



Summary Notes of a Distinguished Lecture on
“International Trade Before and After Trump”
Wednesday, April 12, 2017, 10:30 AM - 12:30 PM. ECES Premises

Speaker:

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Main messages and takeaways:

- 1. 2016 witnessed the rise of populism, caused by inequality and job losses. The blame was put on the international trade**
 - A clear manifestation of the rise of populism is Brexit and the election of Trump
 - People in both cases were voting against a situation they no longer accept, but they were not voting for a future vision
 - Populism is a rhetoric expression that attempts to give promises for a better future. This could be a reason why it mobilizes votes
 - The international trade has been blamed for inequality and job losses. Resistance to the international trade in general has been aroused due to the migration policies.

- 2. There is a trade formula: trade liberalization should be part of policy packages including social, education and training policies**
 - Trade liberalization is not a silver bullet but rather an engine for creating jobs
 - The comparative advantage theory is based on the concept that trade promotes reallocation of resources for efficiency
 - Most job losses are caused by technology and automation, not trade. Accordingly, there is a need for rehabilitating the labor force via training to find new jobs
 - Incomplete policies are the reasons why jobs were lost, not the international trade
 - Germany is a good example of a country that combined good education policy and social safety nets with trade liberalization in order to get the benefits of trade; so job losses were not observed



- 3. The new US president focuses on manufacturing, while 83 percent of the US GDP is coming from services**
 - Trump's main concern is all about job losses in the manufacturing sector, while the services sector plays a much higher role in job creation
 - Trade rhetoric was manipulated
 - Almost 68 percent of merchandise trade is in intermediate products, thus protectionism hurts the global value chain and ignores the current reality

- 4. China is the first free trade concern for the US, followed by Mexico**
 - The Trans Pacific Partnership (TPP) is a lot more than a trade agreement; it is an entire framework for economic cooperation.
 - Trump's threats are meant to open the door to renegotiate with the US's main trading partners: China and Mexico
 - Mexico and China are highly dependent on their bilateral trade with the US more than the opposite. This makes the US position in the negotiations stronger
 - On the other hand, every dollar imported from Mexico has 40 cents of US exports
 - Mexico is 20 times more dependent on its exports to the U.S. than vice versa. China is only 5 times more dependent on its exports to the U.S. than vice versa. This means that retaliation will primarily hurt them before hurting the U.S.

- 5. The new US president has the executive power to follow his trade promises, however, corporate interests are against these promises**
 - There are two scenarios for protectionism; the first is imposing a 45 percent tariff on imports from China and 35 percent tariff on Mexico. The second is a 10 percent tariff on all countries
 - A number of Acts (the NAFTA Implementation Act of 1993/ Trade Act of 1974 which enables the president to impose a 15 percent imports tariff for 150 days/Trade Expansion Act of 1962 which gives the president the right to impose tariffs or quotas as needed to offset the adverse impact on national security)
 - Corporates will not allow Trump to go for his threats
 - Mr. Trump's logic is shallow and he ignores the nature of today's economies

- 6. There is a qualitative change in the role of the US in international trade, and there is a new leadership formula that could be coalition based**
 - The US is not interested in the WTO negotiations, making a deficit in leadership
 - The new leadership system could be coalition based (China and the EU entering the arena for adjustment but not replacement)



7. The value of human resources is rising again, as competitiveness is becoming knowledge based. Quality of jobs have changed; new jobs are a lot more expensive. Lost jobs will not come back.

8. China does not qualify as a currency manipulator despite its efforts to keep its currency at a low value.

- China's exports to the U.S. multiplied since accession to WTO in 2001
- China is the main beneficiary of Trump's abolition of the TPP
- China will take over leadership in the region

❖ **Audience Comments**

- Questions about the role of Egypt – not clear yet
- Concerns about coalition based leadership in WTO – because China is not homogenous enough to form a coalition with the EU
- The need to collaborate is a must