

CONFERENCE REPORT

Trade Wars and the Risks to Global Growth



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This is a report on a public session titled “Trade Wars and the Risks to Global Growth”, held as part of the TRT World Forum 2019. The views, themes and discussion points expressed in this conference report are those of participants and speakers present at the TRT World Forum 2019, and do not reflect the official view of TRT World Research Centre.

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Speakers



Binali Yıldırım

**Former Speaker of the Grand National Assembly of Turkey;
Former Prime Minister of the Republic of Turkey**

Binali Yıldırım is the former Prime Minister of Turkey (2016-2018) and a founding member of Turkey's AK Party. He was elected as Speaker of the Grand National Assembly of Turkey on June 12th 2018, a position he served in until March 2019 when he was nominated as the AK Party's candidate for Istanbul Mayor. Binali Yıldırım served more than 11 years as a Cabinet Minister and is the longest-serving Minister of Transport, Maritime Affairs, and Communications in Turkey's history. He is currently a Member of Parliament for the ruling AK Party.

Summary

The panel 'Trade Wars and the Risks to Global Growth' discussed how trade wars, protectionist economic policies, sanctions and tariffs are harmful to global economic growth, peace and prosperity.

Former Prime Minister of Turkey Binali Yıldırım, stressed the fast-changing dynamics in the world economy and politics. He emphasised the rise of China and other emerging economies in light of globalisation and the digital revolution of the 2000s. He further discussed how trade wars are destructive and harmful to global economic growth by not only impacting the parties to the conflict, but also the rest of the world as a result of the high degree of interconnectedness that characterises today's global economy.

Yıldırım also emphasised how terror and violence are economically destructive given that billions of dollars are spent on counter-terrorism efforts that could be spent on more productive sectors. Yıldırım highlighted that \$14.3 trillion was being spent annually on counter-terrorism around the world, accounting for 13.5 per cent of global GDP. Yıldırım added that if this money could have been allocated for the assistance to the people in need in the developing world, there would be no

drought, no hunger, no unemployment, and no homelessness.

Turkey is one of the countries that has suffered the most from terrorism for in the past 35 years. According to the former prime minister, the cost of terrorism to Turkey's economy has been \$1.5 trillion. Emphasising on the amount of money spent on counter-terrorism efforts, he pointed out that if there was no terror threat, Turkey could have used that money for the wellbeing of its people.

The structure of the United Nations Security Council was also discussed. He argued that the current system, which privileges the five permanent members of the Council, namely the United States, Russia, United Kingdom, France and China is a source of crises rather than solutions.

Yıldırım discussed the refugee and migrant crisis arguing that it is a global problem and therefore requires international cooperation. Yıldırım said that Turkey has taken on an outsized burden as the largest refugee hosting country. He criticised other countries, namely Europe and other wealthy countries for not pulling their weight in tackling the refugee problem.



Report

The Changing Economic Balance of Power

Binali Yıldırım pointed out that, with the end of Cold War the world entered into a new era both politically and economically, one that had both figuratively and literally knocked down the walls of the Iron Curtain and brought about a new system where globalisation spread beyond the Western Hemisphere. This new system focused on strengthening global trade, removing barriers for trade and aiming to integrate all countries into the emerging globalised system.

According to Yıldırım as the world started to make more use of digital technologies the change in paradigms offered opportunities as well as unforeseeable risks due the changing dynamic in the international system. Thus the new era offered new economic and commercial opportunities for many states including Russia and China whom started to be counted among the power houses of global trade in the 21st century.

China, Emerging Powers and ‘Trade Wars’

In the last two decades, China increased its gross domestic product (GDP) twelve-fold from \$1.2 trillion to \$14 trillion. Moreover, GDP per capita, which was lower than a \$1000 grew to over \$10,000 in the same time period. China has not only become the world’s factory, but also succeeded in its efforts to develop indigenous technologies in many fields, establishing well-known brands such as Huawei.

Apart from China’s rapid economic growth, its ambitious Belt and Road Initiative (BRI) was one of the developments Yildirim touched upon. For Yildirim, the BRI represents an important dimension of China’s steps to reinforce its economic power around the globe. To him, elements of the initiative such as the revival of the historic Silk Road, which is proposed to extend from China to the United Kingdom passing through much of Asia and Europe, will strengthen international trade. Yildirim stressed the potential opportunities for Turkey to further develop its relations and increase connectivity with Asian nations in the context of the BRI.

According to Binali Yildirim, its competitive economy made China a new player in the global arena. He pointed to the forecasts that show China’s impact on the global economy will continue to rise. He also dis-

cussed how China is effectively operating in Africa and Central Asia, deepening its political and economic relations with these regions. In is in this context that some developed states began to see China as a competitor and a threat to their advantageous place in the world economy.

Beyond China, Yildirim also discussed how emerging powers have engendered a competitive environment with developed states. It is not only China that has increased its position in the global economy in the past decades. Today, along together with the already developed states such as the United States, Germany, Japan, United Kingdom and France emerging countries such as Turkey, Russia, India, South Korea, Brazil and Mexico aspire to be new players in this global competition.

Protectionist policies, including so-called ‘trade wars’ hinder global trade and growth. Yildirim stressed that quotas, sanctions, exchange rate manipulations, customs duties and tariffs not only effect the economies of the competitor states but impact the global economy as a whole. According to the World Trade Organisation (WTO), ongoing trade wars could decrease global trade by as much as 17%.

Terrorism and Its Impact on the Global Economy

Binali Yildirim pointed out that one of the greatest risks to global trade is terrorism and violence. Yildirim stated that war, violence and terrorism are creating enormous damage to the global economy. He highlighted how \$14.3 billion is being spent yearly on terror, global violence and refugees. If these resources would have been spent on people’s well-being, the world could have been a much better place.

On this issue, Yildirim gave Turkey as an example. Yildirim said that terrorism costs Turkey \$42 billion annually. In the past 30 years, the total cost to Turkey is estimated to be over \$1.5 trillion. Yildirim further stated that terrorism inhibited international investment in Turkey. He said that, if Turkey hadn’t had a terrorism problem, its per capita income would be at least twice the current number.

The UN System

The United Nations was formed after the World War II in 1945. The five victors of the war, namely the United States, Soviet Union (Russia), the United Kingdom, France and China became the five permanent members of the organisation's most important body, the United Nations Security Council (UNSC). Today the UNSC's structure continues to be the same although the international system has experienced fundamental changes in the past 75 years. Reflecting on this obliqueness, Yıldırım said that the organisation today does not reflect the current reality.

He stated that the privileged status of the permanent members has become one of the sources of injustice and unfairness in the world. Veto power given to the permanent members of the Security Council is often used in realpolitik calculations rather than for the common good of humanity.

For example, the Security Council failed to take concrete steps to end the atrocities of the Assad

regime in Syria which has led to deaths of over half a million people and displacement of nearly 6 million to neighbouring countries. Yıldırım also emphasised the ongoing issue of Palestine. According to Yıldırım the inability to solve the Palestinian issue is a result of the biased structure of the Security Council. The reason that there is still not a Palestinian state is due to the veto of some of the Security Council members' on the issue. Despite the fact that majority of states in the UN General Assembly support a sovereign Palestinian state, some of the permanent members of the Security Council consistently obstruct relevant resolutions.

For Yıldırım, it is for this reason that Recep Tayyip Erdoğan has repeatedly said that 'the world is bigger than the five'. President aims to reveal to the world how that system is not fair. 196 states' fate is decided by five members. Hence it is therefore now time to question this order and change the structure.

Refugees and Migrants

Lastly, Binali Yıldırım has touched upon the issue of refugees and the ongoing migrant crisis. Yıldırım expressed that refugees and migrants have become one of the greatest challenges of the world today. Yıldırım highlighted the fact that Turkey is the largest refugee hosting country and further stated that Turkey's expectation from the international community is not just to hear them say "well done", but that they should also shoulder this responsibility with Turkey.

Yıldırım's remarks concluded that we need to oppose injustice all together and we need to tackle all global problems with humanitarian values based on our conscience. Therefore, we need to make sure that all the countries should contribute and allocate resources to make the world a better place to live for all.

Veto power given to the permanent members of the Security Council is often used in realpolitik calculations rather than for the common good of humanity.

Key Takeaways

- After the end of Cold War, the world entered into a new era in which globalisation spread beyond the Western Hemisphere.
- Protectionist economic policies, trade wars, tariffs and sanctions are threat to global peace, prosperity and economic development.
- Terror and violence create enormous damage to global economy. \$14.3 billion is spent annually on counter-terrorism worldwide instead of being spent on people's well-being.
- The current United Nations system is outdated and the Security Council is often a source of injustice and unfairness in today's world.
- Refugees and migrants represent one of the greatest challenges for humanity today and requires collective response.

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