Open Forum 2024

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Thanks, Edwin, for the kind words of welcome.

Ladies and Gentlemen,
It is an honour to be here with you today.

The investments that you are making or planning will have lasting repercussions for decades to come and will significantly influence our ability to achieve the net zero targets that are essential for preserving our world for future generations. I read for instance that Wood Mackenzie has estimated that the cost of decarbonizing global iron and steel by 2050 would amount to $ 1,4 trillion.

We understand that it can be incredibly challenging for you to ensure reasonable guarantees of a return on investment:

What will be the winning technologies? What will be the national, regional, global and regulatory framework, and could you influence their shaping? What will determine the price tag? How to maintain a level playing field? And who will shoulder the costs of going green?

We, at the WTO Secretariat, primarily perceive also the trade risks which adds-up to these investment challenges:

- You are part of a global industry, 30% of your products are being traded, and globalisation is being challenged.
- You come from a historically brown industry and globalisation is turning green, but international policies' coordination is lacking at this stage.

Ladies and Gentlemen we are determined to try to confront these challenges alongside you. Our ongoing conversation about "global green steel standards" is precisely about addressing this question: how to maintain an open globalization while achieving an efficient green transition?

This is what I would like to elaborate on a bit.

First, is globalisation receding? Like you, we see daily news pronouncing the rise of protectionism, the weakening, and sometimes even the end, of globalisation and the world trading system. We also witness the creativity of language trying to capture new trends in world trade such as “decoupling”, “de-risking”, “re-shoring”, “near-shoring”, "friend-shoring", “weaponizing.” And I'm sure I’ve missed some.

At the WTO we unequivocally see that trade is not structurally receding, nor is globalization. It is true that trade growth has been somewhat stagnating since the 2008 crisis, as measured by the global share of exports to GDP. The economists' debate on this matter is an ongoing discussion, with many factors at play. While trade costs continued to come down, it is also true that some factors pulled in the opposite direction. Perhaps most importantly, the rapid unbundling of production across the globe from before the crisis has returned to a more normal speed and the composition of economic activity has also shifted towards economies and sectors, such as services, with a lower openness – none of which is bad news per se or a sign of deglobalization.
In fact, overall world trade has proven to be quite resilient, including in the most recent, challenging years. It rebounded well after collapsing in the COVID-19 Pandemic and has continued to withstand ongoing conflicts. Our projections indicate that global trade volumes will increase by 2.6% in 2024 and 3.3% in 2025, after a fall of 1.2% in 2023.

Turning to trade policy front, the trends are largely supported by the monitoring that we do, in cooperation with our WTO Members. While trade in goods has been subject to a range of new trade restricting measures, on both the import and export side, there is also a strong trend of trade facilitating measures that outweigh the number of restrictions.

So, today we certainly do not see a threat of collapse of global trade. However, what is certain is the increase in trade tensions and conflicts in specific areas of the global economy and trade policies. These include geopolitical tensions, new trade conflicts stemming from the green transition, and a significant revival of industrial policy.

- **Geopolitical tensions:** for instance our WTO economists see evidences that there has been 30% less growth in bilateral trade between the United States and China compared with their trade with the rest of the world. More broadly, the share of trade affected by sanctions and export controls increased steeply in recent years, from around 4% in 2016, to around 12% in 2022.

- The **green transition**. Tariff wars and trade defence instruments are increasingly being applied in sectors critical to the green transition. For example, the US and EU recently announced tariffs and investigation on electric vehicles from China, with China reciprocating.

- It is not for the WTO Secretariat to determine the legality of these measures under WTO law – that is for our dispute settlement mechanism -. However, we observe that a “hot spot” is forming in this sector. Despite this, the trade volumes affected remain relatively concentrated. Our rough estimate is that the aggregated amount of trade restrictive measures announced on green products represent 4% of Total US Imports from China.

- The revival of **industrial policy**, increasingly linked to the green transition, is another growing flashpoint in global trade: export restrictions on critical mineral and rare earths, subsidies. This situation touches on sensitive debates around policy space and concerns around overcapacities, as countries at all levels of development are dusting off industrial policy toolkits.

For now, these tensions remain relatively concentrated and are not spilling over into global trade wars. But they need to be closely monitored and contained: the risks of subsidy race and trade wars are there. And the WTO system, based on non-discrimination, transparency, and rule of law, remains the best way to control these tensions and their negative spillovers.

Which brings me to the second question: how can the global trading system better support the green transition?

It is crucial to recognize that **maintaining the WTO system is a prerequisite for achieving global climate objectives**. The multilateral trading system itself serves as an enabler of climate change mitigation and adaption strategies. There are several reasons for this, but the most significant one is that an integrated world trading system is the best guarantee of an efficient global economy. And an efficient global economy is essential for the optimal use of natural resources. The key point here is that tensions in the global trading system are not only bad for trade and growth, but also undermine climate change and sustainability strategies.

At the WTO Secretariat, we are witnessing our members adopting increasingly ambitious policies to achieve their net zero objectives, some of which involve significant trade related measures: carbon pricing strategies, tariffs and subsidies, public investments programs, regulations are amongst the key instruments. While this trend must undoubtedly be seen as positive for the planet, uncoordinated efforts can create headwinds against trade and economic growth.

Some tend to interpret these trends as classical protectionism in disguise. Others, including myself, see a different dynamic at play. Whatever the motivations, it must be recognized that a fragmented system of uncoordinated environment related trade policies will only hinder decarbonization efforts, contrary to our shared goals. We need to work together to avoid incompatibilities and strive towards mutual recognition and interoperability of different types of trade related climate measures.

The second dimension to bear in mind is that, **if used properly, trade policies can act as an accelerator in the fight against climate change.** They can facilitate the dissemination of green technologies and expand markets for green products, thereby promoting innovation and reducing manufacturing costs.

Governments already possess a comprehensive toolkit of trade policies designed to support decarbonization efforts and accelerate the green transition. The WTO Secretariat has identified ten trade policy tools for climate action that can expedite this process. These tools have been highlighted by our Director General and global leaders, notably at the UN Climate Conference in Dubai last year, COP 28. This "toolkit" showcases measures that can enhance the flow of green goods and services, including improving and reforming trade facilitation policies, green procurement, simplifying certification and regulations, and greening import tariffs and subsidies. Additionally, the toolkit encompasses the use of taxation and carbon pricing to further support these efforts. By implementing and expanding upon these policies, governments can significantly contribute to a more sustainable future. We hope to see bold movements on that front soon.

Both on the trade front and in the realm of decarbonization, we share a collective interest in ensuring the smooth functioning of the multilateral trading system and promoting international cooperation.

Ladies and Gentlemen, you can already see where I aim to conclude: in a heavily traded sector like steel, facing growing market and regulatory demands for decarbonization, the winning strategy cannot be a strategy of fragmentation.

Certainly, some may be tempted in the short-term to safeguard their return on investment by retreating behind national borders and regulations. We believe this would lead to a lose-lose scenario in the mid and long run: hindering emissions reduction efforts, squandering economies of scale and efficiency gains and stifling pro-climate innovation.

This is precisely why a concerted effort to achieve interoperability between different decarbonization strategies is needed. The WTO Secretariat has been initiating an international task force on carbon pricing policies, along with OECD, IMF and World Bank. This work is ongoing.

We have been collaborating with worldsteel and several other organizations in this direction, many in this room today, in the context of the Steel Standards Principles announced at COP28. Starting with green steel standards is a pragmatic idea because their concrete progress may be achieved more rapidly and hopefully trust can be built.

You will hear more about this tomorrow, but I want to emphasize that this marks a novel approach to our work at the WTO Secretariat, with a focus on public-private partnership. While the WTO is not a standards-setting organization, we have been playing a role in convening key stakeholders and our Members. We have directly engaged with many of you to try to pre-empt future trade conflicts.

We perfectly understand that different endowment and production equations may naturally lead to different choices in standardization and product differentiation. And there is nothing inherently wrong with this: standards can compete or co-exist.

That's why our primary focus has been on promoting interoperability and a common approach to measuring emissions. While various standards may emerge, we strive to avoid disparate approaches, that would undermine the benefits of an open trading environment.

Cooperation on this matter is vital and occurs at a critical moment in the fight against climate change: we recently learned that global warming is accelerating. We must act swiftly to address emissions in the steel sector if we hope to achieve net zero targets and safeguard the world for future generations.

Recently, it was very heartening to see that our joint efforts to foster steel decarbonation were being acknowledged and welcome by the two largest economies in the world: China and the United States which have separately expressed their interest in further discussing this matter at the WTO.

I am delighted to see so many of you gathered here today to engage in this discussion.

Which finally brings me to the heart of my message: dear Edwin, thank you so much once again for your warm welcome and our partnership.

Let’s intensify our joint efforts and deliver some bold new step at the next Climate COP in Baku in November this year.

Je vous remercie.