

**Pacific Economic Cooperation Council  
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**Pascal Lamy: "The new world of trade"**

This is my first appearance before you in my incarnation as chair of the French Pacific Territories Committee for Pacific Economic Cooperation (FPTPEC).

Addressing you this morning is both an honor and a pleasure.

An honor as I succeed in this position to my friend and former Prime Minister, Michel Rocard who passed away last year. A man who achieved a lot in the modernization and in the internationalization of French politics. A man who can now be credited for being the intellectual godfather of our new young President of the Republic, Emmanuel Macron.

An honor but also a pleasure as I am joining an impressive group of experts, among which quite a number of friends, which I had the chance to interact with in previous professional lives.

Given my background, you have logically saddled me with a trade related topic: "The new world of trade". A topic which has always been of major importance for the PECC and for APEC as trade has been the engine of economic globalization and of regional integration in Asia and Pacific. But also a topic which has been recently agitating international conversations as concerns about protectionist attitudes have risen in various countries.

Yes, the world of trade is changing. Or, to be more precise, some parts of the world of trade are changing, whereas others are not.

Let me start with what does not change which is the theory: international trade opening creates efficiencies as it exerts a competitive pressure coming from foreign producers that triggers a more productive reallocation in domestic production factors. David Ricardo and Joseph Schumpeter hand in hand.

This reallocation, like any imposed change process is painful. It is painful because it works, and it works because it is painful. Whereas the benefits of this reallocation are widespread for the consumers, its

costs are concentrated on some producers. Hence, a tricky political economy equation, which all of us who have been trade ministers have experienced. No change on this side.

What is changing, on the one side is the nature of obstacles to trade; hence the way to address them, and on the other, the political sensitivities of trade opening.

The nature of obstacles to trade – i.e. measures that increase the costs of trade – is changing as NTMs are growing in importance as TMs are decreasing. TMs in goods and services in the sense of measure to protect domestic producers from foreign competition. NTMs in the sense of measures to protect the consumers from risks in areas like health or environment. Reducing TMs and NTMs is a totally different game:

- Trade-offs for tariffs or subsidies or restrictions that reduce or eliminate the measures
- Regulatory convergence for norms, standards and other precautionary requirements. Here, the purpose is not to eliminate the measure, but the differences in national measures.

So, a different ball game.

But addressing precaution related issues is increasing quite dramatically political sensitivities which in some cases have been already exacerbated by the previous reductions of protections, the famous winners-losers issue.

The day after I left the WTO at the end of 2013, I published a book which I entitled "Geneva Consensus" with a subtitle "making trade work for all", by opposition to the so called "Washington Consensus"

- Washington Consensus: liberalize and God will take care of the rest
- Geneva Consensus: opening trade only works for social welfare under some conditions

Well, Ladies and Gentlemen, these conditions have not always been there. And, to be frank, probably less in recent times than in the past, which explains a large part, although not the entirety, of this anti-globalization, anti-trade attitudes which have grown mostly in western public opinions in recent years, although more bark than bite so far. In many ways social safety nets, education and training systems, labor market organization have not adjusted properly to the speed and the force of globalization,

hence a growing feeling that some are left over and sometimes drowned, whereas others are riding the wave of globalization. Most although not all of these issues are covered in the recent piece for the G-20 from the WTO, the IMF and the WB.

To conclude, what does this mean for economic integration, including in this region where development owes a lot to a so far successful trade integration?

I would say it means we have to dig more in two directions: NTMs, on the one side, and public support for trade opening, on the other side.

- NTMs because this is where lies the mine of new efficiencies stemming from trade. Levelling the playing field in these areas is the new frontier of trade opening. Approaches in this direction were tried with the TTIP negotiation and also, although to lesser extent with the TPP. The APEC region needs to work harder on this new front.
- The other direction is about building more public support in decreasing the social costs and increasing the social benefits of trade opening, and in addressing the new sensitivities that surface about precaution harmonization. Mostly, but not only, a domestic issue.

So, a large trade agenda for the PECC, which is rightly so, the agenda of today's and tomorrow's discussions and to which the French Chair of the PECC together with my colleagues Le Bideau and Leblanc will contribute.

After all, it is just a week or so that the French voters have rejected plain protectionism by a margin of 2 to 1. To the surprise of some. Good to know that we also have good surprises in this troubled world!