

SIBOS

THE END OF GLOBALISATION?

Dr. Rebecca Harding, CEO Equant Analytics

Is there a retreat from globalisation that will affect the financial industry and its supporting infrastructures?

Please join us
at Sibos Toronto
on Thursday 20
October 2017
for our panel
session on:

'The retreat from globalisation: threats and opportunities for financial market infrastructures'

Conference Room 3, 09:30-10:30am.

As the anti-trade rhetoric escalates in the US and as the UK moves closer towards Brexit, these are among the most important geopolitical questions facing the sector. Just recently the Trump Administration has imposed protectionist tariffs on the Canadian company Bombardier, arguably to protect Boeing. Wilbur Ross, the US Secretary of Commerce, in his tour of Asia ahead of a Presidential visit has been highly critical of Chinese government support to its robotics sector as being anti-competitive. And Theresa May sought to link a Brexit transition period, not just to trade but also to security and defence issues in her recent speech in Florence .

Trade and foreign policy are increasingly being conflated. In fact, there have been so many examples of this that I am increasingly convinced that trade is being weaponised. That is, it is being transformed from a benign instrument of economic growth policy to a means through which governments seek to coerce other nations into alignment. Just take the recent tweets from President Trump on North Korea as an example. Declaring that the US would not trade with any country that traded with North Korea was an attempt to link economic policy in a crude form with foreign policy objectives.

As trade practitioners, any hint that globalisation may be ending matters. But so too does a sense of perspective. Trade is worth more than \$US 19 trillion annually and this is not something that is easily dismantled. While digitisation and protectionism may impact both values and volumes of trade and trade finance in the short-term, countries will always need commodities like oil, food, clothing and iron and steel to drive their economic growth.

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So, while some degree of protectionism, even isolationism is evident, it's equally important to look at the evidence. Germany and China, for example, do not appear to have a less global outlook in their trade policy at all. For both of these countries, economic and foreign policy are almost indistinguishable. Germany's economy since the second world war has been focused on exports while China, now taking advantage of the fact that the US does appear to be stepping back from the multilateral arena, is increasingly a champion of the WTO. Its “One Belt, One Road” policy is both an economic and a political strategy to widen its influence through trade. Given that Germany and China's combined trade dwarf the trade of the US and the UK, it is more likely that there will be more opportunities from globalisation rather than fewer.

This panel is focused around the implications of this historical juncture on the financial market and its infrastructures that underpin global trade. The approach will be a pragmatic rather than a political one. There are clear implications for regulation and compliance if we see a fragmentation of the multilateral trade frameworks that have evolved over the past 30 years. The sector needs to work with these trends and see them exactly as they are: as risks that will need to be built in and managed. Any fragmentation is likely to do damage to cross-border regulatory equivalence and how this develops regionally and globally will determine whether or not there are opportunities in the global markets as they develop or whether there are more disputes. Clear dispute resolution structures, common standards and logical frameworks will be vital and digitisation may well be a means of aiding this process.

It is impossible to be neutral about the challenges that trade faces at the moment. But it is possible to state that the fear of

what is to come may be greater than the actuality of what is to come. To many, globalisation is a fact of economic life. Financial services and cross-border capital flows are a reality and while any retreat may make things more difficult, there is an equally compelling argument that “business as usual” will prevail. Systems that have been in place for decades are evolving and are too entrenched to be thrown into reverse by politicians with their electoral interests at heart.

The Weaponisation of Trade: the Great Unbalancing of Politics and Economics

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