THE WAR ON GLOBALIZATION

Interview With C. Fred Bergsten

While some blame globalization and unfettered international trade for rising inequality around the world, others fear that protectionism will curb global economic growth. The Journal of International Affairs talked to C. Fred Bergsten, director emeritus of the Peterson Institute for International Economics, about the so-called war on free trade and the future of the global economy.

Is it possible to stop or slow down globalization?
It is not possible to reverse globalization. It has now become such a central feature of the world economy that it is embedded in the structure of business plans and national economic strategies.

It would be possible to slow down the increase in globalization by putting new barriers in place to trade, to investment, or to movement of people. It is also possible to limit the further increases in globalization by avoiding new trade agreements that otherwise would further reduce barriers and extend the degree of globalization. I think the last of those is the most likely.

I think it is not probable that we will see a big outbreak of protectionism, but it is quite possible that we will see a hiatus in the negotiation of new agreements and therefore the continued expansion of globalization could be slowed down for at least some period of time.

What caused the dislocations in Western labor markets?
All studies show that by far the biggest increase in labor disruption and dislocation has been caused by technological change, including automation. But productivity increases more broadly. We have seen that in virtually every country and in every segment of the labor market.

Globalization has probably accelerated the pace of those labor market dislocations, but all studies show that globalization is a modest element in the picture and therefore should not be the major scapegoat for unemployment.
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Polls indicate that support in the United States for NAFTA steadily grew among Democrats and independents, but declined among Republicans over the last decade. What caused this change?
I do not trust these public opinion polls at all. I do not think they can be relied upon in judging the public mood. In fact, the politics of the presidential and congressional campaigns in 2016 show that there were substantial components of both parties that are skeptical of globalization, especially of the increase of globalization through further trade agreements. I think we simply have to see how the voting goes in future elections before we can come to any conclusions about public support or opposition to globalization or open trade.

What are the biggest threats to global economic growth?
The biggest threat is clearly the stated intention of the Trump administration to roll back some of the trade liberalization that the United States agreed on in the past, although at this point (in late April) they have not really done anything in that direction yet. They have talked a lot about it, but we still have to see what they will actually do.

Beyond that, the biggest threat to globalization is somewhat similar political developments in Europe with the British decision to leave the European Union and the opposition to European free trade in some political parties in other key countries in Europe. These raise questions about the future of the most far-reaching experience with globalization so far—namely, the creation of the European Union.

What can the United States do to advance its interests in Asia after scrapping the TPP?
The main thing would be to restore the Trans-Pacific Partnership. That would be done directly by going back to a regional agreement like the TPP itself or to a series of bilateral agreements.

The Trump administration, very shortly after withdrawal from the TPP, started talking about negotiating a bilateral agreement with Japan. That would be very significant because free trade between the United States and Japan has accounted for by far the largest share of the impact of the TPP.
So, you could get back to that same objectives through other steps. I would certainly think the United States should do that, both for economic purposes—to avoid being discriminated against in the Asia-only trade agreements that the other TPP countries will clearly be agreeing to—and also for broader foreign policy and national security reasons.

**Will China increase its influence in the existing international economic institutions or try to build its own?**

I think China will do both—they are not mutually exclusive, depending on how China manages its policies. China is already trying to further increase its role in the existing institutions, like the International Monetary Fund and the World Trade Organization. It is also negotiating new international arrangements of its own, like the Asian Infrastructure Investment Bank and the One Belt, One Road initiative.

I think so far China has managed to make its own initiatives compatible with the existing global structure. I think it is in its interest and its intention to continue doing that. So, we will probably see a combination of increased Chinese leadership of the existing institutions and rules along with new mechanisms that Beijing will be putting in place under its own leadership.
CONTRIBUTORS

**Mahima Achuthan** is an associate at Radon Law Offices.

**C. Fred Bergsten** is a senior fellow and director emeritus of the Peterson Institute for International Economics. He is serving his second term as a member of the U.S. president’s Advisory Committee for Trade Policy and Negotiations. He was previously an assistant secretary for international affairs of the U.S. Treasury and assistant for international economic affairs at the National Security Council.

**Irina Bokova** is the director general of the United Nations Educational, Cultural, and Scientific Organization. She previously served as Bulgaria’s minister of foreign affairs *ad interim*.

**David Bosco** is an associate professor at Indiana University’s School of Global and International Studies and a contributing editor at *Foreign Policy*. He is the author of books on the UN Security Council and the International Criminal Court, and is at work on a new book about governance of the oceans.

**James Bowden** is a Middle East historian educated at American Military University. His writing on various aspects of Middle Eastern history has been published in a variety of history journals and professional magazines.

**Ian Bremmer** is the president and founder of Eurasia Group. He is the foreign affairs columnist and editor at large at *Time* and a global research professor at New York University. He is the author of *Superpower: Three Choices for America’s Role in the World*.

**Lisa Davis** is a clinical professor of law for the Human Rights and Gender Justice Clinic at the City University of New York’s School of Law and the human rights advocacy director for MADRE. She has written and reported extensively on human rights and gender issues, including women’s rights and lesbian, gay, bisexual, transgender, intersex, and queer rights, with a focus on peacebuilding and security issues in conflict and disaster settings.

**Michael Eckhart** is a managing director and global head of environmental finance in the corporate and investment banking division of Citigroup in New York. He is also an adjunct professor at Columbia University’s School of International and Public Affairs.

**Richard Gowan** teaches at Columbia University’s School of International and Public Affairs and has recently worked with the European Council on Foreign Rela-
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