

# Discussant Remarks and Questions

*Trade Policies in a Disrupted World and the Risk of Disruption*

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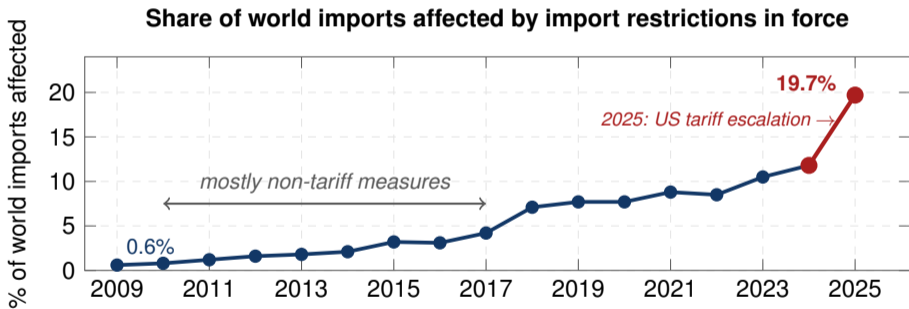
## The Stakes: A Structural Shift in Trade Policy

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Source: World Trade Organization, Trade Monitoring Report (December 2025).

What to expect? How can countries navigate these changes?

## This chapter: how to navigate this new world

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The chapter is a **timely contribution**.

- Brings together experts views on the most pressing issues in trade and on expectations of government action.
- Moves the conversation toward *thinking about policies* for the new world economy.

## Three points I would like to discuss further

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1. **Supply-chain resilience** — openness vs isolation?
2. **The role of the WTO** — ideal, but what to expect in a second-best world?
3. **Green policy** — a driver of cooperation, but can it mask trade protection?

# 1. Supply-chain resilience: openness over isolation

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*Expected government response to tariffs:*

**65%** *expect governments to focus more on the domestic market.*

**80%** *expect governments to focus more on diversification.*

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- Russia–Europe gas
- COVID-19 and supply-chain disruptions (semiconductors)

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**However:**

1. For more goods, resilience comes from being able to trade with *many* markets  
→ Isolation may reduce diversification and *increase* risk.
2. Focusing on the domestic market is especially costly for small economies

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Q1. Are governments coming around to seeing openness as a source of resilience — or should we expect more isolation? How small economies should respond?

## 2. WTO: ideal, but what to recommend in a second-best world?

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In response to tariffs: **50%** expect increase support from WTO

### **The chapter recommends preserving and reforming the WTO.**

- Hard to disagree — the WTO is the cheapest insurance against trade wars.
- Reform could help restore its effectiveness.
- But reform looks hard given the current stance of the largest economies.

Q2. In a second-best world, should countries move to deepen regional trade agreements as a complement? What are the advantages and disadvantages?

### 3. Green Policy as a Driver of Cooperation?

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- Climate change fostering cooperation: a shared problem with shared gains.
- But faces the *free-rider problem*:
  - production may relocate to countries with weaker environmental regulation.
- New policy instruments coming:
  1. **Carbon border adjustments** (e.g., the EU's CBAM): tariffs on the carbon content of imports, reducing incentives to relocate production.
  2. **Climate clubs**: groups of countries that coordinate climate policies and impose trade penalties on non-members.

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#### Main concern

- These same instruments can also serve as *disguised trade protection*.

Q3. What would prevent green policy from becoming a new trade barrier?

## Questions

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- Q1.** On **supply chains**: Should we expect greater openness or increasing isolation? How should small economies navigate a more isolated world?
  
- Q2.** On the **WTO**: In a second-best world, should countries move to deepen regional trade agreements as a complement? What are the advantages and disadvantages?
  
- Q3.** On **green policy**: how likely is the protectionism risk? What would keep climate instruments being a new form of protection?

*Thank you.*