International Economics

The Tectonic Plates of Trade are Moving - A New Equilibrium

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[00:00:00.00] - Javier Gutiérrez

Ladies and gentlemen, good afternoon. For those of you who have been with us since this morning, thank you for staying with us. My name is Javier Gutiérrez, and welcome to the final plenary of the 2026 WTO Public Forum organized by the Peterson Institute for International Economics. This is the 3rd time the Peterson Institute has brought a plenary to the Public Forum, and its sessions have become a particularly strong feature of the program. consistently generating lively discussions and some of the most watched sessions in the forum's video archive. This evening's conversation, The Tectonic Plates of Trade Are Moving: A New Equilibrium, will begin with a keynote address by Adam Posen, President of the Peterson Institute for International Economics, followed by a panel discussion. Adam, it is my privilege to invite you to the lectern. Thank you.

[00:01:05.20] - Adam S. Posen

Excellencies, Madame, Dr., Director General. No mic, but that's okay. Everyone, thank you very much. I am very proud that the Peterson Institute for International Economics is in its 3rd year of partnership with the WTO Public Forum and the offices that make this event happen. We're very delighted that our colleagues, including Inu Manak, spoke earlier today. We believe every word of that— WTO, public, and forum— is important. WTO is of huge benefit to the people of the world, particularly in the developing world, and we stand with those who wish to defend it and strengthen it. Public, it is a public institution accountable to the publics, not just the governments of which it's members. And forum, that we are trying to create a lively, engaged, substantive forum discussion. These are all values that I know the leadership of the WTO endorses, and that again is why we're proud to partner. In my own remarks today, I want to pick up on 2 things. Roughly a year ago, I published in the U.S. journal Foreign Affairs an article called The New Economic Geography. Some of you have read it. If you haven't, that's okay. The main point is that after 10 years of first Trump administration, Biden administration, and first 2 years of Trump admin— second Trump administration, we have seen a fundamental and likely to be persistent change in the economic system.

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And many of your governments, your companies, your publics are already dealing with that. In essence, what I think has happened regrettably is that the U.S. has ceased to provide the public insurance that it had to various ways for the last 80 years. This included things like deep and liquid Treasury markets. This included security arrangements like NATO. But this also, very importantly in the realm of trade, included high support for rule of law, the idea that the U.S. would take in imports from around the world, the idea that the U.S. believed in trade liberalization, and the idea that this rules-based system was worthy of support. We don't need to get into U.S. politics or anything like that to simply note that the U.S. has decided to change the bargain. And whether you like it or not, that is what it has done. The U.S. government's becoming less of an insurance provider has made the world a worse place in economic terms in that One cannot count on or take for granted various forms of security that were there previously. Again, some would argue that was necessary or salutary. I'm not going to make a normative judgment except to say we have to recognize that reality.

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What I will say that I think is important and which I did start to speak about the last time I appeared on this stage 2 years ago is that trade and the system have proven far more resilient than many thought it would be. And I think many of the people in this room and your constituencies have much to be proud of, as does the WTO itself in that regard. And when we look at a world in which the U.S. has engaged in a number of unilateral trade actions, including tariffs, in which China has engaged in export restraints and cutoffs of trading partners, in which others have followed down this path, what is striking is how much the rest of the world has chosen not to retaliate. Not to follow down this path. I think that was the wise choice. I think that was the self-interested enlightened choice, not just idealistic. But I think we should pause a moment to talk, think about how successful that choice has been. We have seen trade south-south and trade outside of China, outside of the U.S., continue to grow. Growth isn't everything, but it is a sign of health.

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And the fact that the private sector in countries around the world is able to draw on a global market both for inputs and to export, and that it can do so in a system where property rights and contracts are largely protected and not subject to government confiscation remains a triumph. What does that mean for the WTO going forward? Sorry, I'm trying to record and I've messed it up. What does that mean for the WTO going forward? So again, picking up on some remarks I made 2 years ago, but much more importantly picking up on the work that has been done by the membership over the last couple years. I think it is incredibly important that the WTO proceed in

what I would call plurilateralism in a multilateral spirit. And by that I mean allowing for coalitions of the willing to make progress in liberalization and importantly fair rules-based integration without being vetoed or blocked by other members. And in the multilateral spirit that this is rules-based and is what Fred Bergsten used to call open regionalism, that the criteria for entry into any agreement are published, are nonpolitical, and generally would admit any member who met the criteria.

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This, as we've seen with CPTPP, as we've seen with the European Union, is a very productive way to move forward. It is seen sometimes as a refuge for the rich countries to pull the ladders up after them This is of great concern. As my colleague Arvind Subramanian at the Peterson Institute has argued, we live in a world where discussion of China Shock 2.0 becomes a major issue in the European Union, as my colleague Cecilia Malmström can speak about, or as Henry can speak about. But I think Arvind's analytical case that the main impact of China's continued dominance in the lower end of manufacturing production is mostly an issue that hurts and constrains the developing world. China is not alone, but it does mean that discussions of subsidies should not be either seen as or limited to competition between the U.S. and China or Europe. These are issues that, as the DG has led the WTO in confronting, that should be assessed on an objective, nonpolitical basis, and their importance for the world, not just individual industries in high-income countries, must be emphasized. Additionally, if we think of the vision of where we want to go, there are sometimes pushes back on this WTO enabling plurilateralism.

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One reason often given is the idea of fragmentation, that we do not want there to be too many rules for too many members. In an ideal world, that might perhaps be true. But in this world of the new tectonic plates of the post-American world economy, as I put it, the choice is not the ideal world. The choice is whether you have a fragmentation such that there is increasing disassociation, fragmentation outside of the WTO's remit, And what the WTO is allowed to deal with in the multilateral sense gets narrowed. And I find that a more troubling prospect. I didn't drop the mic. I dropped this. I find that a more troubling prospect than the idea of integrating and aligning multiple voluntary agreements like RCEP, for example, with the European Union or the EFTA. As long as people are moving forward in a transparent, voluntary, rules-based manner, it is far easier and better for the WTO to build off of that than for the WTO to be strictly engaged with what is just multilateral. Relatedly, sometimes the pushback against plurilateralism goes to issues of the consensus principle. Of all the things that the WTO has stood for, that is the one with which I have the least sympathy.

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It is understandable why it emerged. It has its defenders, some of whom do it for defend for principled reasons. But in the new economic geography we face, it is even more than before a sentence of the WTO to near paralysis. And that is something that we can ill afford. and it can be easily dealt with. There should not be a world in which India or China or the US blocks the willingness of other sovereign member countries to move forward, whether it's on fisheries or AI or services. And that is where I want to conclude. I think the challenge moving ahead, which I hope we will partly discuss in this panel, And maybe I'll hand the gavel to Brendan. Is how do we make it so that the large economies in political terms do not feel threatened by others moving ahead or profess to feel threatened by others moving ahead? And I think the only way to deal with that is to confront it head on. Have the majority of members move ahead, accept strong plurilateral initiatives, sectoral initiatives, all of which the WTO's strengths as a forum, as a publicly accountable place, as a repository of expertise and legal knowledge can enable and help manage.

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And if One of the large economies, one of the politically significant economies tries to block it, we should— and by we I mean all of us— confront that and say, why are you against the voluntary actions of others? And there is, frankly, rarely a good case to be made. So I hope that those remarks are, dare I say, inspiring, or that's probably too ambitious. Let me say marginally motivating. And I hope that gets us into the spirit of the WTO Public Forum and the Peterson Institute's proud connection to it for public debate in service of global welfare. Thank you very much.

[00:15:05.07] - Javier Gutiérrez

Adam, thank you very much. Always a privilege to hear you in this room. So now to take us from the keynote into the panel discussion, I leave you all with Brendan Murray from Bloomberg. Brendan. The floor is yours.

[00:15:20.24] - Brendan Murray

Thanks, Javier. And Adam, thank you for those thought-provoking comments. And thanks to the Peterson Institute. Good afternoon, everyone, and welcome to the final panel of day 1 of the WTO's Public Forum 2026. The theme of our conversation today is divided into 2 parts. The tectonic plates of trade are shifting. Kind of an obvious statement. The second part is posed as a question: to a new equilibrium? So let's try to find some answers to that question and see

what role the WTO might play in it. We're going to divide this into 3 parts: how we got here, where we are now, and where we're going. Cecilia, I'd like to start with you. The how we got here question that we discussed earlier, you said you could teach a whole university course on. Could you distill down into the key parts how we got from a world that joined together in the mid-'90s around the idea of free trade to where we are today with the pushback against those ideals?

[00:16:31.31] - Cecilia Malmström

Well, thank you and good afternoon, everybody. I'm delighted and very honored to be here in this distinguished panel. Well, that's an easy question. Uh, well, I think you're right. 25 years ago, the peak globalization, democracy flooded all around the world. We had strong international organizations, the fall of the Berlin Wall, the dissolution of the Soviet Union, a strong optimism. The EU united, a strong optimism at that time. China just joined the WTO, and there was optimism and belief that, okay, This is the world we have now. We can set out rules, we have good rules, and now we just keep on cooperating. But of course, the world isn't that easy, and lots of changes have been done. And to fast-forward very quickly, of course, today— and Adam outlined a few of them— I mean, with the US withdrawing from global leadership, both security and economically, with a wave of tariffs, protectionism, industrial policy in the world, with China not making reforms that many hoped in 2001 when they joined the WTO, and having this very rather aggressive export policy which is impacting Europe and many parts of the world, the weakening of international organizations, especially WTO, because WTO didn't, didn't catch up with all these changes.

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We had the wave of digitalization, we have AI, we had the the, the, the environmental issues, saying that also trade must contribute to the green transition. And all that lacked rules, and WTO was not up to it to, to reform it, and no other organization was. So, so we have seen many other organizations also being stalled and, and paralyzed to a certain extent. So that's where we are a little bit right now, meaning that we need to, to think about all these challenges in a new way. We need to see that trade is so much complex than it used to be. It is not only about facilitating and market access. It is about rules, about standards, about technology, about geopolitics, about national security, etc. And that is very hard to do because we need strong political leadership to change and to amend those rules, and that has not really been the case. So what shall we do about it? I guess that's your second question, but maybe I'll leave my other panelists to analyze where we are.

[00:19:05.25] - Brendan Murray

I'd like to— Tatiana, I'd like to bring you into the discussion to share Brazil's perspective, what parts of the WTO-led system worked for Brazil, for emerging markets more generally, And what parts do you see that they can carry forward or need to jettison at this stage?

[00:19:28.41] - Tatiana Prazeres

Thank you, Brendan. Thanks, everyone. Pleasure to be with you today. Let me just build on something that Cecilia said regarding how we got here. I think the views on trade have changed dramatically from the time when the WTO was created. There was this enthusiasm about globalization, trade, fragmentation of production, exposure to foreign markets, so on and so forth. Fast forward to today, trade is being perceived as much as an opportunity as a risk, right? So this is something to bear in mind, and, and that explains to a certain extent the complexities of today's trade policy. Today, trade relates not only to while promoting economic opportunities, but it has to address issues such as security, resilience, industrial policy, sustainability, and so on and so forth. So all these complexities that have been introduced into the trade agenda are also related to the fact that we have very different views about trade than the one that we had when this organization was created. And bringing a little bit of Brazil's perspective to the discussion, I think in a way that maybe not only Brazil's perspective, but many countries' perspective. If you're not the US, the EU, or China, we want a functional organization.

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We want an organization that delivers on its development promises. Yes, we have to talk about development as well. We do not want an organization that just stabilizes the political, geopolitical equilibrium about major players. We want an organization that that helps to bring efficiency to the global economy at the same time that it addressed legitimate policy objectives. I think that's a little bit of the challenge. How do you bring these 2 pieces together? And the second piece, of course, related to the challenges of today's world, today's world that we need to acknowledge and factor in in reforming the WTO.

[00:21:36.39] - Brendan Murray

Henry, I want to turn to you now. It was almost 20 years ago that Deputy Secretary of State Bob Zoellick stood on a stage similar to this one and implored China to become a responsible stakeholder in the global trading system. I wonder if you could sort of help frame how you see China's integration through the WTO into the global economy. Has it been a responsible stakeholder? And if you could maybe discuss a little bit of the ways that China is trying to address some of the issues that have been raised on the panel already.

[00:22:16.55] - Henry Huiyao Wang

Great. Thank you. Thank you, Brenda, and also thank organizers for inviting me. I think the topic today is quite relevant, the tectonic plate of trade are moving, a new equilibrium. Absolutely. We are getting into a new equilibrium now, and of course, as WTO got— if we want to talk even earlier— since that, you know, founded, then the global GDP, if you get rid of the inflation numbers, has gone up actually 7 times, and then the trade has gone up 50 times. So it's enormous progress has been made. And one of the greatest achievements, I think, is that, of course, China accession to the WTO in 2001, 25 years ago, which showed that China and the world has gone up altogether, basically, you know, the benefit of the prosperity, you know, even with the last few years with the trade war going on, with all those protectionism, trade war. I mean, we see largely the world trade is conducted 70%, 80% under WTO rules, so that's a great achievement of WTO. I think WTO probably is one of the greatest inventions in the modern global governance history, so that has been really great. As far as China is concerned, I think China has been doing all its best efforts, of course, China has joined WTO.

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China has made, you know, over 35% of GDP growth, you know, consistently for the last number of years. And also China become the largest trading nation with 140 countries, and that's actually helping all those economies, particularly even for the developed countries like, you know, European countries, Canada, Australia, you know, and even American, those intermediary products that they got from China and then they actually re-export to the world, that has not been counted for, you know, sometimes. And also you talk about all those multinationals working in China and they've been, you know, China probably made the labor cost but then all the profit made in China but profit into different parts of the world. So I think that that's really the The picture, I think, that now China safeguards still multilateralism, free trade, and all those WTO principles. I think, you know, of course, WTO also helps China. You know, one of the biggest achievements is lift 800 million people out of poverty. That is also thanks also to the free trade as part of the reason for that. So I think that's why China become a very strong supporter of the WTO. And I think now what we want to alert is that we don't want to weaponize You know, trade.

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We want to—we don't want to trust the eroded. We want to actually, you know, the intertwined and also the protection of the livelihood of the global citizens of different countries. Actually, developing countries also benefit from this too. Benefit from China's rise. You can see the, you know, for the since 1995 WTO established. developing countries, middle-income countries, their trade has gone up from 23% to 45% now, which is enormous of the global trade. So I think

China presents opportunity. We are in this kind of adjustment period. We are in this kind of new equilibrium. For example, China and ASEAN and Japan, Australia, and New Zealand, we have this RCEP. Now it's the largest free trade agreement and it's actually accelerating and become so beneficial to both, you know, all the signing parties, 15 countries. So I think that we have to really continue to demonstrate the cooperation and free trade and we want to strengthen that, including CPTPP, including other trade mechanisms. I think it's bad for us to because of the geopolitical tensions, the trade has become a casualty, become a victim, become jeopardized, and free trade has been weaponized. That is the biggest danger we want to avoid.

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That is really the threat of the WTO, and we want to really maintain the authority, the governing power of WTO, and then we have to really get all the bilateral agreements also that contributed to WTO reform and improvement, enhancement. So I'm still thinking that WTO is the bedrock of the modern global society and we have to continue to support that. Otherwise, we're going to fragment it, dismantle it, and all the developing countries, even global, whether it's North and South, will go and suffer if we become— if it's not rule-based, then it's become power-based. then we got back to the law of jungle, then we cannot really afford that. Absolutely, I think it's important that we all come together and let's talk it in a public forum and then safeguard the multilateral trading spirit and safeguard multilateral WTO to be more influential and important.

[00:27:41.44] - Brendan Murray

Joe, I want to bring you into the conversation here because You heard Henry. China doesn't want trade to be weaponized. Can you give us a sense for the trade economics behind how we went from a bipartisan consensus in the U.S. that approved NAFTA, that entered the WTO, that allowed China most favored nation in the '90s, to the Trump administration's view of how the global trading system needs to change now.

[00:28:17.29] - Joe W. Sullivan

Thank you, Brendan. And in sort of zooming out and setting the stage for how to think about trade policy, one thing I would point out is that the actual economy itself is starting from a place of disequilibrium. That disequilibrium did develop over time due to policy choices made in Washington and elsewhere. And what happened was that you saw, and you still see, a set of economic imbalances that are not sustainable. Many governments around the world, including the governments of most major economies, recognize that the degree of economic imbalance that exists in the world economy now is not sustainable. And so— I think the main piece of this

story is to just understand that a disequilibrium in the actual economy developed over time due to a number of reasons, including the policy choices made in the past.

[00:29:28.28] - Brendan Murray

Okay, that was the how did we get here portion. Now we're going to discuss where we are now. Cecilia, Commission President von der Leyen has a speech tomorrow. It's a big week for the European Union on trade. The Canadians are coming in wanting to strengthen their relationship with the bloc. I wonder if you— what sort of tone are you expecting if the EU is sort of The EU is caught between the— the common sort of storyline is that the EU is caught between the power struggle between the U.S. and China. What sort of tone— tonal change do you expect from President von der Leyen to set given the new threats that industry are feeling from what they call the China Shock 2.0?

[00:30:28.17] - Cecilia Malmström

Well, I'll answer that question, but just as a very short background, the EU doesn't want to be squeezed between US and China and has seen that it has a lot of friends all over the world. And what it has focused on the last years is to strengthen those ties with old friends and also reinforcing them with new friends. So the EU has done a lot of new bilateral trade agreements with Mercosur, just entered into force earlier this spring. with India, which should be approved this week, I hope, with Indonesia, Australia, we formally have with Canada, with Mexico, Vietnam, Japan, et cetera, et cetera, and also getting closer to the CPTPP, which could be a very interesting group setting where you could set new rules. So the EU thinks that trade, and all these partners apparently think that trade needs to be transparent, open, rule-based, and done in a way that both partners gain, and with a regulated dispute settlement mechanism. So I think— but having said that, there is of course challenges in the world with the tariffs from the US that has a special track, and we have the challenges from China. I would expect Ursula von der Leyen tomorrow to talk a little bit about that.

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There will be a lot in her speech, probably going on for an hour or so, but she would probably highlight some new mechanism, new tools, or sharpened tools that the EU will use to address the, the, the threats from China when it comes to European manufacturing industry. Maybe she'll talk about some safeguards, maybe she'll talk about speedier procedures for anti-dumping investigations. The EU is also moving towards a more European preference in their industrial policy. It is still under discussion between member states and the European Parliament. It has also sharpened the rules on public procurement, where countries with no FTA with EU or not

being part of the public procurement program of the WTO will not— will be allowed to be excluded. So there will be some tougher measures vis-à-vis China. On Canada, It's, of course, a great symbol that Prime Minister Carney will also speak to the European Parliament. I think we have excellent relations with Canada, both on trade— there's a trade agreement since many years that works well; it could probably be even more improved. Security-wise, there's also a lot of cooperation. Maybe they will outline even further cooperation on AI, on technology, on trade, on— And on immigration.

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on big tech, on research, etc. So I think there will be some general outlines of how we can even reinforce our cooperation with Canada, but there is already a trade agreement there, so that's the basis, of course.

[00:33:22.29] - Brendan Murray

Tatjana, could you address this issue of whether in the future framework that we wind up with, things like market access and your overall trading relationship depend on your geopolitical alignment vis-à-vis the BRICS, the Global South, and the fragmentation that we're seeing between the West and China?

[00:33:46.18] - Tatiana Prazeres

Thank you. Well, Brazil is a country that does not wish to take sides. We— that's one reason why we want to see a very active and functional WTO. I think middle powers want to preserve their space, to act according to their own interests, and diversification is key to that effect. So just echoing Cecilia's comments about the conclusion of EU-Mercosur agreement, Mercosur's conclusion has also concluded an agreement with EFTA, with Singapore. All those 3 agreements entering into force. So for Brazil, diversification is key. And as Including to improve resilience, right? So turning inward for us is not an option for resilience. Increasing our partnerships, expanding our partnerships, concluding trade agreements with countries that are willing and able to do so is something that improves predictability, includes— improves market access opportunities for Brazil. At the same time that for us, I think working to strengthen multilateralism is something that is really important, and I think in that regard flexibility will be key for us to move forward. This organization has to embrace flexibility in a way that takes into account different views on trade, different interests, different speeds, and I think the challenge is how— if we're able to do that at the pace that we need it in light of all the uncertainty and fragmentation that is out there.

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But it's interesting to see that this may seem paradoxical. While we talk a lot about fragmentation and uncertainty and so on and so forth, we see countries that are willing to strengthen their relations doing so in ways that haven't been proved possible in the past. EU-Mercosur negotiations have dragged for 25 years, and maybe there's a reason why this was possible now.

[00:35:48.22] - Brendan Murray

Henry, Presidents Trump and Xi are meeting in a little over a week, and there's a lot of issues on the table, many of them trade-related. I wonder if you could speak to the importance of the stability in that relationship, particularly when it comes to things like critical minerals, and what you, what you might expect What do you expect, or what a good outcome for that summit would be a little over a week from now?

[00:36:18.08] - Henry Huiyao Wang

Yes, thanks, Brenda. I think it's a very interesting question. Actually, as you said, President Xi is going to the United States in about a week's time, and I think that that exactly shows about the new equilibrium that is being established. Basically, you can see that since President Trump's visit in May, to China, and then they have actually established a new parameter for the bilateral relations. In the first term of Trump, they talk about China-US, you know, strategic rivalry, right? That was the 2017 National Strategic Report, but now they talk about the strategic stability, which is great. I think, you know, I just hosted the former Treasury Secretary of the US, Hank Paulson, a few a few months ago in my office, we talked about— he was at my event, was talking— US and China has reached, you know, mutually assured economic disruption. So that is actually, you know, I think the first term Trump learned that, and then through the 4 years he's after office, he's been contemplating and has been reckoning and rethought, and of course now he's become more pragmatic. So I think what has happened now is that, you know, China was always on the responding side.

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I mean, China was not the first one to weaponize the chips, was not weaponized the sanctions. You know, there's about 2,000 Chinese companies on different entity and sanction list of the US. There's probably 2 or 3 dozen of American company on the Chinese list. It's not compatible. So what I'm saying is that, you know, US has been realizing this new equilibrium now, this new balance of mutually assured disruption. So let's really come in from mutually assured destruction to mutually assured construction. So now they agree, okay, let's have $330 billion of

goods now free of tariff. You know, they're going to have this free trade facility that between US and China are going to talk about. They're going to talk about probably also investment facility. So I think this is a good sign. And also the high-level visit constantly between China and the US. 4 times this year, we're going to have President Trump come to Shenzhen for the APEC Summit, President Xi going to Mar-a-Lago for the G20. Those are really great summits to have. As far as the EU relations are concerned, as Cecilia just mentioned, I think the EU should really not follow the— which US has already changed the course now from rivalry to a stability status, achieving that, trying to.

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But basically, in the EU policy on China, still rivalry, systematic rivalry, and now they talk about sanctions again, which has been failed by the US to some extent. I don't think that is the right way to go because that mutually assured disruption is still there. I don't want to, you know, China is responding I don't want China to really merely respond again, right? So you're going to be hugely disrupting to the world. And I think the way to get out of that is really— you talk about manufacturing— China can really invest. Chinese companies are so enthusiastic about outbound investment. They like to invest into European countries. So you can see the 40%, 50% of China investment to Europe goes to those friendly countries. goes to Hungary, goes to the Serbs, goes to Slovakia, goes to Spain, because Spanish Prime Minister visited China 4 times in 4 years, plus the Spanish King visited China. So I think maintaining a good relation is important. Trump is having— President Xi have a 4-time summit. How many summits European leaders having with China this year? I don't see any. So I really think that we need to really build up the trust.

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And then let's— Let's not let the geopolitical, let the ideological camps hijack our economic and trade relations. That's terrible because that's going to really make things worse. And so I think China can invest heavily back to Europe. We can also invest heavily joint venture. So many European companies have a big company multinational in China. They all have a JV in China. Let's JV them back to Africa, to Europe, to Latin America, everywhere. So I think there's many ways we can work the difference out. And so I would think that we need a lot of dialogue, talk, and mutually discussion to really avoid this kind of inflection. But language is threatening by, I'm going to do this by this time. If you're not, I'm going to sanction you. I'm going to— that's not going to work for China. So I really think that we need to have a peaceful Dialogue, negotiations, and find a way to solve that. And that's what Just Canada did. You know, like Mark Carney last year raised 100% tariff on Chinese EVs. This time, February, he visited China. He, you know, come down to 6% and now allowed 50,000 China EV cars to be exported to Canada.

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And then we, of course, open a mutually agreed discussion so China can help. Bring back the jobs, bring back the revenue, bring back the employment, but let's have a good relation for that. We can't have a geopolitical rivalry and then always view China as a potential threat and now at the same time blame that China is not doing enough or exporting too much. It's really a free market. Nobody is forcing them to buy or anything, right? So I think we have to solve that. Let the free investment and, you know, Chinese investment facility to benefit the European economy. So we need some political strong will to do that.

[00:42:12.31] - Brendan Murray

Joe, again, I'd like to get your response to that. In particular, why does having a rolling bilateral dialogue That leads to uncertainty about the future of the access of things like critical minerals or chips. Why is that a more stable way to manage the US relationship with China than coming to a place where everybody can get together and work this out theoretically?

[00:42:46.59] - Joe W. Sullivan

Thank you, Brendan, for the question. The way that I would describe it and the overall approach to trade is that when you have a disequilibrium, by nature, that will at some point end. The question is whether the end of that disequilibrium will be orderly or disorderly. And so one way to interpret our actions is that we are trying to have an orderly adjustment. And end to that disequilibrium in terms of the imbalance that exists now in the global economy.

[00:43:22.11] - Brendan Murray

Do you think it's been ordered? Has it been orderly from your perspective?

[00:43:27.19] - Joe W. Sullivan

Certainly the status quo was unacceptable levels of economic imbalance. I think we are in the process of an orderly adjustment, yes.

[00:43:41.10] - Brendan Murray

Adam, I wanted to bring you into the conversation. Could you give us a sense for— Sorry, Adam, thanks for— I wonder if you could— if the old order was built on efficiency and

comparative advantage, what are the costs associated with a new order that's grounded in security, resilience, And, you know, the occasional trade war.

[00:44:12.11] - Adam S. Posen

Thanks, Brendan. I want to go back to the fact that so little has changed in terms of trade relationships and flows despite the various actions of certain governments. And as colleagues of ours at Peterson Mary Lovely and Christine Wan recently published, even the attempts to, in an orderly fashion, unwind U.S. dependence on China has ended up with supply chains that are more attenuated, less transparent, some intermediate production and final production in Vietnam or Mexico, which is fine, but ultimately goes back to Chinese inputs and products. The reason I raise this is because far more than any economist estimates, this tells you how large the comparative advantages are, how large the economic fundamentals are that gets us to the world we are in, that gets us to some of the things Tatiana and Henry were talking about. that these things have grown up organically. We discovered this during COVID that when we tried to understand the supply chains at Peterson and elsewhere that were being disrupted by COVID, we went to some of the largest, most sophisticated multinationals and we asked them, what is the map of your supply chain? We don't want confidential information, but if you give us information, we'll keep it secret.

[00:45:57.22]

We just want to have a map. And it turned It's a good question. It turns out most of the leading companies, in fact everyone we asked, did not have such a map because it had developed organically. It had been this person in this plant got the memo from 4 levels up to cut costs by 10%, so they called up the person who they were already importing from and said, do you know somebody else who can get me the widget next to yours? My point is that trade is not only resilient, the resilience shows how difficult it is to unwind and what is the fundamental logic behind it. And even so, then we cross into the national security area. The WTO, its predecessor the GATT, any organization de facto, if not de jure, has an exception for national security because in the end, that's more important than efficiency. And in the end, states are going to pursue that. The challenge is not having that become an excuse for all kinds of other behavior, all kinds of distortions, all kinds of corruption. So what I think was the most constructive thing to come out of the various Trump and Biden administration policies.

[00:47:25.39]

And the most, I think, important critique of so-called neoliberal economics is the fact that neoliberal economists underestimated vastly the importance of what we now call concentration

risk. And Tatiana was referring to some of this. That you, you, you, you don't want to be dependent on one country, whether it's China, Taiwan, South Korea, just to pick 3, for everything in a certain needed area. And that could be true of people in Canada worrying about dependence on the US internet giants. Or in Europe. So the question is, how do we get to dealing with those very real risks without vastly exaggerating them and having them be the tail that wags the dog? And that again, I think, brings us back to the WTO working collectively to try to increase transparency, comparability, push back on excessive claims of risks, and try to create a world— we do not have an international competition authority. The WTO is the closest we got to it. But try to recognize that there are some limits to trade when these very critical things are involved.

[00:49:11.49] - Brendan Murray

Cecilia, I wonder from the European perspective how we'll know when we've arrived at some new equilibrium, or are we in a perpetual state of, as Joe puts it, disequilibrium, and how important is WTO reform to reaching that equilibrium? level of stability, predictability, and certainty?

[00:49:40.50] - Cecilia Malmström

Well, I don't think we really will know, but we— I think we have gone from this sort of paralysis as everything is changing, everything is falling apart, to, okay, what do we do about it? And the trade agreements that the EU has done, but also the one that Brazil is doing, that the UK, all the rest of the world are doing, are, as far as I can see, all WTO compliant, which means that again, countries want to trade in a WTO compliant manner, not because it's WTO, but because the rules are beneficial for trade, for business, and for efficiency. So I think we, we need to, to go back to this. This morning we had the chief economist outlining the economic case for WTO and what it would mean for the world if whole WTO collapsed, actually, and there were quite interesting figures there. But there are a lot of things in WTO that works, tiny things that are important, uh, the deliberation, the constant possibilities of meeting, the basic rules that are there and that most countries follow. I think the DG used to say that 72% of trade is still being done under MFN and under WTO rules.

[00:50:51.58]

So what we need to do is, of course, now to make WTO more adapt to the changing world. And I know that ambassadors have been trying to do that for a lot of time, and it is difficult. We need, of course, to work on the transparency issue. The EU and the US was very— worked together on that a couple of years ago under US leadership. I think that is something we can deal with.

We need to see that, to look upon the decision-making systems. We need to see how we can work with the development definition, and all that is work in progress. And we need to move on with Coalition of Willing or open plurilaterals, as Adam said as well. That is also ongoing, and I think a network of countries, call them Coalition of the Willing or call them middle powers, can take the lead here to show the way in a WTO-compatible matter, but develop going beyond that in green trade, in digital trade, in regulating subsidies, things that needs to be done. And I think that is the way forward. And eventually, there are so many challenges today, so it makes sense to have global rules together.

[00:52:05.25]

And we see that in the debate on AI right now. Actually, we do need a common global framework. We're not there yet. It is politically very toxic, but everybody's realizing that common rules are actually efficient and they are good, not for the sake of preserving this or that organization, but because it helps us all. So I think we are moving in that direction, but of course it needs leadership, and WTO needs more political leadership. It needs more involvement and more regular involvement of ministers, and this is something that— so that they can take the lead assisting the ambassadors here in the reform process. We will know when we're there.

[00:52:46.14] - Brendan Murray

We're gonna do a couple more questions, but we will open it up to the floor in a few minutes, so sharpen your pencils. But Joe, I wanted to ask you, looking ahead, what happens to the political momentum that the Trump administration has in pushing for for the rebalancing in the way that you're pushing the rebalancing if a new government comes in? Is there the political environment for what you're embarking on to be sustained, or is the pendulum going to swing back in the other direction if, you know, a government from another party— You know, comes into office next?

[00:53:35.32] - Joe W. Sullivan

Well, it's always dangerous to speculate, but it does seem to be the case that there is a bipartisan consensus that economic imbalances past a certain point cannot be sustained. And so that's where I think the conversation will happen from a perspective that is A little bit consistent with our general direction of travel on trade and tariff policy.

[00:54:09.33] - Adam S. Posen

Can I— not being a responsible official like Joe, I can be a little more speculative. I think it was justified to talk about tectonic plates because I do think the change in Washington is going to be

persistent, not so much because there's a bipartisan consensus, or let alone a popular consensus. It's more about 2 things. First, that the— given that how few countries, leaving aside Canada and China, have retaliated against the US, I think there's going to be— whoever comes in might say, oh, I don't want to be quite so mean and confrontational as the Trump team was, but I can't just give up these tariffs for nothing. And there will be a bunch of other countries, be it China or Brazil or the US, although China has some retaliation, so they have more room, to say, well, we're not going to reward you for having unilaterally put on tariffs. And so there is, I hope, in this room, appetite to start thinking about that scenario. What is the way that you can unwind this a little bit if the next US administration of whatever party says, well, maybe it wasn't such a good idea, but I can't give it away for free?

[00:55:46.19]

And I think that unfortunately is the realistic forecast. And the second point is just to repeat, as the people in this room are living every day, the US— Henry made reference, Tatjana made reference, Joe made reference, everybody's made reference— the US commitments cannot be depended upon in the same way they once were. There was at least some sense that if a government a US administration made a commitment, be it to NAFTA or KORUS or the WTO, it was somewhat binding on the next administration. And I don't think people at this point out there in the world believe that's true. And I frankly don't think they should believe that's true until there is not just change in party, but fundamental political change in the US. So it's got nothing to do with the so-called economic disequilibria. We've actually been in an equilibrium for 50 years. It's more got to do with the political strategies and trust issues.

[00:57:03.50] - Brendan Murray

Tatiana, could you speak to the opportunities for Brazil in this new equilibrium that we're headed What does Brazil have beyond the traditional commodities and are the challenges tougher or easier with the environment that we're dealing with now with the WTO? And if you could also comment about the need for reform.

[00:57:31.43] - Tatiana Prazeres

Okay. Well, before I get into that, let me just say something that emerged a little bit from the conversation we're having here. This new equilibrium, whatever that is, cannot be constructed at the expense of the rest of the world, right? We have here the EU, China, the US. We all agree that a certain understanding has to be reached among major players, major powers, but that cannot come at the cost of the rest of the membership, the rest of the world, the developing countries' needs, and so on and so forth. So this is something to bear in mind when we think

about the future, right? This is not only about finding an accommodation that suits the major players. So Brazil in this scenario, I think we have many partners out there that want predictability, They want stability. They believe in trading partnerships and investment in cooperation. And frankly, it's very interesting to see the level of energy out there for those who are looking for partners as Brazil to strengthen their relations in more solid terms in light of everything that is going on in today's world. So Brazil is a major agricultural powerhouse, is a renewable energy powerhouse.

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It's a sustainability powerhouse. I think we can leverage on these factors to continue to play a very constructive role in the world we want to see, including here in the WTO.

[00:59:05.47] - Brendan Murray

And Henry, you referred to the 20th anniversary of China's WTO membership coming up in December. I wonder what you think the hallmarks of China's next 20 years 25 years of membership will be, and as you see the US take a step back from the WTO system, what opportunities China has in that void?

[00:59:34.31] - Henry Huiyao Wang

Yes, thank you. Thank you, Brenda. I think that, you know, we're already past the first quarter of the 21st century, right? I mean, China was really seeing the rise of the whole world together. When China joined WTO at the beginning of the century. So I think that momentum will continue, that China is very much intertwined with the world. Talking about manufacturing, China actually became the factory of the factories of the world, factory of the many countries' factories of the world, so they are providing a lot of support and intermediate goods. I think the world has benefited a lot from China. Opportunity to borrow rather than than the shock to ponder. I think China will continue to contribute to global GDP growth. We found a way to invest heavily globally to create jobs and create opportunity for all the countries, and particularly China. Just imagine, while some countries are raising tariffs for 100 countries, China reduced 70 countries' tariffs to zero. coming to China. That's a golden opportunity. So for all the other Western countries and all different countries can set up a factory now in Africa, export to China, zero tariff, tariff-free, golden opportunity for the next 25 years.

[01:00:54.17]

And also, I think what we have to avoid is this over-securitization, right? I mean, that's really— we— I mean, WTO is a business-oriented organization. It's really serving the business. trade.

But now we've been really hijacked by this over-securitization. Everything is security. That's not good. So I think we have to be really— WTO has to really, next 5 years, continue to lead its economic leadership for the world, you know, trade leadership for the world, and that's the best practice for the world. So I have a few concrete proposals. Basically, we should continue to hold in the WTO founding principle, you know, non-discrimination and, of course, transparency and particularly dispute settlement that we have to really continue, whether certain countries participate or not. We have to find a way to do that. And second, we need to really— I mean, we already talked a lot about trade liberalization and facilitation initiative. Let's continue that, right? That's a low-hanging fruit already. And also investment facilitation as well, development. Development is the key for the Global South countries. We all need development. I mean, that's what trade can bring. And also, I think it's great— there's great examples about WTO.

[01:02:07.12]

Like 2019, I remember at the Davos Public Forum, I was the first to propose we should do the plastic pollution trade facilitation. I made the first presentation for that. 10 WTO ambassadors attended from different countries, and now it's become 83 countries participated. China, Europe, America, all on the same wavelength. That's a great example of how we work together on some. Now, I agree, you know, on the climate, where we are facing this horrific tragedy, you know, just happened everywhere, and on the climate attacks and the AI, you know, if we are not careful, we're going to be swallowed by AI. We have to work together. So WTO has many new roles to play for the global leadership. And finally, WTO reform. I think we cannot just because of the geopolitical is happening, war is happening, we are standstill. For example, right now Huawei is on trial in New York for some time because of their some kind of involvement with Iran 10 years ago or not. We already, you know, I mean, we already see what's happening around the world. It's really, you know, basically paralyzed the world and energy cost and everything. So I think we need to really abandon this over-securitization.

[01:03:21.53]

Thank you. and let's do some real WTO reform and let's benefit every country in the world.

[01:03:30.33] - Brendan Murray

Thanks. I think we have time for a couple of questions from the floor. Right here in front, I think you were first. Yeah.

[01:03:42.28] - Audience

Thank you very much. Okay, can you hear me? Yes, okay, thank you very much. Thank you for giving me the floor. My name is Ren Huajie. I'm a professor from the Law School of University of International Business and Economics in Beijing, China. So I listened to the discussion with great interest. I have a question about leadership because Cecilia mentioned leadership and we all understand that now it is said that the WTO is facing the problem of the vacuum of leadership. Leadership because the United States stepped back. For such a great institution, I think that maybe we need a new leadership. And do you think the EU, China, or they could jointly take the leadership, or any third country could do the— could take the leadership? And what you would like to make— what kind of suggestion you would like to make if you think that they could do this? this. Thank you very much.

[01:04:44.16] - Brendan Murray

I missed who he addressed that to, but I think Cecile. Cecile, do you want to take that?

[01:04:53.37] - Cecilia Malmström

Thank you. Well, I'm not in a, you know, power position anymore to say exactly what the EU should do or not to do, but I think all countries, most countries who actually see that there is a way forward within the WTO or in the margins of WTO. Some things are happening within the WTO and other things are more in the margins. They should go forward to show that this is the way forward on plastics, on subsidies, on green trade, on other things that are— e-commerce, for instance, where both EU, China, and the US are working together. I know it's difficult difficult, but at least there's some attempt. And then there are other constellations outside WTO who try to develop new rules as well. As long as they are open for others to join and that they are transparent, I think that's the way forward. So as many countries as possible. And also very— I think what you raised, Tatjana, that this should not be, you know, EU, US, and China and a few others. It should be everybody who's willing, both countries from the Global South and the Global North to do this. But we cannot wait for 166 countries to agree on everything because we tried that and that doesn't work right now.

[01:06:05.36]

So everybody who tries to— who can gather a sufficient group of willing to move forward should do that. If the EU can take some leadership role in this together with others, that's good.

[01:06:17.39] - Adam S. Posen

Can I just second Cecilia with 2 old sayings? One, which I think I've evoked before, is lead, follow, or get out of the way. And I think the main message of what Cecilia and Tatiana and

others here are saying is, if you're not going to lead, get out of the way. And so I think also to invoke, instead of an American, a Chinese saying, Let a thousand flowers bloom. Let there be initiatives by middle countries. Let us— if I agree with Tatjana, if we're going to prioritize and help something, let it be South-South trade, or let it be trade that doesn't depend on any of the big metropoles. I think that there's enough leadership in the WTO itself that we can have a period of sort of democracy, grassroots, let everybody take a shot.

[01:07:26.50] - Henry Huiyao Wang

Perhaps I could add that actually, in addition to the US, EU, China, but also midpowers like CPTPP is led by midpowers, right? So they can set high standards, high, you know, future trading rules. I mean, that's really an accelerator of the WTO reform as well, and I think WTO should really assemble all those regional agreements together and have a summit of different continental trade agreements here, right here in Geneva, and then we can really become the best of the best. So that's probably also the future. That's learning all the other regional plurilateral arrangements, but then let's That's really summarized into the WTO principles.

[01:08:12.40] - Brendan Murray

On that note, thank you to our panelists, thank you to the Peterson Institute, and thank you to the WTO. Have a great rest of your evening. Thank you.