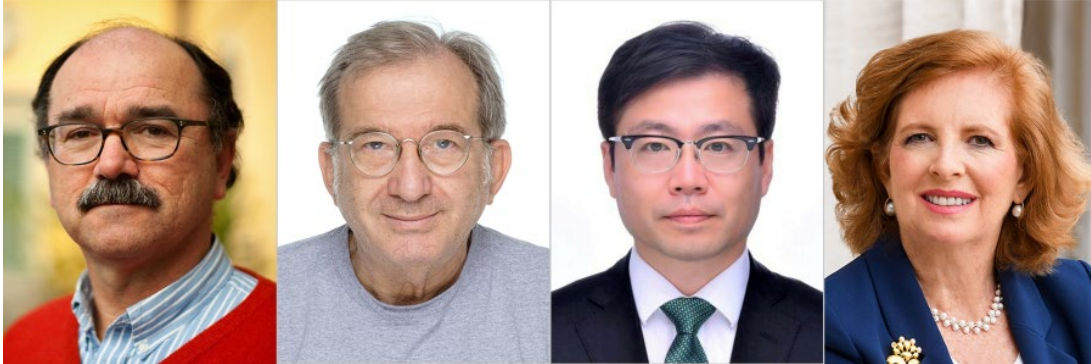


Live Webinar

Industrial Policy, National Security, and Globalization

November 3, 2023



From left to right: Bernard Hoekman, Petros Mavroidis, Han-koo Yeo, Merit E. Janow

Featuring:

Bernard Hoekman

Professor and Director, Global Economics, Robert Schuman Centre for Advanced Studies, European University Institute, Florence, Italy

Petros C. Mavroidis

Professor of Law, Columbia Law School; Member, Institut de Droit International

Han-koo Yeo

Senior Fellow, Peterson Institute for International Economics; Former Trade Minister, Republic of Korea

Moderator:

Merit E. Janow

Dean Emerita, School of International and Public Affairs; Professor of Practice in International Economic Law and International Affairs, Columbia University

Main Organizer: APEC Study Center, Columbia University

Co-sponsored by the Center on Japanese Economy and Business and the Jerome A. Chazen Institute for Global Business at Columbia Business School and the Weatherhead East Asian Institute at Columbia University

Professor Janow, co-director of the APEC Study Center at Columbia University, welcomed attendees to the webinar and introduced the virtual event's three speakers.

Professor Mavroidis began his presentation by noting that there's been a clear return of industrial policy in the name of national security in the international arena, all while the World Trade Organization's (WTO) legislative functions and judiciary have moved largely into a state of abeyance. As a consequence, the WTO is unable to address the overall trade situation in a satisfactory manner, with its relevance waning.

Professor Mavroidis provided audience members with data on trade growth over time, showing two clear prior growth contractions: one during the Great Financial Crisis (GFC) in 2008 and one during the COVID-19 pandemic starting in 2019. More recently, trade growth has started to decrease again—a trend which can be, in large part, attributed to the U.S.-China standoff. What distinguishes the prior contractions from the contemporary situation, though, is that back during the GFC and the pandemic, countries' trade measures—such as subsidies and export controls—were not questioned in their legitimacy, even though they were inconsistent with the WTO (since all understood they were primarily aiming to address a distortion). Nowadays, however, the same measures are being challenged, with 14 disputes already having been adjudicated before the WTO and hundreds of further invocations still pending. The membership challenges invocations of national security to justify similar measures.

At the same time, Professor Mavroidis questioned whether WTO panels are the appropriate forum to address some of today's national security justifications around trade measures, partially because there are, for instance, few to no national security experts among the WTO's panelists. He found the adjudication process to be rather counterproductive in this context, adding that a WTO committee on national security would be better suited to provide scrutiny to such trade measures.

Next, Minister Yeo began his remarks by noting that he has seen non-economic objectives emerge at the front and center of many trade and industrial policies around the world, with corresponding measures such as export control and investment screening proliferating. He added that he traces the most recent expansion of such measures back to former U.S. President Donald Trump's imposition of steel tariffs, with measures since having spilled over into semiconductors, artificial intelligence, and other industries, creating a trade environment that many businesses consider uncertain.

Minister Yeo stressed the importance of policymakers keeping a holistic view of trade policy, considering both trade promotion and trade protection. Despite governments' increasing recognition that they need

to take protectionist measures into account to address their national security concerns, he noted they also won't want to overreach and thereby intrude on economic dynamics and entrepreneurialism. However, coordination across promotional and protectionist trade tools is often difficult, with responsibilities scattered across governmental agencies, Minister Yeo noted. In the United States, for example, export control is managed by the Department of Commerce, while conventional trade negotiations are done by the United States Trade Representative (USTR).

Minister Yeo also emphasized the need for international coordination on industrial policy, especially in the environmental arena, where most countries have embraced a consensus over the need for green policy. However, he cautioned that environmental trade measures shouldn't be used for green protectionism or other exclusionist measures.

Next, Professor Hoekman emphasized that he, too, is seeing nations using trade tools to pursue non-economic objectives at a scale that's significantly larger than in the past. However, one problem governments face is that they're often using similar instruments to pursue economic and non-economic objectives, even as they have few systems in place for them to assess whether the tools they are using are appropriate to achieve their corresponding objectives.

From an international perspective, Professor Hoekman added that there is clearly a role for cooperation in the pursuit of cross-border non-economic objectives, with a focus on how countries can collectively pursue objectives that they share, ranging from environmental issues to national security concerns. Here, the WTO could play a role, he noted, even without major organizational reforms having to be undertaken first. Rather, the organization could, for instance, add a critical analysis component to its information collection process in order to determine what exactly the various effects of these newer industrial policies are and whether nations can cooperate on such policies in a less costly and more effective way.

The event concluded with a brief question-and-answer session, and Professor Janow thanked the audience and the speakers for their participation.

The recording of the event is available at <https://youtu.be/4MUBjUGblf4?si=Nsn3Qs8lvwNIX1jZ>.