

China Development Forum  
Beijing, 24 March 2018  
Keynote speech Pascal Lamy – Plenary Session

Most of us in this room have believed for a long time that, wherever we are on this planet, economic development leads to appease political tensions. That good economies and good politics go together.

And now, looking at recent developments, there are reasons to doubt that this remains true: while economies are doing well, political tensions are increasing.

The world economic outlook is the best since a long time: engines of growth are pulling simultaneously in all regions of the world, a rare occurrence. Globalization keeps moving on, powered by rapid technological change.

On the other hand, political turbulences, whether on the multinational scene or in many domestic constituencies, are multiplying: North Korea is back as a threat. Syria remains a blood bath; religious fundamentalism is feeding terrorism and destabilizing a large part of Africa. The US have elected a nationalist President. The UK has voted for Brexit. In democracies illiberalism is on the rise.

In other words, economics and politics are misaligning in many quarters.

The fundamental reason of this misalignment between economics and politics lies in my view in the speed of technologic and cultural changes, in the impact of globalization on the weaker part of our population, on inequalities, on the dangers of climate change.

How can this be addressed? In my view the solution lies in a global new socio-economic paradigm that combines more openness and more protection.

- more openness: open sciences, open societies, open markets
- more protection: protect people and planet

A lot of this new combination lies at the domestic level notably because social safety nets, which need improvement, are a matter of solidarity which implies a strong feeling of belonging to a community.

But a large part also resides at international level.

And you will not be surprised if I take the example of trade.

We have known for a long time that:

- trade opening can work for global welfare
- the way it works is socially painful

But the solution to this equation does not lie in closing, in protectionism. The solution lies in adequate domestic policies whether social, education, training, labour market flexibility, regional rebalancing. Cooperation between business, public systems, civil society, trade unions. A cooperation designed to harness the forces of globalization. Caving in to protectionist pressure risks damaging us all. Trade wars, as history has shown, are a negative sum game.

During 50 years, we have built together a multilateral trading system that has kept opening trade and fostering growth.

Of course, it is not perfect. of course improvements are necessary, including further market opening, further disciplines on subsidization or investment.

But they have to be negotiated, not imposed. In the XXI century, global trade is a rules game, not a power game.

This is, of course, of major importance for China as the growth or the Chinese economy will remain highly dependent on foreign markets in the times to come.

Hence the following suggestion in order to react adequately to recent US trade measures against other WTO members, depending on how we should interpret what the US are trying to achieve.

Plan A: If the US are after improvements of our multilateral rules based trading system, let's open the discussion and a negotiation. After all, as I already said, improvements in many areas would be welcome and other than the US, including China, may have ideas on what should be changed. A good opportunity to review the existing rules book.

Plan B: if the US are after destabilizing the WTO system in order to wreck it and turn back to bilateral trade deals, it is a different game. This should be firmly resisted and resistance should be organized in a proper coalition that would stick to rules based multilateral organization, whether the US want to remain part of it or not.