

Queen's Institute on Trade Policy 2023

November 20-22, 2023 (delivered virtually)

Trade Policy for a Fragmenting World Economy

International trade is in a period of upheaval. The demand shocks and supply disruptions of the Covid-19 pandemic, the (re)emergence of geopolitical fault lines in the wake of the US-China trade war and Russia's invasion of Ukraine, and the urgency of the climate crisis have deeply marked the way many businesses and government officials think about the global economy. Trade policy is affected in four major and closely interrelated ways.

1. Why We Regulate Trade

The primary objective of trade policy used to be clear: to generate economic opportunities for businesses, in the hope that doing so would create high-paying jobs and grow the economy. This is still an important goal for trade policy, but many governments are now more balancing it against other objectives, among them safeguarding national security, building resilience, reducing inequalities, and tackling the climate crisis.

2. With Whom We Trade

Governments used to encourage their companies to trade with (almost) every other country, regardless of its political or economic system. Indeed, there was an expectation that trade would promote peace by making countries interdependent and raising the cost of war. In recent years, this premise has been turned on its head: governments increasingly worry that strategic rivals might "weaponize" interdependence; they hence encourage their companies to bring production home or relocate to more friendly countries. In some contexts, they pursue a partial economic "decoupling" from countries whose governments they do not trust.

3. What We Trade

Governments used to encourage trade in virtually everything. No longer. An increasing array of import bans, export restrictions, investment curbs, and other sanctions actively curtail the flow of goods, services, technology, data, and people among strategic competitors, while an explosion of subsidies create incentives for reshoring the production of sensitive products and critical supply chains. At the same time, trade in other products and services continues to flow freely. To manage and shape the emerging, more fragmented global economy, trade officials are taking an increasingly differentiated and directive approach to specific supply chains and trading relationships.

4. How We Regulate Trade

The changes in why, with whom, and what we trade have gone hand in hand with an increased institutional fragmentation of trade governance. Today governments show a greater willingness to pursue unilateral or "mini-lateral" approaches and to employ a wide range of tools to shape investment decisions and supply chains. As governments increasingly adopt a "whatever it takes" approach to policy problems such as climate change or geostrategic competition, traditional trade agreements are playing a less central role in trade policy than they have in the past.

The purpose of the 2023 edition of the Queen's Institute on Trade Policy is to prepare trade officials to navigate this new trade policy landscape. The first part of the Institute will focus on the state of global trade and the economic effects of the increasing fragmentation of the world economy. The second part of the Institute will discuss how the shifting trade policy landscape manifests itself in new objectives (resilience, national security), in the increased use of certain policy tools (supply chain management, subsidies, export restrictions), and in specific policy fields (digital trade, agriculture). The final part of the Institute will survey the institutional fragmentation of trade governance and its implications for the development of a trade strategy.

Overview of the Agenda

1. Introduction to the Institute – Nicolas Lamp, Queen's University

Part I – The State of Global Trade and the Economics of Fragmentation

2. The State of Canada's Trade – Marie-France Paquet, Global Affairs Canada
3. Deglobalization or Re-globalization? Macrotrends in the World Economy – Brad Setser, Council on Foreign Relations
4. The View from Geneva – (tbc)
5. What is "Supply Chain Trade Policy"? – Ari Van Assche, HEC Montreal

Part II – Manifestations of a Changing Trade Policy Landscape

6. How Trade Policy Impacts Firms – Beverly Lapham, Queen's University
7. The Rise of Export Restrictions and Outbound Investment Screening – Sarah Bauerle Danzman, Indiana University Bloomington
8. Digital Trade Integration: Is Canada Missing Out? – Javier López-González, OECD
9. Industrial Subsidies and the Resurgence of Industrial Policy – Julia Nielson, OECD
10. The Future of Agricultural Trade and the Challenge of Food Security – (tbc)
11. The Rise of National Security Concerns and the Future of the US-China Relationship – Jon Bateman, Carnegie Endowment for International Peace

Part III – Institutional Fragmentation and Canada's Negotiating Strategy

12. The Shifting Formats of US Trade Cooperation – Kathleen Claussen, Georgetown Law
13. Dealing with the Trade Fallout from Unilateral Measures to Combat the Climate Crisis: the View from Brussels – (tbc)
14. China's Perspective on the Fragmenting Global Economy – Yeling Tan, University of Oregon
15. The Role of the World Trade Organization in Canada's Trade Policy – Robert Wolfe, Queen's University
16. Developing a Negotiating Strategy – Steve Verheul, GT & Company
17. Integrating Risk, Reward and Resilience: Developing Policy Frameworks for Complex Problems – Anthea Roberts, Australian National University
18. The Outlook for Canadian Trade Policy – Jay Allen, Global Affairs Canada

Detailed Agenda

Monday, November 20

9:00 Introduction to the Institute

The presentation will provide an overview of the Institute and introduce the major ways in which trade policy is changing.

[Nicolas Lamp](#), Director, Queen's Institute on Trade Policy; Associate Professor, Faculty of Law, Queen's University

Part I: Canada's Trade Performance and the Economics of Fragmentation

9:45 The State of Canada's Trade

The presentation will survey Canada's trade performance and assess the extent to which the major developments of recent years—including the pandemic, US-China trade conflict, and the policy response to the climate crisis—have affected Canada's trade. It will also discuss the implications of the increasing fragmentation of the world economy for Canada's trade prospects.

Marie-France Paquet, Chief Economist and Director General, Trade Analysis Bureau, Global Affairs Canada

10:30 Break

10:45 Deglobalization or Reglobalization? Macrotrends in the World Economy

Shifts in narratives about the global economy are not necessarily reflected in the economic data. The presentation will give an overview of the major trends in the global economy and will discuss the factors that are driving those trends.

[Brad Setser](#), Whitney Shepardson Senior Fellow, Council on Foreign Relations

11:30 Keynote: The View from Geneva

[Angela Ellard](#), Deputy-Director General, World Trade Organization (tbc)

12:30 What is "Supply Chain Trade Policy"?

Trade policy has traditionally focused on creating an enabling environment for trade by constructing a framework of stable rules that make it easy for firms to trade internationally. By contrast, these days trade officials are increasingly asked to

develop a “supply chain trade policy”, i.e., to actively shape supply chains. What has motivated this shift to supply-chain management? Which tools do trade officials have at their disposal to implement it? And which policy interventions into supply chains have proved to be successful in the past, and which have failed?

[Ari Van Assche](#), Professor, HEC Montreal

1:30 **End of the Day**

Tuesday, November 21

Part II: Manifestations of a Changing Trade Policy Landscape

9:00 **How Trade Policy Impacts Firms**

It is firms, not governments, that trade. It is therefore at the level of firms that the benefits and costs of trade policies manifest themselves. The presentation uses firm-based trade theory and empirical findings to forecast how the fragmentation of the global economy will impact firms. The presentation will highlight the differential impacts on firms of differing sizes and maturities, particularly on small and medium enterprises (SMEs).

[Beverly Lapham](#), Professor, Economics Department, Queen’s University

9:45 **The Rise of Export Restrictions and Outbound Investment Screening**

Among the drivers of the fragmentation of the world economy are the strategic competition between the United States and China, as well as broader security concerns among the West and China. Restrictions on inbound investment, especially in critical infrastructure, are now a common feature of the trade policy landscape. The rise of restrictions on export and outbound investment, which is designed to deny access to cutting-edge technology to strategic competitors, represents a further escalation. The presentation will introduce these tools and discuss their implications for Canada.

[Sarah Bauerle Danzman](#), Associate Professor, International Studies, Indiana University Bloomington

10:30 **Break**

10:45 Digital Trade Integration: Who Is Missing Out?

Data flows, e-commerce, and trade in digital services make up a rapidly growing share of the global economy. However, digital connectivity also represents one of the central strategic battlegrounds among the major economic powers and is thus one of the areas at the forefront of fragmentation. The presentation will discuss which firms are being shut out of the fastest growing markets, both with respect to digital trade itself and with respect to the digital infrastructures that are being built to facilitate trade in goods and services generally.

[Javier López-González](#), Senior Economist, Trade and Agriculture Directorate, OECD

11:30 Keynote address: Industrial Subsidies and the Resurgence of Industrial Policy

At the outset of the US-China trade war, China's allegedly trade-distorting practices were a central point of contention, prompting proposals to reform subsidy rules and tighten restrictions on state-owned enterprises. More recently, the United States and other Western countries have decided to join China in investing heavily in their economies, both to accelerate the green transition and to bolster the resilience of their industries. The presentation will present the OECD's work on subsidies and will survey the discussions taking place in various fora to address distortions in the world economy.

Julia Nielson, Deputy Director, Trade and Agriculture Directorate, OECD

12:30 Break

12:45 The Future of Agricultural Trade and the Challenge of Food Security

The future of agricultural trade is one of the few bright spots among the broader fragmentation dynamics, as trade in agricultural products raises few security concerns. At the same time, the global food crisis triggered by high energy prices, climate change-induced crop failures, and Russia's war against Ukraine has made the future of global agriculture an existential challenge for the international community. The presentation will discuss the prospects for agricultural trade and survey efforts to address the food crisis.

[Darci Vetter](#), Head of Global Public Policy, PepsiCo (tbc)

1:30 The Rise of National Security Concerns and the Future of the US-China Relationship

At the root of the fundamental reorientation of US trade policy in recent years lie changing US perceptions of China and a turn to technological nationalism by the United States. What remains unclear is how the United States envisages the future of the US-China relationship and how it will trade off security interests with economic interests going forward. The presentation will present several different scenarios for the future of the US-China relationship and discuss their implications for Canada.

[Jon Bateman](#), Senior Fellow, Carnegie Endowment for International Peace

2:30 End of the Day

Wednesday, November 22

Part III: The Institutional Fragmentation of Trade Governance

9:00 The Shifting Formats of US Trade Cooperation

No other country has turned as decisively against traditional trade agreements as the United States. Instead, the United States has embraced a range of regional and bilateral formats for trade cooperation, from its signature Indo-Pacific Economic Framework (IPEF), its American twin (the Americas Partnership for Economic Prosperity (APEP)), to bilateral consultative formats, such as the Trade and Technology Council with the European Union, and the Green Steel Arrangement, which aims to incentivize less carbon-intensive steel production while simultaneously addressing Chinese market-distorting practices in the steel industry.

[Kathleen Claussen](#), Professor, Georgetown Law

9:45 Dealing with the Trade Fallout from Unilateral Measures to Combat the Climate Crisis: the View from Brussels

Most of the headline-grabbing trade actions that have contributed to the sense that the global economy is fragmenting have originated in Washington, DC. However, unilateral trade measures authored in Brussels create at least as many headaches among traders, especially in developing countries. From the carbon-border adjustment mechanism to the deforestation regulation and the proposed critical raw materials act, the European Union (EU) has been as muscular in promoting its environmental values as the United States has been in prioritizing its security interests. As other countries consider unilateral measures to bolster the

sustainability and resilience of their supply chains, what can they learn from the EU's experience, as well as the reaction of the EU's trading partners?

[Alan Beattie](#), Senior Trade Writer, Financial Times (tbc)

10:30 Break

10:45 China's Perspective on the Fragmenting Global Economy

China has its own vision for the future of the global economy, and its increasingly dominant position in many industrial sectors ensures that it will play a leading role in shaping international economic relations in the coming decades. At the same time, China is dealing with imbalances in its own economy and contending with an aging population. The presentation will trace the evolution of China's growth model and will spell out its implications for China's trading partners, including Canada.

[Yeling Tan](#), Assistant Professor, Political Science, University of Oregon

11:45 The Role of the World Trade Organization in Canada's Trade Policy

The World Trade Organization continues to play an important role in Canada's trade policy. Canada is actively engaged in negotiations in plurilateral formats, as well as in reform discussions to improve the "deliberative function" of the WTO and to restore a fully functioning dispute settlement system. The WTO is an important site for Canada to engage with developing countries, and making the WTO more useful to developing countries is one of Canada's trade policy priorities. The presentation will discuss these efforts, as well as the prospects for the WTO's 13th Ministerial Conference in 2024.

[Robert Wolfe](#), Professor Emeritus, School of Policy Studies, Queen's University

12:30 Break

12:45 Developing a Negotiating Strategy

The presentation will focus on how to formulate a trade strategy, and especially the challenges of reconciling a 21st century trade policy agenda with traditional considerations for negotiators. The presentation will give particular attention to negotiations with developing countries and regional groupings that include both developed and developing countries, such as ASEAN. The presentation will discuss the challenges of negotiating with countries that do not necessarily share one's negotiating objectives and will address the question which purpose trade agreements (or other cooperative frameworks) can serve in these circumstances.

[Steve Verheul](#), Principal, GT & Company

1:30 Integrating Risk, Reward and Resilience: Developing Policy Frameworks for Complex Problems

A key challenge for trade officials is to develop analytical frameworks that can help governments to understand, first, the relationship between the risks and rewards of different policy options, and second, how that relationship is affected by different degrees of resilience.

[Anthea Roberts](#), Professor, School of Regulation and Global Governance (RegNet), College of Asia & the Pacific, Australian National University

2:15 Break

2:30 The Outlook for Canadian Trade Policy

The concluding session will provide an opportunity for an exchange of views with a senior Canadian trade official on the subject of the Institute.

Jay Allen, Director General, Trade Negotiations, Global Affairs Canada

3:30 Institute ends