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International Trade: Global and regional trade in the post pandemic

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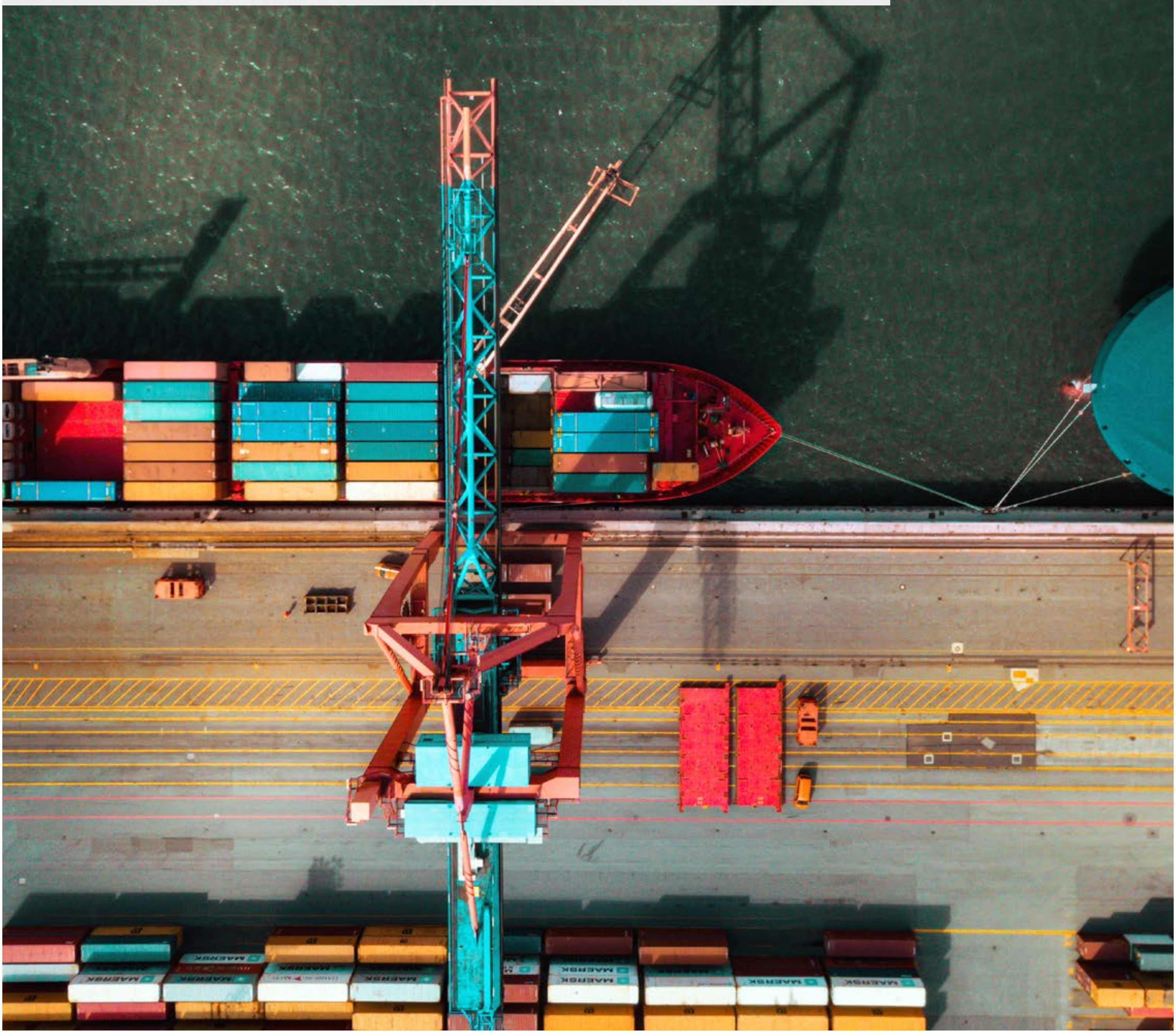

FOREWORD CO-AUTHORED BY ANDREW CHILVERS AND BOB BREWER

Global Trade: Combating protectionism and the pandemic

The past 18 months were a huge shock to international trade as increasing protectionism and Covid-19 wrought havoc with all previous forecasts and economic roadmaps.

Many business analysts predicted that the double whammy of protectionism and pandemic would spell an end to globalised trade.

Indeed, if we roll back a few years many economists were already warning that international trade was tapering off even before President Trump, Brexit and the coronavirus. As older, more established economies converted to the new digital economy, less goods were being shifted around the world. This coincided with the rise of China as an economic superpower, the proliferation of international laws, regimes and treaties governing trade and the increasing interconnectedness of supply chains.

But this complex global trading pattern was also the architect of its own undoing, creating financial instability, a trade imbalance, climate change, a rise in cyberattacks and the spread of the pandemic through trade networks. These crises then reverberated across the globe, appearing in different jurisdictions and spreading across local borders.

The Trump administration's moves to address the trade imbalance with other trading partners was a catalyst for the resulting rise in protectionism – overnight he was using tariffs as a tool. This was particularly the case with China, where supply chains were impacted as businesses had to work around the tariffs, causing supply chain diversification and huge issues around the rules of origin.

This imposition of tariffs has now forced US businesses to take on higher costs at exactly the wrong moment, ie during a global pandemic. This has also had a knock-on effect with other US trading partners such as Canada, Mexico and the EU, which are all re-evaluating their trading relations with China, particularly around the rules of origin to ensure products are not using mainly Chinese components.

Ironically, for many years businesses had been encouraged to invest in their China supply chain, along with the use of other developing countries, to provide cheap manufacturing goods for Western markets and their consumers. With the Biden administration taking up the cudgel from Trump regarding the US-China trade war, companies large and small across different jurisdictions are now aware of the exposure they have if they rely on China components for their products. Supply chain resilience is suddenly the order of the day and that has an impact on funding, and liquidity issues affecting many businesses. In addition, the pandemic has compounded the problem of supply chain reliance as more companies look for suppliers closer to home.

In the UK the economy was already suffering aftershocks from Brexit before the pandemic arrived. Despite the polarising effect of Brexit, all analysts agree that leaving the EU trading bloc has been bad for business. UK exports alone to the EU dropped by 24% between April and December 2020, according the EU's statistical office, Eurostat, and experts are still unsure if this is a result of Brexit or the pandemic or both. Regardless, most economists agree that the long-term impact of Brexit alone will be to lower the UK GDP by 4%.

Elsewhere, on a more optimistic note, international trade agreements are already in the offing for the UK with countries such as Australia, and during the next five years the UK is predicted to put a lot of energy into the emerging Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP). This could signal a huge change in international trading opportunities for the country; the treaty deals with 11 countries and has some 15% of global trade and accounted for £110 billion worth of UK trade in 2019. Joining the club would remove tariffs on 95% of goods traded between members and will result in a shift away from the reliance on trade with the EU to trade with non-EU countries.

For crystal ball gazers looking at international trade in the next five years, the unravelling of protectionism through trade treaties and the spread of vaccines will be important for the recovery of global economies. The role of digitisation and industry 4.0 will change business significantly, with the rise of remote working as standard practice and companies' increasing use of technology, such as AI, across their operations. Likewise, logistics could change because of increased e-commerce and the readjustment of supply chains away from China and other developing nations.

The biggest risk for international trade will be continuing protectionism where – in the case of the US – this is dressed up as national security protection.

In the following pages, IR Global members take a fascinating look into the future of international trade, protectionism and the long-term effects of the Covid-19 pandemic on globalisation.

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View from IR

ENGLAND

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Our Virtual Series publications bring together a number of the network's members to discuss a different practice area-related topic. The participants share their expertise and offer a unique perspective from the jurisdiction they operate in.

This initiative highlights the emphasis we place on collaboration within the IR Global community and the need for effective knowledge sharing.

Each discussion features just one representative per jurisdiction, with the subject matter chosen by the steering committee of the relevant working group. The goal is to provide insight into challenges and opportunities identified by specialist practitioners.

We firmly believe the power of a global network comes from sharing ideas and expertise, enabling our members to better serve their clients' international needs.

Featured Members

CANADA – EAST

Elizabeth S. Dipchand

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Elizabeth regularly advises corporations on in-depth intangible asset management including licensing, contract, and transactional work with particular emphasis on assisting SMEs to achieve their long-term legal strategy to leverage their intellectual capital and assist in the overall growth and development of their company.

In her litigation practice, Elizabeth represents clients in matters before the Federal Court, Federal Court of Appeal, Ontario Superior Court and Ontario Court of Appeal. With extensive experience in the management of complex litigation – pharma, SAS, wireless communications, mining – she represents clients in traditional IP litigation matters, as well as disputes relating to misleading advertising, grey-goods/anti-counterfeit, and commercial litigation. Clients regularly rely on her to coordinate their intellectual capital management and enforcement strategies in crucial jurisdictions around the world.

Elizabeth gained significant experience in the intellectual property litigation group of a major national firm and continued her practice at the nation`s top-ranked litigation boutique before founding Dipchand LLP. Her practice focused on pharmaceutical and biotech patent litigation, drug & biologics regulatory law. In particular, Elizabeth has had extensive involvement with proceedings commenced pursuant to the Patented Medicines (Notice of Compliance) Regulations.

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Adrienne Braumiller is the founder of Braumiller Law Group PLLC and an innovative force in international trade law. With more than 25 years of experience, she is widely recognized as a leading authority in Customs, import, export, foreign-trade zones, free trade agreements and ITAR compliance.

Adrienne has been involved in every aspect of import and export compliance, from developing compliance programs to conducting audits and assessments, representing clients who are under investigation and preparing and submitting voluntary disclosures. She's also involved in preparing and filing classification requests and licenses, analysing whether specific transactions should be pursued, providing tailored training on specific import/export topics, addressing penalty assessments, and serving as an expert witness in a number of trade cases.

FINLAND

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Dr. Lauri Railas is a Finnish attorney with a former career as a European Union official and an executive of the International Chamber of Commerce. Lauri´s practice ranges from private to public law aspects of international trade and he is also a renowned expert of logistics, distribution and insurance law. Moreover, Lauri is the statutory Average Adjuster in Finland and also acts as an arbitrator in commercial disputes.

Lauri also has academic credentials as an Adjunct Professor of Civil Law at the University of Helsinki and is a regular contributor of conferences run by international organizations including as the International Chamber of Commerce, the UN suborganizations, and the OECD.

Lauri has contributed to a number standard form contracts and trade rules such as Incoterms® 2010 trade terms, the ICC Model International Sales Contract and the ICC Model Anti-Corruption Clause. Most recently, Lauri was one of the authors of the ICC/ECCO Guide for Offset Contracts. Within IR Global, Lauri was one of the contributors to Business in Brexit.

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Katherine heads up our Telecommunications and Business Technology Law Group and is the Mirkwood Evans Vincent Senior Partner.

After graduating from the University of Cambridge, Katherine initially pursued a career in marketing and business development, before re-training to become a lawyer in her mid-twenties. After completing articles with Eversheds, she joined specialist shipping and international trade practice, Mills & Co., where she remained until joining the international law group of the US telecommunications giant, AT&T, in 1997.

Katherine held a number of positions within the AT&T international legal group, including as lead lawyer for AT&T's international outsourcing business, before leaving to form Legal Hobbit at the end of 2006, the predecessor practice to Mirkwood Evans Vincent.

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Robert B. Silverman is one of the firm's founding members and heads the firm's litigation group.

Mr. Silverman routinely assists clients across a wide variety of industries in structuring import transactions to minimize customs duties, ensure regulatory compliance and eliminate penalty exposure. He represents companies during audits involving classification, valuation and eligibility under Free Trade Agreements such as NAFTA, CAFTA, AGOA, GSP, etc. He also counsels clients in connection with Customs investigations, seizures, exclusions, penalty and liquidated damages assessments. Mr. Silverman is also regarded as one of the foremost footwear classification experts in the United States and has been involved in all major footwear controversies affecting imports for over 30 years.

Prior to entering into private practice, Mr. Silverman served as a trial attorney in the Customs Section of the Civil Division of the US Department of Justice where he represented US Customs in proceedings before the Court of International Trade, Federal District Courts, and the Court of Appeals for the Federal Circuit.

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Dr Robert Lewandowski who leads DLP studied mathematics and German philology at the University of Warsaw and law at the University of Mainz, Germany, and later joined the list of German lawyers at the Frankfurt Bar Association in Germany and the list of legal advisers at the District Chamber of Legal Advisers in Warsaw.

For over 20 years Robert has specialized in corporate law, with a focus on private Mergers & Acquisitions, cross-border work, general corporate advise and litigation.

SESSION ONE

What are the opportunities and challenges that face global and regional trade in your jurisdiction?

Elizabeth S. Dipchand – Canada Canada is a country that is highly integrated with and influenced by our trading partners – and the largest trading partner we have is definitely the US. As was the case in the US, the pandemic hit Canada hard. It was the second worst recession behind the Great Recession of 2008-09; Canada's contraction was 13% or $C1.3 trillion. Both the exports and the imports were down 13% and 12% respectively. In Canada, the main areas of foreign direct investment are manufacturing, mining, oil and gas extraction and management of companies, services, and enterprises. What really came to light as a result of the pandemic was how reliant we are on trade, foreign investment and the interconnectedness of global trade.

The increasing integration of trade during the past few decades made that contraction worse. Briefly, the US is number one in terms of trading partners, then the EU, but in recent years the prevalence of free trade agreements outside the US and EU have been increasing. The Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) came from the ashes of the Trans-Pacific Partnership (TPP) and it's an illustration of how our trading partners are slowly but surely being diversified because of this heavy reliance that we have on the US and EU.

Adrienne Braumiller – Texas, US There have been a lot of opportunities and challenges. Elizabeth, it's interesting that trade is down for Canada. For the United States it was down 18.5%. That really has been devastating for several of our clients and in particular there's been a huge impact on them as a result of the lockdown and the trade war with China. A lot of people were thinking that once the Trump administration changed to Biden tariffs would be swept away, but that's clearly not going to happen and that has been a big challenge for US organisations.

The US will re-engage with the WTO, which should lead to a substantial reduction in unilateral 'trade wars' and tit-for-tat tariff exchanges. Under Biden, we will be an active participant in the WTO and will use the organization to bring pressure against China and other nations on issues such as subsidies and state-owned enterprises. There is still an urgent need to reform the WTO, but the new administration seems poised to jump in and push for improvements

The United States-Canada-Mexico Agreement (USMCA) entered into force on July 1, 2020, after a long journey that began in 2017 with multiple US threats to terminate the North American Free Trade Agreement (NAFTA). Its journey effectively ended when the Trump administration and the Democratic Congress agreed in December 2019 on a series of amendments to the original text signed on November 30, 2018. Automobiles and auto parts typically accounted for more than 25% of total NAFTA trade in manufactured goods and about 950,000 jobs in the US. Some automotive components cross the Canada and/or Mexico borders as many as eight times before they are assembled into a finished automobile in one of the three NAFTA countries. It is not surprising that this was the focus of the NAFTA renegotiations and that these changes will build on other pressures to shift current Chinese supply chains to North America.

Lauri Railas – Finland As I'm an EU member state I'll answer from that perspective. In the EU, trade policy generally falls under the exclusive competence of the Union. This means that the European Commission takes care of the trade talks based on mandates by Council of the EU, and trade agreements are then approved by the Council and the European Parliament, the latter having co-decision powers in important matters as spelled out in the Treaty on the Functioning of the European Union.

Covid-19 has not been any principal source of turmoil in trade policy in the first place. The year 2016 did far worse; first the Brexit referendum in the UK and then the election of Donald Trump as the President of the United States. However, despite the chills caused in the relations, the EU has managed to extend its network of Free Trade Agreements throughout Asia.

Although overtaken by China in 2021 as the largest EU import source for goods, the US remains the EU's largest trade and investment partner by far. The transatlantic relationship defines the world economy. Either the EU or the US is the largest trade and investment partner of almost every other country in the global economy. Taken together, the economies of both territories amount to more than 40% of world GDP and more than 40% of global trade in goods and services. The Transatlantic Trade and Investment Partnership (TTIP) negotiations between the EU and US were launched in 2013 but ended without conclusion at the end of 2016. Nevertheless, transatlantic trade continues to enjoy one of the lowest average tariffs (under 3%) in the world, governed by World Trade Organization (WTO) rules.

One field, where trade could further be liberalised, would be public procurement. This becomes more essential when both the EU and the US pour substantial amounts of stimulus money into their economies for improving infrastructure and in furtherance of transition to sustainable energy and digitization. The EU also seeks reciprocity in its relations with China and wants to have access to the Chinese markets, equalling the Chinese access to the EU markets. So far, this legislation has not advanced in the EU legislative bodies as more liberal countries such as Finland have been opposed to it.

Katherine Evans – England According to the UK Office for National Statistics, imports of goods from EU countries excluding precious metals, fell by £14 billion between quarter 4 2020 and quarter 1 2021. That's a fall of 21.7%. During the same period, exports fell by £7.1 billion, which is a fall of 18.1%. It is hard to tell at this stage what part of the fall is due to Brexit and what part is due to Covid, which has been a major challenge for all the world's economies.

Brexit was always going to hurt the UK economy, at least in the medium term, and Covid has just compounded those Brexit related issues. We should also add to the challenges which the UK economy is facing, the need for the UK to make the requisite changes to its economic model in order to meet its international climate change commitments. These are also likely to have a negative effect on economic growth in the short (and potentially also the medium) term.

The increased prospects of UK businesses trading internationally was propounded by Brexiteers as one of the main advantages of leaving the EU. On the one hand, UK businesses exporting internationally are currently able to offer their products at a cheaper rate than they could pre-Brexit due to the low value of the pound sterling relative to other major international currencies, thereby making UK business products more appealing than products from EU countries. On the other hand, the introduction of rules of origin has led to UK businesses being liable for additional tariffs into the EU, and that in turn has led to increased costs.

UK businesses are currently reviewing their supply chains to evaluate whether changes in their supply chain might reduce or extinguish the tariffs altogether. By being a little bit smarter, the idea is that many businesses at least can avoid the worst impact of the additional European tariffs whilst maintaining compliance with the current rules.

I think the EU may also have scored something of an "own goal" by requiring so many new forms to be completed by UK businesses to enable them to trade with the EU because UK businesses are increasingly saying, "Well, if I have to fill in all those forms just to trade with the EU, I might as well start trading with everybody else around the world. At least it won't be any harder". There's currently a lot of enthusiasm for joining the Comprehensive and Progressive Agreement for Trans-Pacific Partnership ("CPTPP") (also known as the Pacific Free Trade Agreement), and I think that will be very beneficial for the UK in terms of helping UK businesses to focus on new trading opportunities outside of the European Union bloc.

In terms of summing up the position, I would say that whilst the UK has lots of challenges to overcome in terms of making the most of new global and regional opportunities, those opportunities are there, and businesses just need to reach out and grab them.

Robert B Silverman – New York, US The top US trade challenge continues to be that there are high duty rates on many products from China and clients must do what they can to minimise duties.

In addition, US Customs continues to state that it plans to increase its enforcement efforts and we are definitely seeing greater concentration on whether products are made with forced labour. Importers need compliance programs to ensure they meet the US customs laws and that they can prove they exercised reasonable care and that their goods were not made with forced labour or North Korean labour.

Robert Lewandowski – Poland Poland has emerged as a dynamic market over the past 20 years and has become a major actor within Europe. In 2019, prior to the pandemic outbreak, Poland was the 21st economy in the world in terms of GDP, 22nd in total exports and 18th in total imports. All companies operating in Poland have equal access to international and domestic trade, but because Poland is a member of the European Union it is obliged to adhere to certain trade regulations introduced by the European Union. There are certain licensing requirements for trading in categories of goods and services applicable to military goods and technologies, certain chemicals, especially narcotic drugs, psychotropics and cultural goods.

Special arrangements are relevant to trade with certain agricultural products under the European Union's Common Agricultural Policy including preferential tariff arrangements.

Elizabeth S. Dipchand pictured at the IR 'On the Road' conference in Miami, 2020

Bob Brewer pictured at the IR 'On the Road' conference in Chicago, 2019

SESSION TWO

What is the impact of non-preferential rules of origin in the post-pandemic trading environment in your jurisdiction?

ESD – Canada The biggest challenge that we're facing is going to be protectionism; because we are such an export heavy country, the increasing level of protectionism, especially in the US and the UK, will really increase the importance of diversity of our markets.

It's huge. Traditionally we have relied heavily on the US and EU as our trading partners. But we do have to think about what it looks like to increase our diversity. And there's also our reliance on China. Before the US-China trade war, it was much easier to order products without too much thought, but with the rules of origin this has become more problematic.

For Canada, most of the rules of origin requirements come from our free trade agreements. In terms of the harmonisation issues, it is less of an impact because we already have it baked into our agreements. Regarding the Canada-United States-Mexico Agreement (CUSMA), it allows us to have those rules of origin dealt with between the US and Mexico.

Through the Canadian European Free Trade Agreement, we have a similar rules of origin framework with the EU. But the US and the EU don't have one. What a lot of our producers really have to be mindful of is to make sure there are no issues associated with trying to get to Canada, then into the US from the EU or vice versa. That's something that we always have in the back of our minds from a practical perspective.

I also wanted to speak about the rules of origin regarding the ecommerce world. The world was locked down, so walls went up that previously weren't there. What also happened, conversely, was the realisation that there were really no barriers from an intangible perspective. The rise of e-commerce wasn't just about different jurisdictions, it was also between being able to get to different markets that you wouldn't get on Main Street. Main Street is accessible via foreign jurisdictions because of the Internet, so there's a fascinating rules of origin piece there.

AB – Texas, US As far as protectionism rises, the interest in participating in free trade agreements goes down proportionately. Part of the problem with that or the reason protectionism won't go away is because free trade isn't free. It takes a great deal of effort to identify the rule of origin, whether something qualifies for a free trade agreement and the fact that not all gains from a free trade agreement are immediate.

Governments feel some pressure to implement protectionist policies and measures, including tariffs, as a way of saving domestic goods, domestic jobs and enterprises. And, of course, the global pandemic led to restrictions on movement and created a demand for local goods and services. In the US there's also a lot of concern with China, Russia, and Venezuela.

The real focus is China. One of my clients wanted to shift production to Mexico to take advantage of USMCA (CUSMA) and we sent in a ruling to customs, and CBP decided that despite a complex assembly of more than 100 operations the final good was of Chinese origin.

As we go down to the various authorities who enforce the law, customs will find more opportunities to say that something, despite the level of complexity, is of Chinese origin and thereby more duties apply. That has a chilling effect on people's desire to have anything to do with Chinese inputs or manufacturing. I think that focus on non-preferential rules of origin is critical for the US.

The "Buy American Act" reinforces US Government purchases of US made products. Biden's team committed early in the presidency to implement a "worker-centered trade policy" that will impact the legislation and trade deals that his administration will touch. As protectionism rises – the interest in FTAs falls. Perhaps the reason protectionism won't go away is that the benefits of free trade take time and are harder to measure effectively.

LR – Finland It is politically difficult to introduce protective or discriminatory trade barriers openly as this may lead to retaliatory measures by your trading partners. Therefore, such barriers are frequently set in disguise applying legally national rules, the effect of which is impeding imports one way or another.

Non-Preferential Rules of Origin can be used as an important trade and commercial policy measure. They do not make up a trade instrument by themselves but may be used in non-preferential commercial policy instruments relating to, inter alia, most-favoured-nation treatment, antidumping duty, safeguard measures, origin marking, tariff quotas, government procurement, trade statistics.

Harmonised Rules of Origin mean coherent rules concerning origin determination. These rules are expected to be set out by co-operative efforts among WTO member countries for non-preferential commercial policy instruments. When the rules are completed, they will become an integral part of the World Trade Organization (WTO) Agreement on Rules of Origin.

As set in the Agreement on Rules of Origin, the Harmonized Rules of Origin should:

- be applied equally for all the above-mentioned non-preferential purposes
- be objective, understandable, and predictable
- not to be used as instruments to pursue trade objectives directly or indirectly
- be administrable in a consistent, uniform, impartial and reasonable manner
- be coherent and based on a positive standard.

The harmonisation work is carried out jointly between the WTO and World Customs Organization (WCO), in the latter of which the work is done in the Technical Committee on Rules of Origin (TCRO) that allows non-WTO members and international organizations as observers.

The significance for the EU of the harmonisation of non-preferential rules of origin is not paramount due to the increasing number of free trade agreements with substantial trading partners. In this way, much of the trade is done based on Preferential Rules of Origin.

ESD – Canada That reminds me, Canadian companies must be increasingly mindful about how much product they have from China. If they ever want to export back into the US, those are questions they now must answer that they never had to answer before.

KE - England The UK has historically taken a fairly relaxed view about what constituted the "last substantial transformation" of a product in terms of whether or not it met EU rules. When the UK was still part of the EU, if we said something was a UK product, that was rarely questioned. Now, of course, there will be more questions and as soon as more than one country is involved in the production or manufacture of a product, then more rigorous focus needs to be given to whether or not the relevant rules of origin have been satisfied.

Consumers have also starting to look at ethical issues around the origin of products and services that they buy. These may include environmental concerns around countries which are perceived to be burning too many fossil fuels or it may result from other political concerns. There appears to be quite substantial hostility from UK consumers at the moment towards Chinese products and services. Partly that has been caused by the impact of steel dumping on the UK economy. Partly it has been caused by the political crackdowns in Hong Kong, which is an island with which the British feel a very strong historical and cultural affinity. Partly it has also been caused by China's treatment of the Uighur people, in circumstances where the UK population is more than 4% Muslim, which has increased consumer hostility to China from a wider social group than might normally be expected as a result of the mistreatment of a minority ethnic group by a foreign power.

AB – Texas, US One thing about Hong Kong: the US has put Hong Kong on par with China. What used to be a freer flowing trade relationship is that most controlled items being exported to Hong Kong now require a licence and a lot of the same export control policies that apply to China apply to Hong Kong. That is definitely an unfortunate development.

RS – New York, US This takes us to the opportunities: change the tariff classification to identify a tariff code that does not have a high duty rate or change the product to change the tariff code to achieve the same result; reduce dutiable value to reduce duties to be paid as most duties are a % of dutiable value and change the country of origin to have the goods produced in a different country to avoid the high duty rate.

In the US importers can structure products or transactions to achieve more favourable duty rates. Customs valuation is an especially viable area for us where we can lower dutiable value by stripping out non dutiable charges (e.g., international freight charges, US installation charges, or buying commissions) from the prices paid for goods or using the first sale rule of appraisement to reduce dutiable value. Under the first sale rule we can have duty paid based on the prices paid to the factory rather than the higher prices paid to a trading company.

Country of origin continues to be an area that is in flux based on recent US Customs rulings. In the past components or parts of goods that were substantially transformed into new articles of commerce with a new name, character, or identity in a second country were a product of the second country. Now, based on new rulings, US Customs also considers the country where the significant parts of the final products were produced. As an example, significant parts from China, added to parts from India, which are produced into a product in Thailand might be a product of China, thereby subjecting the goods to additional duties. In the past the same facts would likely have resulted in US Customs holding that the goods were products of Thailand. Customs rulings to confirm origin in cases like this are critical before undertaking such big changes in operations.

RL – Poland It should be stressed that Poland, as a member of the European Union, is also a member of the Customs Union. The EU Customs Union means there are common customs duties on imports from outside the EU, common rules of origin for products from outside the EU and no customs duties at internal borders between EU Member States.

The nationality, the value and the tariff classification of goods entering the European Union including Poland must be determined to find out if any duties, customs restrictions or special requirements are applicable. There are two different types of Rules of Origin that apply to imports: preferential and non-preferential. Reduced duty rates apply to imports from countries that have trade agreements within the EU. Preferential origin rules in these agreements are used to determine the country of origin of the imported goods. Non preferential rules apply for purposes other than preferential duty and are used to stipulate if for instance trade embargoes apply.

SESSION THREE

Predictions: what do you think global and regional trade integration will look like in your jurisdiction in five years?

ESD – Canada I've been practising for almost 20 years, and I've got to ask, when was the last time we had consumers who were interested in the source of international goods? Growing up in the 1970s and '80s, there was no way that anyone would ask about it. They just cared that the item they wanted showed up or they were able to go to the store and buy it.

Now there's a ground level grassroots recognition that trade matters; a recognition that relationships between countries matter as it relates to trade. Ethics was never something that really played into the determination of whether a consumer bought goods. That has changed significantly.

That is not only change for the consumer and their ability to make rational decisions. It is now impacting in a material way that businesses operate and the way that they will now conduct themselves. It's beyond just the consideration of services. Five years into the future, I think that'll increase the impact on how consumers view and are now more attuned to international impacts.

International trade considerations will increase and not only on individual consumers, but on company consumers. There will be a thought at the state level and the industry level of how do they consume, who do they consume with? The biggest blockers to trade for us will be the shift to determine how do we mitigate risk?

That is coming out of this recession, figuring out how we mitigate risk from a Canadian perspective. We want to participate more in the world, so how do we mitigate the risk associated with increasing protectionism? That's going to be increasing and diversifying the reliance on different markets. How do we mitigate the risk against our supply chain?

That's going to be taking a harder look at who produces what and where. Can we have the same input produced in different jurisdictions that if one barrier goes up in one trade supply line, it can be mitigated elsewhere?

AB – Texas, US There'll be a shift of supply chains. There are multiple pressures forcing enterprises to abandon or at least significantly reduce their dependence on Chinese sourcing. The US-China trade war, national security concerns, the entry into force of the USMCA, COVID-19, and carbon footprint concerns, are combining to stimulate extensive changes in the way global enterprises conduct their business, such that up to 26% of global exports with a value of $4.6 trillion could move to new source countries within the next five years.

The pandemic will probably accelerate the spread of Industry 4.0. The idea that everything was going to be done by robots was never realistic, as there are many activities where it is not cost-effective to deploy an expensive robot. Garment sewing is still done primarily by people, in the developing world, as are many fine tasks in the electronics and auto value chains. But the pandemic must change the cost calculation at least to some extent. Imagine an activity where it is slightly less expensive to hire workers in the developing world compared to deploying a robot in an advanced economy. Now firms are aware of potential disruption from pandemics and/or trade blockages. With that risk factored in, the robot may now be the cost-effective choice.

Industry 4.0 is not suddenly eliminating manufacturing opportunities in developing countries, but it has to be constraining them, and more so after COVID-19 than before.

Probably the biggest risk for trading opportunities in the developing world is growing protectionism in more advanced economies, often dressed up as national security protection. The US introduced serious protection before the pandemic, most of it aimed at China. Heading into the recession, the US was taxing about half of the imports from China at a 25% rate. In the short run, this created new opportunities for other developing countries. A certain amount of final assembly in garments, footwear, and electronics shifted to countries such as Vietnam, Indonesia, and Mexico. These tend to be the most labor-intensive tasks, and higher wages in China were already driving this production abroad even before the trade war started.

LR – Finland The spread of vaccines will be important for the recovery of economies worldwide. Generosity in this respect will pay its dividend but may require an intervention on the IPR rights of the medical companies. Some sort of a compromise might be useful for all as economic growth will boost demand and trade in general. The post-pandemic recovery will benefit from the measures of stimulating economies, which will create opportunities and competition for example in public procurement.

The role of digitisation will increase further due to the increased working at a distance. At the same time, logistics may change because of increased e-commerce on the one hand, and the readjustment of supply chains on the other. There are difficult problems to be resolved as digitization will benefit disproportionately those which already have an upper hand, the technology giants. Perhaps we may see something like what happened in the US during the first decade of the 20th century, when President Theodore Roosevelt introduced trust legislation.

There are hopes that the multilateral trading system will be maintained and strengthened, e.g., by safeguarding the appointment of judges to the WTO Dispute Panel.

A reinvigorated WTO would probably gain authority to curtail pressures made up by the growth of China with its trading partners. This creates opportunities for countries like Finland that are very much dependent on foreign trade for the maintenance of their GDP. It is hoped that political tensions between the EU and Russia would be reduced, and sanctions could be lifted. Should the Russian economy recover, this would create many opportunities for Finnish and other EU exporters.

KE – England I would say that for the next five years the UK will be focused on joining and making the most of CPTPP. Joining CPTPP is likely to be the big medium-term change for the UK. CPTPP addresses trade between 11 countries and covers about 13% of global GDP / 15% of global trade in a single negotiation – £110 billion worth of UK trade, all based on 2019 figures. Joining CPTPP would remove tariffs on 95% of goods traded between the UK and the other member states. That's going to be a big area for the UK, but it may cause some concerns in the EU.

Adrienne Braumiller pictured at the IR 'On the Road' conference in Chicago, 2019

There were rumblings in the EU that if the UK joined CPTPP, the EU would not be happy about the ongoing transfer of personal data to the UK. However, since the UK has now received an adequacy decision from the EU in terms of its data protection rules and the UK does not seem to be minded reducing those data protection standards, this may not become an issue. Overall, I think the accession to CPTPP will result in a shift away from UK trade with the EU to trade with non-EU countries.

RS – New York, US Based on the past we can say that the future is difficult to predict. Under the Trump administration we saw that trade was used as a tool of international relations. Tariffs were imposed on more imported goods than any time in the past 50 years.

Under the current administration we see a softening of duty assessments on product from the EU, but no change in barriers for goods from China. In the future, if a better relationship with China can be established, these large duty rates will go away, but we have no way to know if a deal with China can be made. In the past the world was moving toward more free trade, but that movement has stopped, and the US is trying to incentivise the growth of certain US industries. We do not know if those efforts will include additional tariffs or trade barriers.

RL – Poland Poland has, since entering the European Union, been embedded in the European integration process. This process enables Polish exporters of goods and services to be part of a market much larger than Poland.

In addition, the integration processes between Poland and the EU have started from free trade. Free trade in industrial goods with EU partners was the entrance to the European Single Market. After accession to the EU, Poland introduced free trade which included not only industrial products, but also trade in agricultural products. Furthermore, Poland has also enlarged the liberalisation process to free circulation of services, capital and people. It was obliged to abolish not only the last direct barriers to trade and migration of actors of production but also many so-called indirect barriers, like technical standards, administration rules, harmonisation of taxes, and public procurement law.

My prediction is that European integration will play a larger role shaping European and global trade markets in the future.


Robert Silverman pictured at the IR 'On the Road' conference in Toronto, 2018

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