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Edited by
Artur Gruszczak

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Foreword

Today's world is increasingly preoccupied with the state of its security. Challenges, risks and threats mushrooming across the regions and continents evoke feelings of discomfort, uncertainty, and anxiety. Domestic instability, regional conflicts and global tensions reflect deep, structural security problems. Any plausible and reasonable response to those problems, challenges and dilemmas requires an insight into contemporary political, economic, social and cultural phenomena at national and international levels. This collected volume is a modest attempt to delve into some aspects of security which drew attention of the authors in the year 2018. The contributors belong in the Department of National Security of the Jagiellonian University in Krakow, Poland (http://www.zbn.inp.uj.edu.pl/en_GB/). Their chapters illustrate the research profile of the Department and individual interests of each author. The institutional factor has determined the structure of the publication: it links selected global and regional issues with some aspects of Poland's security.

Artur Gruszczak
July 2019

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Paweł Frankowski

Trade Wars – the Role of the Political Economy of International Trade in Global Security

ABSTRACT
This chapter highlights the distinctiveness of international economic security as applied and formed by global powers with regard to security issues. Following the concept pursued in this outlook, the chapter will be divided into three parts. The first part discusses the principles of state-centric and non-state centric perspectives on international economy and commitment to stability as the fundaments of contemporary security; the second part concerns the role of globalization for economic security; the third part is focused on challenges and interactions between the most powerful economies. The thesis advanced in this chapter is that the economic security system is distinct from the universal one not only in terms of relevant security issues, interests and policies, but also because of the specific application and understanding of principles and institutions of international law such as the dispute settlement system.

Keywords: trade, war, public international law, WTO, China, United States, subsidies

Economic security in 2019 should be analyzed from three intertwined perspectives. The first perspective that has to be included is the challenge to contemporary global-centric and non-state centric approaches. Even before 2008 most of the concerns on economic security and IPE focused on the role of private actors and constellations composed of private entities[1]; but since the global crisis, and

[1] N. Phillips, *Globalization Studies in International Political Economy*. In: N. Phillips (ed.), *Globalizing International Political Economy*, Basingstoke: Palgrave Macmillan, 2005, pp. 20-54; F. Bourguignon, Th. Scott-Railton, *The Globalization of Inequality*, Princeton: Princeton

the growing role of China, state-oriented analysis has struck back.[2] The second platform for understanding global economic security should still be an ongoing and defining concern with globalization. This is an area in which private business focuses on the most efficient global allocation of resources, and the ways in which the disruptive or negative consequences of such an allocation reflect the opportunities which states, through the multilateral system of global trade, provide for global companies. Companies are constantly engaged in efforts that result in improvements in their capabilities and resilience, lead to changes in the relative positions of private companies and, accordingly, changes in strategic military relations.[3]

On the one hand, free trade – as an organizing principle of the global economy – emphasizes the interests of private capital, but organizing and maintaining a policy of free trade requires the control of governments through a complex system of interdependent checks and balances. Otherwise barriers to free trade will be created by those who are disadvantaged by it. The permanent debate on globalization, and the challenges to security that the phenomenon may bring to disadvantaged players, contributes, in fact, very little to the debate on the nature of contemporary states and the institutions created to facilitate trade all over the world. Thus questions of legitimacy and the size of the market will prevail as decisive factors for global commerce. Third, and finally, inclination towards security and economy that underpins the analysis presented here focuses on the market as an institution linked to modern nation states. Specific procedures, rules, practices, and regimes created for global markets govern the relations among suppliers, customers, and workers.[4] However, a market cannot be entirely free or perfect; it has to be created, and then maintained.[5] These rules, which are predictable and stable, consist of complex (but coherent) patterns of interactions, and nation-states in the global economy have to a great extent shared cognitive assumptions and expectations on the course of the global economy. Even with

University Press, 2015; L. Mosley, S. Uno, *Racing to the Bottom or Climbing to the Top? Economic Globalization and Collective Labor Rights*, „Comparative Political Studies” 2007, vol. 40, no. 8, pp. 923-948.

2 T. Bartley, *Rules without Rights: Land, Labor, and Private Authority in the Global Economy*, Oxford–New York: Oxford University Press, 2018, pp. 259-265.

3 Th. D. Lairson, D. Skidmore, *International Political Economy: The Struggle for Power and Wealth in a Globalizing World*, New York–London: Routledge, 2017, pp. 282-283.

4 N. Fligstein, *The Architecture of Markets: An Economic Sociology of Twenty-First-Century Capitalist Societies*, Princeton, N.J.: Princeton University Press, 2001, p. 27.

5 S. K. Vogel, *Marketcraft: How Governments Make Markets Work*, New York, N.Y.: Oxford University Press, 2018, p. 3.

conflict and competition in global commerce, disagreements are solved under specific rules and practices, which in return provides stability for private actors.

Nevertheless in 2018, when firms, producers, exporters and workers faced uncertainty and uneven competition, the established rules for the market did not work as they seemed to in the past. Procedures and standards for the market, created by market economies, with all the ebbs and flows running through the existing understanding of global commerce, have been challenged by growing non-market economies, but also by actors who have realized that established institutions have been used for new arrangements. Therefore, when the rules and procedures that make a complex pattern of interaction are hijacked by those who take them *à la carte*, the major challenge for market economies is to rewrite the narrative on global commerce, and reorganize the system to reflect global ideas. This is especially important when G-7 economies are prone to foreign capital investment in infrastructure, which is important not only for commerce but also for security reasons. Therefore large-scale infrastructure investments, which are particularly important where strong states with questionable legal systems are concerned, undermines the role of comparative advantage, with the point of entry to the markets being slowly controlled and dominated by the largest producer in the world, with state-owned companies.[6]

To understand international security in 21st century, it is necessary first to understand what shapes international trade and the terms of production across national boundaries. For international security in 2018 a central feature of the world economy was the role of trade wars started and waged by the United States, the main goal of which is to reshape the global outlook of international trade. Even though production networks are spread across countries and regions, and most countries are highly dependent on the economic activities of different foreign producers, the classical vision of power politics still remains as a central part of global politics. However, the question is whether such unilateralism has been replaced by interdependence or we are just witnessing an existential crisis of the system. The global crisis of 2008 illustrated the interdependences between states, regions and regional organizations in a most dramatic way, but after ten years the lessons on the role of interdependence in global trade seemed to have faded. The volume of world trade after the 2008 crisis fell by more than 25%, and even strong economies such as Italy have been negatively impacted. The growth

6 R. Ullyett, *China on Port Shopping Spree in Europe and Globally*, January 24, 2019, https://www.portseurope.com/china-on-port-shopping-spree-in-europe-and-globally/ (accessed January 30, 2019).

of trade in 2019 is slow, and according to WTO sources the World Trade Outlook Indicator is the weakest since 2010.[7] This slowdown, when compared to the historical record, shows that long-distance trade, accompanied with trade tensions all over the world, interacts with economic development, and fluctuations in global trade will without doubt hit both sound and developing economies. Export orders in China, an important factor for the global economy, are at their lowest for a decade[8], which means a slowing global demand for goods and possible perturbations both for producers and consumers.

Trade and security have always been linked, and most of the research focuses on trade as a powerful contributor to peace and cooperation. With more and more free trade agreements being signed and multilateral arrangements being made, states are constrained to a significant extent in their ability to control trade. The proliferation of international agreements, of different size and regional coverage, results in the liberalization of commerce through the reduction of quotas and tariffs. But globalization has changed the very nature of global trade, and most states must now rely on imports, even small ones, from other countries. This means that growing interdependence makes trade wars less possible than before, but also that economic retaliations against wrongdoing parties are more severe than they once were. With such an argument one may claim that the exchange of different goods produces maximum efficiency for both parties, and following Ricardo's logic on comparative advantage, the more specialized production is the more stable the situation between trading partners should be. But this was 19th century logic, from a time when there were fewer actors on the scene, a significantly lower number of goods and services traded, and without the vast array of instruments for dealing with trade disputes that have appeared since WWII.

Although the comparative logic of trade remains useful for understanding global commerce, new elements should be added if we are to understand the security outlook of trade in the 21st century. First of all, gains from specialization, for example energy export, machinery, car parts or pharmaceuticals, may turn into dependence of GDP, on one sector or a number of interconnected industries. Specifically, when companies reward narrow interests and are not embedded in the economic fabric of the society, the very issue of trade may be politicized, and the political consequences of wrong decisions in global trade might be harm-

7 WTO, *WTO Trade Indicator Points to Slower Trade Growth into First Quarter of 2019*, n.d., https://www.wto.org/english/news_e/news19_e/wtoi_19feb19_e.htm (accessed March 13, 2019).

8 *Trade Dashboard Worsens as China Export Orders Take a Dive*, n.d., https://www.bloomberg.com/graphics/global-trade-indicators/ (accessed March 13, 2019).

ful. However, in the context of the complexity of global trade and the variety of multilateral arrangements, political competition at the domestic level might play a limited role, and incentives coming from industry could be mitigated by benefits of free trade and wider competition, to the advantage of consumers. Nevertheless, while relationships between trade and political competition at the domestic level seem to be central for security, international policy determinants and the long-term consequences of global trade result in asymmetric dependence more easily than they once did, especially when a trading country supplies vital commodities such as energy, food or metals.

This dependence/interdependence nexus tends to favor specific policy preferences over trade, which in turn translates into political action. From 1999 on, most policy preferences on trade revolved around collective action and the gradual improvement of non-market economies to give particular countries a chance to compete in global trade. This idea, woven into the global trade system, remained unquestionable for decades, and along with other ideas like freedom, human rights and democracy, the possibility of participating in global commerce has remained an integral part of the diplomacy of every developed and developing country.[9] But as of 2019 the very idea of free trade, given the internalization of governance on global trade[10] and the growing role of regulatory bodies[11], seems to be utopian, and international commercial policy plays a more important role than ever.

This calls for a systematic understanding of why and how global trade interacts with global security, and how the mitigating effect of free trade has changed into a vast array of preferences in different countries and regions. Economies of scale create barriers to entry, as a consequence of which small exporters or trading countries must follow the rules generously provided by large economies endowed with a range of regulatory options. This means that a limited array of same goods will be exported to the large economy, and that countries tend to limit their product variety, to avoid unnecessary costs based on classification, standardization, and other technical barriers to trade. When the ben-

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[9] G. Bannerman, *The Free Trade Idea*. In: L.L. Martin (ed.), *The Oxford Handbook of the Political Economy of International Trade*, Oxford: Oxford University Press, 2015, p. 39.

[10] Ch. L. Davis, *Why Adjudicate? Enforcing Trade Rules in the WTO*, Princeton, N.J.: Princeton University Press, 2012; B. M. Hoekman, P. C. Mavroidis, *WTO "à la carte" or WTO "menu du jour"? Assessing the Case for Plurilateral Agreements*, Fiesole: European University Institute, 2013; T. Voon, *The Security Exception in WTO Law: Entering a New Era*, "AJIL Unbound" 2019, vol. 113, pp. 45-50.

[11] T. Büthe, W. Mattli, *The New Global Rulers: The Privatization of Regulation in the World Economy*, Princeton, N.J.: Princeton University Press, 2011.

efits for consumers are clear, i.e. they are provided with standardized products, brought in under the scrutiny of the importing country, firms must focus more on differentiation and commercial activities than on the improvement of their products.

In 2018 the role of the international institutions created to facilitate global trade shrank. In general, international institutions in global commerce have been created to solve market-failure problems, i.e. to react in situations in which bilateral arrangements have failed and states decide to raise trade barriers or tariffs in order to protect their markets, or in general to achieve other political goals through trade. But tariffs work usually for big players, who are able to use these instruments to increase a state's welfare when demand for imports drops, as well as prices for particular goods. Although tariffs impose costs on trading countries, and usually result in retaliation, the interests underlying trade disputes and preferences behind remain complex; the choices in global trade taken by the most important actors reflect long-term strategies. Nevertheless, these strategies change over time, and this is the case in the strategic shift in the US-EU axis as well in EU-China relations. When both the US and China have been dubbed as strategic partners in trade for Europe, and key to each other's economic survival[12], the current outlook has changed. As of March 2019, the People's Republic of China, according to the European Commission and the High Representative for Foreign Affairs and Security Policy, can no longer be regarded as a developing country; with its power in technology and economy, as well as increasing presence in the world, it should be treated as equal player, with greater responsibilities for upholding the rules-based international order, as well as engaging in greater reciprocity, non-discrimination, and openness of its system.[13] Therefore, even though the PRC cooperates with the EU in many ways and has closely aligned objectives, it must be treated as a strategic rival promoting alternative models of governance.

Since December 2017 the EU's representatives have been pushing anti-subsidy measures against China, with a new methodology for calculating the dumping margin in anti-dumping investigations on imports from WTO member states,

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12 M. Garcia, *The EU, China and Trade in "Green" Technologies: Cooperation and Conflict*. In: D. A. Deese (ed.), *Handbook of the International Political Economy of Trade*, Cheltenham: Edward Elgar, 2014, p. 322.

13 European Commission, *Joint Communication To The European Parliament, The European Council And The Council EU-China – A Strategic Outlook*, JOIN(2019) 5 final, March 12, 2019, https://ec.europa.eu/commission/sites/beta-political/files/communication-eu-china-a-strategic-outlook.pdf (accessed March 14, 2019).

where prices and costs are distorted due to state intervention.[14] This methodology has been used only once so far, and only for one country, namely China, in order to clarify what kind of problems Chinese companies and the government of the PRC create for the free market. The PRC, as a member of the WTO, and a non-market economy according to the EU and the US, initiated a WTO dispute settlement case against the US and the EU for not affording China market economy status on 12th of December 2016, claiming that the EU has certain provisions in its regulations pertaining to the determination of normal value for "non-market economy" countries in anti-dumping proceedings, and that these proceedings to a large extent involve products from China.[15]

Nevertheless, neither the EU nor the US treat the PRC as a market economy, because it does not operate on market principles sufficient to permit the use of Chinese prices and costs for the purposes of anti-dumping analysis. According to the US Department of Commerce the Chinese government and the Chinese Communist Party are able, through legal and actual ownership, to control key economic actors and institutions in China. This is the case with large enterprises, responsible for infrastructure or telecommunications, but also for manufacturers of particular products such as pharmaceuticals. For example, as of 2019 India and China supply more than 40% of the active pharmaceutical ingredients used to make US drugs. This is a very important issue since a country's dependence on goods provides a strategic advantage for political interests, not only by threatening others with export tariffs or quotas, but with lowering the level of supply on the domestic market. Therefore the US authorities argue that the Chinese government uses different instruments to control selectively the interaction of supply and demand, and thereby distorts the incentives of market actors. When market forces, as crucial factors in the economy, are controlled by the state, from the formation of exchange rates and input prices to the movement of labor, the rules on use of land to the allocation of domestic and foreign investment and finally market entry and exit, other states cannot further develop their capacities and production when competing with such a massive economy. This is especially

[14] European Parliament, Council of the European Union, *Regulation (EU) 2017/2321 of the European Parliament and of the Council of 12 December 2017 Amending Regulation (EU) 2016/1036 on Protection Against Dumped Imports from Countries Not Members of the European Union and Regulation (EU) 2016/1037 on Protection against Subsidised Imports from Countries Not Members of the European Union*, "Official Journal of the European Union", no. L 338, December 19, 2017.

[15] WTO, *WTO Dispute Settlement – DS516 European Union – Measures Related to Price Comparison Methodologies*, December 12, 2016, https://www.wto.org/english/tratop_e/dispu_e/cases_e/ds516_e.htm (accessed February 2, 2018).

the case as the role and prevalence of state-invested or state-owned enterprises in China's economy is so significant, and their relative "economic weight" is substantial in comparison with those in other major economies.[16] This situation is complicated further by the fact that state-owned enterprises, with declining shares of industrial output (more than 40% in 1990s to 15-20% in 2017), now have an outsized share of corporate debt – 57% of total corporate debt, or 72% of GDP in 2016.[17]

China's so-called "zombie firms" that incur three years of losses, cannot meet environmental and technological standards, do not align with national industrial policies, and rely heavily on government or bank support to survive, are now more problematic than previously. When China decided to begin the reform of underperforming state industries (zombies) through their conversion to limited liability companies or mergers, these reforms were less than successful, and such firms can survive by borrowing money from state-owned banks.[18] This creates a large gap in the private-owned companies, which have to find funding abroad or get it from local banks, which increasingly turn to shadow banking loans, provided by subsidiary companies, securities companies, trusts etc. These institutions do not follow banking regulations, and with an economy as large as China's this creates more political pressure from local governments to protect the domestic market. In turn the Chinese government, unable to fix domestic problems, decided to invest and gain revenues abroad while the domestic market remained fairly underdeveloped. The context of the current phase of the reconstruction of Chinese foreign investment policy must therefore be understood in terms of domestic economic factors and variables, such as growing public debt, not only from the perspective of global strategy and the Belt and Road Initiative. This is closely connected to access to big markets, namely public procurement, as an element of still-protectionist policies in many countries, including China. With a limited capacity for restructuring state-led companies the Chinese government has no other choice but to protect the interests of the SOEs with protectionist measures, and follows a coherent economic strategy abroad defined by ac-

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16 United States Department of Commerce, *China's Status as a Non-Market Economy*, A-570-053, October 26, 2017, p. 5, https://enforcement.trade.gov/download/prc-nme-status/prc-nme-review-final-103017.pdf (accessed November 5, 2017).

17 International Monetary Fund, *People's Republic of China. Selected Issues. IMF Country Report No. 17/248*, Washington, D.C.: IMF, 2017, p. 26, https://www.imf.org/~/media/Files/Publications/CR/2017/cr17248.ashx (accessed February 2, 2018).

18 N. R. Lardy, *The State Strikes Back: The End of Economic Reform in China?*, Washington, D.C.: Peterson Institute for International Economics, 2019, p. 6, https://piie.com/bookstore/state-strikes-back-end-economic-reform-china (accessed March 7, 2019).

tions that are not harmful to these interests. This is especially so at a time when, looming on the horizon, economic disruptions from policies based on measures against climate change force Chinese companies to invest and find profit abroad more than ever; in this situation Chinese companies invest in Europe by buying shares in European companies, and through these backdoors apply for public contracts. Such possibilities for direct foreign investment raise the question of security, which is why an instrument for the screening of foreign direct investments was initiated by the EU in March 2019. This allows not only for the coordination of investment policies in member states, but also follows the logic of FDI in other G-7 countries. For example the Congress of the United States passed the Foreign Investment and National Security Act in 2007.[19] A regulation adopted by the EU allows for the imposition of restrictive measures on the grounds of security and public order in the WTO agreements (including, in particular, Article XIV(a) and Article XIV bis of the General Agreement on Trade in Services (12) (GATS)), followed by screening that aims to assess, investigate, authorize, add conditions to, prohibit or unwind foreign direct investments.[20] This calls for closer attention on the European side, both from strategic perspective[21], i.e. in terms of incentives to boost industrial policy[22] (here pressure comes from two major economies in the EU, namely France and Germany), competition policy, and also public procurement.

This new instrument for public procurement has been initiated by the EU as the largest procurement market in the world. However, this openness of the EU market is not reciprocal, and European companies fairly often face difficulties

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19 *Foreign Investment and National Security Act of 2007 (FINSA) Pub.L. 110-49, 121 Stat. 246*, July 26, 2007.

20 European Parliament, Council of the European Union, *Regulation (EU) 2019/452 of the European Parliament and of the Council of 19 March 2019 Establishing a Framework for the Screening of Foreign Direct Investments into the Union*, "Official Journal of the European Union", no. L 79 I, March 21, 2019; S. Meunier, *Integration by Stealth: How the European Union Gained Competence over Foreign Direct Investment*, "Journal of Common Market Studies" 2017, vol. 55, no. 3, pp. 593-610.

21 European Commission, *Communication from the Commission to the European Parliament, the European Council, the Council, the European Economic and Social Committee, the Committee of the Regions and the European Investment Bank Investing in a Smart, Innovative and Sustainable Industry. A Renewed EU Industrial Policy Strategy*, COM (2017) 0479 final, September 13, 2017, https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=COM:2017:479:FIN (accessed March 14, 2019).

22 European Commission, *EU Industrial Policy*, March 13, 2019, https://ec.europa.eu/commission/sites/beta-political/files/brochure_industrial_policy_euco13032019.pdf (accessed March 14, 2019).

in gaining access to public procurement bids, not only in the PRC but also in other non-EU markets. This is especially important for the sectors in which EU companies have comparative advantage, thanks to long-term investment coupled with the regulations provided by the EU. Thus such sectors as transport equipment, telecommunications, power generation, medical equipment and construction services, where EU companies may compete for public bids, are often closed, while the European market is fairly open to foreign bids. A new instrument for public procurement will replace the quite recently adopted EU regulation[23], and it will encompass guidelines and a legal framework for foreign bidders, taking into account EU and international rules on procurement such as the WTO Agreement on Government Procurement (GPA). These backstops, including those for abnormally low tenders, as well as respect for security, labor and environmental standards and state aid rules, should help European companies to compete on an equal footing with state-supported companies in states with large export capacities like China.

Moreover, the PRC has adopted a very sophisticated strategy for relations with the EU which offers the possibility to cooperate with the sub-regional framework, dubbed as the 16+1 format, in which 16 Central and Eastern European Countries are cooperating with China. This strategy undermines the consistency of EU strategic goals, as 11 EU member states – Estonia, Latvia, Lithuania, Poland, the Czech Republic, Slovakia, Hungary, Romania, Bulgaria, Croatia and Slovenia and five aspiring EU member states from the Western Balkans: Serbia, Bosnia and Herzegovina, Montenegro, Albania and North Macedonia, create a significant footprint in the European economy. This potentially promising formula contains ideas for the still-developing economies from the former Eastern Bloc, which in fact have nothing in common besides their communist heritage, to boost trade and lower trade deficits between the PRC and the countries of the region. In fact, after seven years, as the cooperation was initiated in 2011, a gap in trade is growing. For example, the trade deficit for Poland with regard to China has almost tripled, from 10.5 million USD in 2012 to 25.9 million USD in 2018. The promised access to the Chinese market or greenfield investment from China in CCE countries has not happened, and trade tensions are growing not only between China and European export-oriented economies like Germany, but also

[23] European Commission, *Amended Proposal for a Regulation of the European Parliament and of the Council on the Access of Third-country Goods and Services to the Union's Internal Market in Public Procurement and Procedures Supporting Negotiations on Access of Union Goods and Services to the Public Procurement Markets of Third Countries, COM/2016/034 final – 2012/060 (COD)*, COM (2016) 34 final, January 29, 2016.

other economies like Poland and the Czech Republic. Tensions over the telecom giant Huawei and its involvement in 5G networks in Europe, from which Huawei has been excluded for security reasons, shows that relations between China and Europe will continue to be more problematic going forward.

The amalgamation of the preferences of individual states at the European level, as well as those of interest groups, is undoubtedly complex and somehow problematic; Chinese representatives may continue to convince the CEE countries that investment will come, and the hard stance against China supported by Germany and France will not be in the interests of the developing economies. Nevertheless, a tendency on the EU side when it comes to economic security is to merge trade issues with it, and even given the multiple dimensions of EU-PRC relations and cooperation it is widely believed that China may deliberately challenge the existing multilateral global trade order.[24] This will make it harder to resolve tensions over trade, especially when its authorities demand the right for China to be treated as a market economy.

To conclude, a major challenge for global economic security in the current environment is how to generate a consensus between the major actors around the necessary institutional and policy changes. If recent trends continue, and the trade wars which began in 2018 continue in 2019 and onwards, emerging business models will be threatened. While developed countries will surely find a way to survive, some may resort to repressive measures to maintain trade and exportsat desired levels. Nevertheless, the substantial connection between economic prosperity, size of economy, and political influence leads policy makers to become very cynical about the political system. When they see the legitimate interests of a society, such as sustainable development, free trade or human rights, exercising a disproportionate influence, they conclude that the system is rigged against them. Such a narrative is clearly visible in China's intervention in the WTO and its attempt to have the PRC accepted as a market economy. Disagreements between the EU, the US, and China ultimately center on fairness, the very question of who wins and loses in the new global economy, and how to deal with the preferential treatment for those countries which enjoy financial benefits, though the outcomes of their policies vary in scale and effect. There are various ways to address the mismatch in outcomes, and recent cases brought at the WTO by the US against India, Turkey and China (DS543, DS544, DS547, DS532), as well as the decision to remove Turkey and India from the list of beneficiary develop-

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[24] M. Hearson, W. Prichard, *China's Challenge to International Tax Rules and the Implications for Global Economic Governance*, "International Affairs" 2018, vol. 94, no. 6, pp. 1287-1307.

ing countries under the Generalized System of Preferences (GSP)[25] program, are among of them.

Predictions for economic security in 2019 are quite difficult, since deep complexities such as Brexit and the global economic slowdown are on the horizon. Perhaps the easiest thing to predict, and this is currently the most important feature of the global economy, is the growing need for national economies to be restructured so as to keep pace with changes in technology, especially the ongoing automation of transport and services.[26] Most of the changes in 2019 and in the next decade will be shaped by the patterns of evolution and adjustment of national economies, both in developed and developing countries. While developed economies will benefit from growing automation and an increasing quality of services, suddenly-developing countries will be deprived of their most crucial asset, namely cheap labor. The second challenge will be imbalances in trade and debt, not only at the national level but also in terms of the growing debts of local governments. A third problem will be connected with the negative consequences of the shrinking of the dispute settlement system provided by the WTO, where most important actors have challenged the established mechanisms, such as the appellate body, and the role of non-market economies. The resilience of this institution will be tested by the end of 2019. Much more predictable, however, are the negative consequences of climate change, not only from the perspective of the environment, but also in disturbances in the global economy. When growing economies like India and China are responsible for most CO_2 emissions, the obligations taken on by developed European economies may result in a slowing down of their economic growth. Yet the fate of developed countries and their economic systems is in the hands of big companies, and the economic crisis of 2008 demonstrated the limits of control and regulation provided by state actors.

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25 Office of the United States Trade Representative, *United States Will Terminate GSP Designation of India and Turkey*, March 4, 2019, https://ustr.gov/about-us/policy-offices/press-office/press-releases/2019/march/united-states-will-terminate-gsp (accessed March 4, 2019).

26 D. M. West, *The Future of Work: Robots, AI, and Automation*, Washington, D.C.: Brookings Institution Press, 2018.

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