

UKTPO

UK TRADE POLICY
OBSERVATORY

Third Annual Conference

World Trade Policy: Back to the Future?

Tuesday 15 September 2020

14:00 - 17:00 BST

Wednesday 16 September 2020

14:00 - 17:00 BST

US
UNIVERSITY
OF SUSSEX

**CHATHAM
HOUSE**
The Royal Institute of
International Affairs

WELCOME

Welcome to this year's UK Trade Policy Observatory Annual Conference. It is the third in our series of annual academic conferences that offer a mixture of in-depth analysis of trade issues as well as discussions around the design of trade policy.

The UK Trade Policy Observatory (UKTPO) was created after the 2016 referendum by faculty at the University of Sussex, as a partnership between the University of Sussex and Chatham House. It is an interdisciplinary group of researchers dedicated to analysing and then explaining international trade and trade policy.

With the end of the transition period approaching fast, issues around the future of UK trade policy present themselves with renewed urgency. Even though this year is unlike any other, there was no doubt in our minds that we ought to go ahead with our conference no matter what.

Thus the conference proceeds fully online, spread over two afternoons. Going online offers the chance for even more people to join, from all parts of the UK and from overseas, whilst at the same time we strive to preserve as much interaction as possible. Every session has dedicated time set aside for audience Q&A, and both afternoons will conclude with a policy discussion. Please take advantage of these opportunities and join the discussion. You can also join the conversation on social media using the hashtag #uktpo3.

Under the theme "World Trade Policy: Back to the Future?", the conference contributions address two of the most important issues in trade policy today. Firstly, three presentations will explore aspects of the as yet unknown UK trading regime after the end of the transition period, including the impact of uncertainty, the effect of tariff reversals, and the political economy of protection, respectively. Secondly, trade in the 21st century is ever more intertwined with other areas of public policy and, this year, two sessions will explore the links between trade and the environment.

Lastly, we conclude the conference with a Roundtable discussion on trade and economic cohesion in the UK after Brexit.

There is a vast body of academic research in international trade that can provide guidance for negotiating the complex challenges associated with Brexit. The aim of this conference is to work towards a better understanding of the economic implications of Brexit in an interconnected world. It also offers a forum for dialogue between academia, trade policy makers and other stakeholders.

We hope that you will enjoy the sessions, and thank you for participating in the UKTPO's third Annual Conference.

Ingo Borchert
UKTPO Fellow, Conference organiser

L. Alan Winters CB
Director of the UK Trade Policy Observatory



@UK_TPO @ChathamHouse #uktpo3

PROGRAMME OVERVIEW

| Day 1: Tuesday 15 September 2020 | |
|----------------------------------|--|
| Time (BST) | Sessions |
| 14:00 – 14:10 | Welcome and Introduction L. Alan Winters and Jim Rollo |
| 14:10 – 15:00 | Firm export responses to tariff hikes Facundo Albornoz Crespo Discussant: Ingo Borchert |
| 15:00 – 15:05 | <i>Comfort Break</i> |
| 15:05 – 15:55 | Dynamic benchmarking: foundation for a new generation of trade, environment and climate agreements? Emily Lydgate Discussant: Stephanie Switzer |
| 15:55 – 16:00 | <i>Comfort Break</i> |
| 16:00 – 16:50 | Chatham House Special Session Policy discussion on “Trade and climate change in the context of COP26” Creon Butler (Chair) Jodie Keane, Rohinton P. Medhora |
| 16:50 – 17:00 | Concluding remarks for Day 1 L. Alan Winters |

| Day 2: Wednesday 16 September 2020 | |
|------------------------------------|---|
| Time (BST) | Sessions |
| 14:00 – 14:05 | Welcome and Introduction Ingo Borchert |
| 14:05 – 14:50 | Impact of Brexit uncertainty on UK trade after the referendum Michael Gasiorek Discussant: Bernard Hoekman |
| 14:50 – 14:55 | <i>Comfort Break</i> |
| 14:55 – 15:40 | The political economy of protection in GVCs: Evidence from Chinese micro data Anna Maria Mayda Discussant: Mattia di Ubaldo |
| 15:40 – 15:45 | <i>Comfort Break</i> |
| 15:45 – 16:45 | Roundtable discussion Trade and economic cohesion after Brexit L. Alan Winters (Chair) Katy Hayward, Anand Menon, Graeme Roy, Thomas Sampson |
| 16:45 – 17:00 | Conclusion and reflections on the UKTPO and its future L. Alan Winters and Michael Gasiorek |

SESSION DETAILS: DAY ONE

DAY 1: INTRODUCTION (14:00)

L. Alan Winters CB is Professor of Economics at the University of Sussex and Director of the UKTPO. He is a CEPR Research Fellow and has served as Co-Director of the Centre's International Trade Programme and as Chief Economist at the UK Department for International Development (2008-11), Director of the Development Research Group (2004-7), Division Chief and Research Manager (1994-9), and Economist (1983-5) at the World Bank. He has recently retired as editor of the World Trade Review and CEO of the Migrating out of Poverty Research Programme Consortium.

Jim Rollo CMG is Professor Emeritus at the University of Sussex and Deputy Director of the UKTPO where he works on trade policy and Brexit. He is a Research Affiliate at the Centre for Analysis of Regional Integration at Sussex (CARIS), and Associate Research Fellow at Chatham House. He is a Founder and Director of InterAnalysis, the home of TradeSift, innovative software for trade policy analysis which is the basis of business-based trade policy training.

DAY 1: SESSION 1 (14:10)

Firm export responses to tariff hikes

by *Facundo Albornoz, Irene Brambilla and Emanuel Ornelas*

Presenter: Facundo Albornoz Crespo, University of Nottingham

Discussant: Ingo Borchert, University of Sussex and UKTPO

Chair: Michael Gasiorek, University of Sussex and UKTPO

Abstract. This paper studies how firms react to unexpected increases in import tariffs. We identify our results from a sudden removal of American preferential tariffs applied on Argentine imports under the Generalized System of Preferences, which reflected American retaliation to a dispute over intellectual property between the two

countries. Critical for identification, the tariff hike affected a third of Argentine exports enjoying preferential access in the American market but did nothing to the other two thirds. We find that the higher tariffs reduced export participation of affected Argentine firms in the US market, whereas resilient exporters dealt with the cost increase by reshuffling their export baskets away from the products whose tariffs increased. In fact, affected firms were more likely both to drop suspended products from their export basket and to start exporting new (non-suspended) products to the US. The extensive margin effects carry over third markets. Those findings reveal the nuanced consequences of tariff preferences on the behaviour of exporting firms, highlighting that their effects tend to spillover to other products and other markets.

Facundo Albornoz Crespo joined the University of Nottingham in 2015, where he is currently Professor and Head of School. Before coming to Nottingham he held academic positions at the University of Birmingham and the Universidad de San Andrés in Argentina. He is a Research Fellow of the Argentine National Scientific and Technical Research Council (CONICET), the Leverhulme Centre for Research on Globalisation and Economic Policy (GEP) and the National Institute of Economic and Social Research (NIESR). Facundo works in a variety of research areas such as international trade, education policy, cultural dynamics and international political economics. He has published in academic journals such as the Journal of International Economics, Journal of Development Economics, Economic Journal and Journal of the European Economic Association. His research has been funded by the ESRC and the British Academy, and he has undertaken advisory work for agencies such as the World Bank, IADB and the OEI. He holds a PhD in Economics from the EHESS/Paris School of Economics.

Ingo Borchert is Senior Lecturer at the University of Sussex Business School. He served as an Economist at the World Bank, Washington DC, from 2008-2011, where he co-created the global Services Trade Restrictions

SESSION DETAILS: DAY ONE

Database. His research interests focus on trade in services, and he has published on the effects of services trade restrictions on trade costs, investment, and access to services in leading academic journals. He holds a PhD in Economics and Finance from the University of St.Gallen, Switzerland, where he has also taught development economics.

Michael Gasiorek is Professor of Economics at the University of Sussex. His current research focuses on the way firms engage in trade and in value chains, and on the impact of trade on poverty. He is also Managing Director of a University spin-out company, InterAnalysis, that offers support on trade policy and trade negotiations in particular for developing countries. The company has offered training and advice to officials from over 70 countries around the world. Michael has more than 15 years of experience in managing large-scale international projects and has delivered advice and training to a wide range of governments, international organisations, and regional economic communities. He also has extensive experience in the design and delivery of trade related training courses at various levels.

DAY 1: SESSION 2 (15:05)

Dynamic benchmarking: foundation for a new generation of trade, environment and climate agreements?

by Emily Lydgate

Presenter: Emily Lydgate, University of Sussex and UKTPO

Discussant: Stephanie Switzer, Strathclyde Law School

Chair: Femi Amao, University of Sussex

Abstract. In the context of a new net-zero emissions by 2050 target, the EU has recognised the need for a more ambitious approach to climate cooperation in its Free Trade Agreements (FTAs). Though in many respects progress has been incremental, the EU's FTA proposal for the UK puts forth an innovative approach. The foundation for

this cooperation is a requirement to maintain a shared level of protection which can be raised through mutual action, which might be described as dynamic benchmarking. At the time of writing, the future of the EU-UK negotiation, and by extension the fate of the proposal, is undetermined. However, even if never adopted, it is an experiment with wider significance. In this presentation I argue that the approach raises a number of vexing interpretative questions, notably, difficulty in evaluating a common level of protection and implications for product-based regulation. However, a modified, more targeted version of this approach provides a compelling answer to the question of how FTAs might achieve more meaningful environmental cooperation, particularly on climate cooperation and carbon pricing.

Emily Lydgate is Senior Lecturer in Law at the University of Sussex and Fellow of the UK Trade Policy Observatory. Emily has published extensively on international trade law, focusing in particular on its implications for protection of the natural environment. She has consulted at the United Nations Environment Programme's Economics and Trade Branch, where she acted as a WTO liaison, and was the programme officer for the Clean Trade Project. She held an EU Marie Curie Fellowship focusing on the relationship between law and economics in international trade disputes. She has a PhD from King's College London, and has an MSc (with distinction) from the University of Oxford.

Stephanie Switzer is Senior Lecturer in Law at the University of Strathclyde, Glasgow. She is a founding member and co-director of the Strathclyde Centre for Environmental Law and Governance and has published widely in the areas of international trade law, international environmental law and global health law. She has undertaken a wide range of policy relevant consultancies for a number of organisations such as the Convention on Biological Diversity and the European Commission and is currently a co-investigator for the One Ocean Hub, a £20 million UKRI funded research project that aims to transform our response to the urgent challenges facing our ocean.

SESSION DETAILS: DAY ONE

Femi Amao is Reader in Law at the Sussex Law School. He is the author of *African Union Law: The Emergence of a Sui Generis Legal Order* (Routledge, 2019) and *Corporate Social Responsibility, Human Rights and the Law: Multinational Corporations in Developing Countries* (Routledge, 2011).

DAY 1: SESSION 3 (16:00)

Chatham House Special Session:

Policy discussion on “Trade and climate change in the context of COP26”

Panellists: Jodie Keane
Rohinton P. Medhora

Chair: Creon Butler

Outline. The UK is hosting the 26th Conference of the Parties of the UNFCCC (COP26) in 2021. Countries or regional groups that are determined to step up action on climate change, despite the fact that some other major economies are unlikely to follow, are looking closely at how they can do so without putting their own businesses and work force at a competitive disadvantage. This makes it increasingly likely that next year’s COP will have to address the complex and controversial question of the interaction between climate change measures and global trade rules.

This interactive panel discussion will look at the implications for global trade policy of these developments. What are the potential advantages and disadvantages of focusing attention on this issue now for reform of the world trading system, for climate action and for international development? How will the major actors in world trade negotiations come at the issue, and how could this be influenced by the continuing effort to suppress the pandemic and “build back better” for the future? What is the likely outcome from the EU’s consultation on options to implement Border Carbon Adjustment Mechanisms?

Jodie Keane is Senior Research Fellow with the International Economic Development Group at the Overseas Development Institute. She is an experienced trade economist and project manager who has worked with multiple governments across the developing world to secure their trade policy outcomes. Between 2015 and 2020, Jodie was an economic adviser within the Trade, Oceans and Natural Resources Directorate of the Commonwealth Secretariat with responsibility for global advocacy on emerging trade issues and the supporting global architecture. She has a PhD in economics from SOAS University of London.

Rohinton P. Medhora is president of the Centre for International Governance Innovation (CIGI). Previously, he was vice president of programs at Canada’s International Development Research Centre. His fields of expertise are monetary and trade policy, international economic relations and development economics and he has published extensively on these issues. Rohinton was recently named to The Lancet and the Financial Times Commission on Governing Health Futures 2030, as well as to the Commission on Global Economic Transformation. Rohinton received his doctorate in economics in 1988 from the University of Toronto, where he subsequently taught for a number of years.

Creon Butler is Director of the Global Economy and Finance Programme at Chatham House. Creon joined Chatham House from the Cabinet Office where he served as director for international economic affairs in the National Security Secretariat and G7/G20 ‘sous sherpa’, advising on global policy issues such as climate change, natural resource security, global health threats and the future of the international economic architecture. Creon first joined the Cabinet Office in 2013 and earlier in his career, he served in the Bank of England, HM Treasury and in the Foreign and Commonwealth Office. He was also deputy high commissioner in New Delhi from 2006 to 2009.

SESSION DETAILS: DAY TWO

DAY 2: INTRODUCTION (14:00)

Ingo Borchert is Senior Lecturer at the University of Sussex Business School. He served as an Economist at the World Bank, Washington DC, from 2008-2011, where he co-created the global Services Trade Restrictions Database. His research interests focus on trade in services, and he has published on the effects of services trade restrictions on trade costs, investment, and access to services in leading academic journals. He holds a PhD in Economics and Finance from the University of St.Gallen, Switzerland, where he has also taught development economics.

DAY 2: SESSION 4 (14:05)

Impact of Brexit uncertainty on UK trade after the referendum

by Michael Gasiorek and Nicolò Tamperi

Presenter: Michael Gasiorek, University of Sussex and UKTPO

Discussant: Bernard Hoekman, European University Institute

Chair: Ingo Borchert, University of Sussex and UKTPO

Abstract. This paper investigates the impact of the trade policy uncertainty induced by the Brexit referendum on UK goods trade. Using publicly available HS 6-digit products trade and tariffs data, we look at UK trade over the period 2015-19 with both the EU27 and with a selection of the UK's FTA partners through EU membership. For the latter group, we test whether trade continuity agreements (TCAs) signed by the British government with the FTA partners removed trade policy uncertainty. Our results show little effect of uncertainty on UK-EU27 trade with some trade diversion of UK exports towards other OECD countries. UK's exports to FTA partners do not appear to be affected by Brexit uncertainty. On the other hand, we find that imports from FTA partners have been quite sensitive to both the referendum and the TCA signature, and that the TCA signature removed the referendum-induced uncertainty.

Michael Gasiorek is Professor of Economics at the University of Sussex. His current research focuses on the way firms engage in trade and in value chains, and on the impact of trade on poverty. He is also Managing Director of a University spin-out company, InterAnalysis, that offers support on trade policy and trade negotiations in particular for developing countries. The company has offered training and advice to officials from over 70 countries around the world. Michael has more than 15 years of experience in managing large-scale international projects and has delivered advice and training to a wide range of governments, international organisations, and regional economic communities. He also has extensive experience in the design and delivery of trade related training courses at various levels.

Bernard Hoekman is Professor and Director, Global Economics at the Robert Schuman Centre for Advanced Studies, European University Institute in Florence, Italy where he also serves as the Dean for External Relations. His research focuses on trade policy questions, the WTO and plurilateral forms of regulatory cooperation.

DAY 2: SESSION 5 (14:55)

The political economy of protection in GVCs: Evidence from Chinese micro data

by Rodney D. Ludema, Anna Maria Mayda, Zhi Yu and Miaojie Yu

Presenter: Anna Maria Mayda, Georgetown University

Discussant: Mattia Di Ubaldo, University of Sussex and UKTPO

Chair: Alasdair Smith, University of Sussex and UKTPO

Abstract. This paper explores the political economy of import protection in a setting where imports may contain a country's own domestic value added (DVA) via domestically produced inputs that get exported and used in foreign downstream production. We show that import-competing producers and their domestic input suppliers are generally allies in favour of protection, but this alliance weakens as DVA increases, because a home tariff on

SESSION DETAILS: DAY TWO

finished goods decreases foreign demand for home inputs. Empirically, we examine detailed discriminatory trade policies of 23 countries toward China and use Chinese transaction-level processing trade data to construct a measure of DVA. We also measure input customization. We find that both upstream and downstream political organization increase downstream protection, but the effect of the former is smaller when DVA as a share of final imports from China is larger. Tariffs on products containing inputs that are neither customized nor politically organized appear to be unaffected by the DVA share.

Anna Maria Mayda is Professor of Economics at the School of Foreign Service and Department of Economics at Georgetown University. Her research focuses on International Trade, Political Economy and International Migration. She is a Research Fellow of CEPR, CReAM and IZA. She obtained her PhD in Economics from Harvard University in 2003, and a Laurea in Economics from the University of Roma, La Sapienza in 1997.

Mattia di Ubaldo is Research Fellow in the University of Sussex Business School and Fellow of the UK Trade Policy Observatory (UKTPO). His current research focuses on the impact of the EU trade policy on trade and non-trade policy objectives in partner countries. He also works on various aspects of firms' involvement in international trade, on the input sourcing choices of multinational enterprises, and on the productivity effects of investment in intangibles and innovation. He holds a PhD in Economics from the University of Sussex, an MSc in Economics from the University of Sussex and a BA in International Relations from the University of Rome "La Sapienza".

Alasdair Smith has been Professor of Economics (now Emeritus) at the University of Sussex since 1981. He was Vice-Chancellor of the University from 1998 to 2007. His academic work focused on the effects of international trade on competition, growth and the distribution of income; and he also has interests in the economics of public sector pensions and higher education. He has written extensively on the effects of the single European market and EU enlargement on

competition. He has been a member of several public sector Pay Review Bodies and chaired the Armed Forces Pay Review Body from 2010 to 2013. He was a Deputy Chair of the Competition Commission and then an Inquiry Chair at the Competition and Markets Authority from 2012 to 2017. He is currently a member of the Determinations Panel of the Pensions Regulator and a member of the Scottish Fiscal Commission.

DAY 2: SESSION 6 (15:45)

Roundtable discussion: Trade and economic cohesion after Brexit

Panellists: Katy Hayward
Anand Menon
Graeme Roy
Thomas Sampson

Chair: L. Alan Winters

Outline. Once the transition period ends, the economic impact of Brexit will manifest differently for different people, varying, for instance, by occupation, industry and region. Exiting the EU Single Market will alter the UK's domestic and international trading patterns, and will institute large regulatory changes in the UK's Internal Market. A major challenge for the British government will be to maintain national cohesion during this process. This panel will discuss the challenges for post-Brexit trade policy making, especially in the context of the UK's devolved nations.

Katy Hayward is Professor of Political Sociology at Queen's University Belfast and a Senior Fellow in the UK in a Changing Europe think-tank. Professor Hayward is an internationally recognised expert on Brexit, particularly with respect to the Irish border. The author of around 300 publications, she has (co)authored/edited several books e.g. *Dynamics of Political Change in Ireland* (Routledge, 2017), and research reports, e.g. *The Border Into Brexit* (2019). She is the recipient of an Eisenhower Fellowship (2019) and 'Political Communicator of the Year' award from the Political Studies Association

SESSION DETAILS: DAY TWO

(UK, 2019). Prof. Hayward has written and presented widely on the topic of Brexit to media, policy, civic and academic audiences. She was appointed to the technical expert panel of the UK government's Alternative Arrangements Advisory Group on Brexit (2019) and has presented written and oral evidence before several parliamentary committees and policy groups in the UK, Ireland, EU, and USA.

Anand Menon is Professor of European Politics and Foreign Affairs at Kings College London. He also directs the UK in a Changing Europe project. His areas of research interest include the policies and institutions of the European Union, European security, and British politics. He contributes regularly to both print and broadcast media. He is co-editor of the *Oxford Handbook of the European Union* (OUP, 2012), and co-author of *Brexit and British Politics* (Polity 2018). He is a trustee of Full Fact, a member of the Strategic Council of the European Policy Centre, a Council member of the European Council on Foreign Relations and an associate fellow of Chatham House.

Graeme Roy is Director of the Fraser of Allander Institute (FAI) and Head of the Department of Economics at the University of Strathclyde. He is a former Senior Civil Servant in the Scottish Government where he was both a Senior Economic Adviser and Head of the First Minister's Policy Unit. Graeme writes extensively on the Scottish economy, including on the impact of trade on economic performance and the role of the devolved administrations in helping to shape these outcomes.

Thomas Sampson is Associate Professor of Economics at the London School of Economics. His research studies the impact of globalisation on workers, firms and productivity. Thomas is also an academic adviser to the Bank of England and an associate at the Centre for Economic Performance where he has worked extensively on the economic consequences of Brexit. Prior to joining the London School of Economics, Thomas worked as an Overseas Development Institute Fellow at the Bank of Papua New Guinea and obtained a PhD in economics from Harvard University.

L. Alan Winters CB is Professor of Economics at the University of Sussex and Director of the UK Trade Policy Observatory. He is a CEPR Research Fellow and has served as Co-Director of the Centre's International Trade Programme and as Chief Economist at the UK Department for International Development (2008-11), Director of the Development Research Group (2004-7), Division Chief and Research Manager (1994-9), and Economist (1983-5) at the World Bank. He has recently retired as editor of the *World Trade Review* and CEO of the Migrating out of Poverty Research Programme Consortium.

THE UK TRADE POLICY OBSERVATORY

The UK Trade Policy Observatory (UKTPO) was established in June 2016 following the UK's referendum on leaving the EU. The UKTPO comprises of an independent expert group of researchers and practitioners covering all aspects of trade policy, straddling the domestic, international and multilateral level, with a particular focus on UK trade policy after Brexit.

The UKTPO is a partnership between the University of Sussex and the Royal Institute for International Affairs. The latter is commonly referred to as "Chatham House" and is one of the UK's leading think-tanks focused on international issues and current affairs.

The UKTPO is engaging with a wide variety of stakeholders to ensure that the UK's international trading activities are reconstructed in a manner that benefits all in Britain and is fair to Britain, the EU and all its trading partners, developing and advanced economies alike. In so doing, the UKTPO provides:

- Independent original research on UK and global trade and trade policy;
- Easily accessible output designed to inform non-specialists, e.g. via Briefing Papers, blogs, animated videos or podcasts;
- Impartial, evidence-based policy advice to stakeholders and policy makers;
- Influential commentary and new contributions to current debates; and
- Training on trade and trade policy for interested parties.

ADAPTIVE TRADE LEADERSHIP IN A GLOBALISED WORLD

Together with the University of Adelaide's Institute for International Trade (IIT) and the Global Trade Professionals Alliance (GTPA), we have created a unique online educational experience designed to equip mid-senior business leaders with the technical trade knowledge and advanced complex and adaptive thinking capabilities required to succeed in today's global business environment.

Over four months, the course provides a strong foundation in the dynamics of complexity and leadership, as well as the trade knowledge and key skills required to transform leadership effectiveness, problem solving skills, and to develop the ability to respond strategically to trade issues.

<https://iit.adelaide.edu.au/study/adaptive-trade-leadership-in-a-globalised-world#register-your-interest>

EMAIL

uktpo@sussex.ac.uk

ON THE WEB

blogs.sussex.ac.uk/uktpo

TWITTER

@uk_tpo

