



## INFORMATION STATEMENT

### The Shafik Gabr Foundation Speaker Series: Mr. Stephen Olson: “A View from Asia”

31st October 2024

#### Introduction & Speaker Profile

On the 31st of October 2024, The Shafik Gabr Foundation hosted the first-of-its-kind virtual speaker series with guest speaker Mr. Stephen Olson. Mr. Olson is a recognized expert in international trade and economic policy, with a 30-year career across Asia, the Middle East, and the United States. Currently a Visiting Fellow at the Institute of Southeast Asian Studies and a non-resident fellow at the Clayton Yeutter Institute, Mr. Olson has held senior roles in government, research, and academia, focusing on global trade and sustainable trade. He previously served as Vice Chairman for Policy and Business

Development at ARTOC Group for Investment and Development in Cairo and as President of the Pacific Basin Economic Council. A frequent media commentator, he appears on platforms like the BBC, Bloomberg, and CNBC, with his insights published in The New York Times and The Wall Street Journal.

Mr. Olson emphasizes the complexity of the modern world and the responsibility of the younger generation, while acknowledging Mr. Gabr's vision and generosity in establishing the foundation to foster global understanding and collaboration.

Mr. Olson encourages Fellows to get or remain in contact via the below:

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### Historical Context

The post-WWII rules-based global trade system, often associated with the Bretton Woods Conference of 1944, laid the foundation for institutions like the International Monetary Fund (IMF) and the World Trade Organization (WTO). These institutions were designed to encourage economic stability, reduce tariffs, and promote international cooperation, establishing a framework for what came to be known as the liberal economic order. The U.S., playing a central role in this system, encouraged open markets as a pathway to global stability and development, notably under the principles of the General Agreement on Tariffs and Trade (GATT), which preceded the WTO.

### Key Points of Discussion

#### *Evolving U.S. Trade Policy Under Recent Administrations*

Under Trump, U.S. trade policy took a protectionist turn, with tariffs on Chinese goods and renegotiations of trade deals (e.g., USMCA replacing NAFTA). Trump's "America First" strategy disrupted decades of free-trade policies, prioritizing bilateral over multilateral agreements. His administration viewed trade deficits as signs of economic weakness, often framing trade as a zero-sum game where the U.S. must "win" at the expense of others. Biden's administration, while more multilateral in tone, has continued some Trump-era tariffs and adopted policies aligned with the CHIPS Act, which aims to protect strategic industries and address supply chain vulnerabilities.

#### *The Phase One Trade Deal with China*

In 2020, Trump's administration signed a Phase One trade agreement with China, aimed at reducing the trade deficit and protecting intellectual property. China agreed to purchase an additional \$200 billion of U.S. goods over two years, though many targets were not met. This agreement marked a shift toward managed trade and exemplified Trump's use of tariffs as a negotiation tool, which Mr. Olson suggested reflects Trump's broader view of global trade as a competitive, rather than cooperative, endeavor.

#### *Mercantilist Policies and Government Intervention*

Mr. Olson argued that outcomes dictated by government policy rather than market forces can lead to inefficiencies. This perspective aligns with criticisms of "mercantilism"—an approach where nations maximize exports and minimize imports to amass wealth. Economists have argued that such policies can hinder innovation, distort markets, and lead to retaliatory trade measures, as seen in the U.S.-China trade war. The EU, facing potential repercussions of U.S. protectionism, is reportedly exploring early agreements with the second Trump administration, highlighting global uncertainty around future trade policy.

### *Potential Influence of Robert Lighthizer*

Robert Lighthizer, who served as U.S. Trade Representative under Trump, authored *No Trade Is Free Trade* and holds views against the WTO, often arguing that multilateral trade agreements disadvantage the U.S. He has previously blocked WTO judge appointments, citing concerns of judicial overreach. He will potentially be appointed by Trump as Treasury Secretary, Lighthizer's influence could intensify efforts to dismantle multilateral trade structures, impacting the WTO and, by extension, global trade dynamics. Mr. Olson suggested the following text to the Fellows to better understand Lighthizer's approach: "No Trade Is Free: Changing Course, Taking on China, and Helping America's Workers."

### *China's "Two Bowls of Poison" Perspective*

Chinese authorities often frame U.S. containment policies as an effort to curb China's rise, invoking historical lessons from Japan's economic ascent in the 1980s, which the U.S. responded to with similar restrictive measures. However, Mr. Olson noted a potentially complacent attitude in East Asia, as many leaders believe they can withstand another Trump administration. Olson suggested that the lack of advisors who act as "guardrails" could lead to more aggressive policies, impacting trade and regional stability.

### *Growing Discontent in Southeast Asia and Other Regions*

Southeast Asian leaders have voiced concerns over Western powers imposing values related to labor and environmental standards, viewing them as extensions of imperialistic policies. This sentiment, shared by many countries in the Middle East and Latin America, points to a broader pushback against what they see as "value-based" trade—policies that condition economic agreements on domestic standards. For instance, requirements for labor rights in the USMCA have sparked similar concerns in Mexico. Exporting universal values is a testy subject. The American-led cultural imperialism vs protectionism dyad drafts a chasm in trade relations. Specifically, Mr. Olson supports this claim and provides an example that China is building airports, while America is giving lectures to allies or adversaries.

### *Global Trade System's Future Under Harris*

A Harris administration would have potentially adopted a less confrontational trade stance than Trump, though potentially one of "benign neglect," where a lack of direct intervention could destabilize the global trade system. The WTO, for instance, continues to operate without an appellate body due to U.S. blockades, impacting its ability to resolve trade disputes. If the U.S. withdraws further, China could step into the role, influencing trade standards and practices. Trade and geopolitical stability are dependent on models that respect rules, while unwinding regulations that limit growth and development. Mr. Olson characterized a hypothetical Harris approach to global trade as "benign neglect," while Trump is described as a 'sledgehammer' addicted to the art of the deal. Each ought to engage more deeply in alliances and limit general instability.

### Questions Posed to Mr. Olson by Participants

**Clara Sherwood:** How does presidential rhetoric impact trade dynamics and business confidence?

Presidential rhetoric plays a significant role in shaping both global perceptions and business confidence. The global stage is listening intently to both parties—while Trump has a track record, so there is an awareness of which direction he will go, with Kamala Harris, she was regarded largely as a blank slate, so anything she says is perhaps being over parsed.

**Alphaeus Hanson:** To what extent do you feel the candidates pursue protectionism at the cost of geopolitical alliances?

Trump's trade policies have prioritized protectionism, sometimes straining alliances, as seen in trade disputes with the EU over tariffs on steel and aluminum. His approach often views trade as a bilateral transaction rather than a cooperative framework. While Biden has maintained most Trump-era tariffs, his administration has worked to repair alliances by promoting cooperative frameworks, such as rejoining the Paris Agreement. There is some level of contradiction in his approach. Harris may maintain some level of protectionism but likely prioritize partnerships, especially with EU and Asia-Pacific allies, in addressing global challenges.

**Madelyn Loupos:** How might U.S. trade policies impact market adoption of AI, quantum computing, and digital currencies?

Trade policies are crucial in the development and adoption of emerging technologies. The U.S. CHIPS Act, for instance, incentivizes domestic semiconductor production to reduce reliance on China, strengthening U.S. leadership. The jurisdictions that will see the most growth in this sector are those with limited restrictions on data flows, reduced censorship, and so on. One concern voiced in Southeast Asia is the emergence of a subsidies arms race, where they simply cannot keep pace with the subsidies being put in place by some of the big U.S. players.

**George Williams:** Is claiming "trading on injury" a way to avoid competition?

U.S. firms may claim "trade injury" to seek protections against foreign competition through anti-dumping duties or countervailing measures, which are allowed under WTO rules. However, critics argue that these protections can sometimes be misused, shielding domestic companies from fair competition and allowing inefficiencies to persist. The U.S. has frequently utilized such measures, particularly in industries like steel and aluminum, as a strategy to support domestic production. While these policies can protect jobs, they may also result in higher prices for U.S. consumers and limit product variety by restricting imports. These policies have long been in place; however, historically, the U.S. has been slower to use these remedies than it may be going forward.

**Bhargav Patel:** What impact will a Trump administration have on U.S. consumers and downstream effects to investors?

Trump's proposal regarding tariffs on imports, particularly from China, assumed that exporters would absorb the increased costs; however, there is no knowing the true impact of tariffs on consumers and ultimately investors, as it depends on the extent to which these additional tariff costs are passed through and how price elastic the goods are. The best-case scenario is a boom in domestic production in sectors such as solar and EV.

**Crystal Staebell:** Would Harris face similar trade pressures in balancing green policies?

Harris would likely face trade pressures as she seeks to balance green policies with economic growth. Harris is sincere about advancing the green agenda; however, she would feel significant pressure on the trade side. Domestic companies feel that Chinese competition is predatory and will have to balance this with the imperative to advance progress in the green transition. It is very hard to split the baby, as they say.

**Elizabeth Foster:** What role will the U.S. play at the WTO?

The U.S. has blocked the appointment of WTO appellate judges, essentially paralyzing the organization's dispute resolution mechanism. This move reflects U.S. frustration with the WTO's perceived overreach and favoritism toward developing nations, notably China. A Harris administration would likely have sought to restore the WTO's functions by paying lip service to its role in global stability, but may not make any

forward progress in reality. Conversely, another Trump administration will likely continue to sideline the WTO, emphasizing bilateral deals that bypass its authority and reshape global trade rules outside the WTO framework.

**Pascal Rathle (2022 Fellow):** How will stricter climate policies impact trade?

Stricter climate policies, such as the EU's proposed Carbon Border Adjustment Mechanism (CBAM), could create significant trade implications. CBAM would impose carbon tariffs on imported goods from countries with lower environmental standards, encouraging cleaner production methods but raising costs for exporters in developing countries. Such policies may lead to a bifurcated global economy, where developed countries trade cleaner, more expensive goods while other nations produce lower-cost, higher-emission products. If the U.S. had potentially adopted similar policies under Harris, it could have reshaped trade flows, benefiting green sectors while potentially marginalizing non-compliant economies.

**Pascal Rathle (2022 Fellow):** What role will digital currencies and blockchain play in trade finance?

Within the context of global trade, the U.S. dollar is still king, particularly as China continues to follow centralized currency control. For the foreseeable future, there doesn't seem to be any threat from the Chinese Yuan or digital currency to USD supremacy within trade.

**Jeremy Pesner (2022 Fellow):** What is the appropriate ratio of U.S. domestic goods versus imports?

There is no ideal ratio of domestic production to imports, as it depends on balancing economic efficiency with workforce protection. However, there has been a period of reflection and recognition of mistakes made in the past when free trade and globalization were treated as religion. The "China Shock" refers to the significant economic disruption experienced by American workers, particularly in manufacturing sectors, due to increased Chinese imports. Displaced workers faced prolonged joblessness, wage declines, and often transitioned into other vulnerable sectors. The U.S. must find a balance.

## Conclusion

The inaugural session of The Shafik Gabr Foundation Speaker Series with Mr. Stephen Olson provided invaluable insights into the evolving landscape of global trade and economic policy. Mr. Olson's expert commentary highlighted the shifting dynamics in U.S. trade policy, the impacts of recent administrative approaches, and the complexities posed by protectionism, particularly in the context of U.S.-China relations and Southeast Asia's response. Through his detailed analysis, Mr. Olson underscored the importance of multilateral cooperation and the potential consequences of policy shifts under the Trump administration versus a hypothetical Harris administration.

As participants engaged with Mr. Olson, questions around climate policy, digital currencies, and economic stability underscored the wide-reaching implications of these issues. Ultimately, this session set a powerful precedent for future discussions fostering greater understanding through dialogue.

## Action Points for Fellows

Mr. Shafik Gabr, Founder of The Shafik Gabr Foundation, encourages all Fellows and candidates to *stay connected with Mr. Stephen Olson* to continue the insightful discussions and gain further expertise on global trade and economic policy. You can reach out to him via the aforementioned email, Twitter, or LinkedIn to stay engaged and deepen your understanding of these critical topics.

As we plan future sessions of The Shafik Gabr Foundation Speaker Series, we encourage all Fellows to discuss and together contribute by *proposing relevant topics and potential speakers*. Your input is

essential in shaping discussions that address critical global issues. By coming together, we can ensure that the series continues to provide valuable insights and fosters meaningful dialogue among leaders in the field. Please share your suggestions and help us build a strong program for continued learning and collaboration.