

Changing global trade patterns, unchanging European and global governance?

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Jim O'Neill presented the key findings of the paper 'Changing trade patterns, unchanging European and global governance'. In a nutshell, the authors analyse trade flows over the past 50 years and illustrate the dramatic dimension and speed of change in trade patterns and wealth creation. Fresh trade projections, based on past trends, are then proposed up to 2020. If these projections are even broadly correct, they imply large challenges for EU and global governance going forward. European countries will increasingly display different trade patterns among each other, and Germany, for example, will have China as its major trading partner by 2020, rather than France. This calls for a flexible and adaptable EU/EA, capable of dealing, among others, with asymmetric macroeconomic shocks originating from trade. The discussant, Bergljot Barkbu, Deputy Resident Representative of the IMF to the European Union, made three points: first, she agreed on the direction of change, although the IMF projections were slightly more optimistic for the EU and US. Secondly, the complementary analysis of TiVa (trade in value added) data was praised, as this is the frontier. Finally, on global governance the point was made that the IMF is trying to have its 2010 reform ratified, which would give more weight to emerging countries vis-à-vis Europe. However, this is still based on 2005 macroeconomic data, which seems already out of date, given the pace of change in the patterns of wealth creation and trade. When provocatively asked whether China should be considered the new motor of EU integration, Mr O'Neill replied this is not the case, but it might be that the problems identified at the heart of the euro area crisis (lack of competitiveness, large intra-EA financial flows, and so on) are actually due to larger underlying problems with the EA, namely that it is a fixed structure, which was conceived when the world was different, and not easily adaptable to upcoming challenges. Replying to a question, he then clarified he did not believe trade agreements to be crucial in determining trade patterns. Protectionism was then excluded to be on the rise anytime in the future. He then agreed with Guntram Wolff, who was making the point that trade deals allow the EU to negotiate at the table with counterparts with a unique voice. The point was raised that perhaps it is not appropriate to look at trade in goods and services combined, as the two display very different patterns. Mr O'Neill replied that it depends for what purpose you are conducting the analysis, and when thinking of investment opportunities, the two should be looked in combination.

Notes by Alessio Terzi