

*Keynote*



# Changing geopolitics, the rule of law and the future of global trade

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# Changing Geopolitics, the Rule of Law and the Future of Global Trade



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# Introduction

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- The position from which I am speaking
- Part One: Shift in Global Power Relations
- Part Two: Challenges to the Rule of Law
- Part Three: Implications for Global Trade
- Conclusion

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Part One:

# **THE SHIFT IN GLOBAL POWER RELATIONS**

# Rearranging Power: Historical Precedents

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- Structures become „fluid“ during transitions
- Examples from Europe:
  - From the Wars of Religion to the Peace of Westphalia
  - During and following the Napoleonic Wars
  - Following the two World Wars
- The difference: The current shift resulted from the implosion of the Communist bloc, NOT military defeat

# The U.S. since the 1990s

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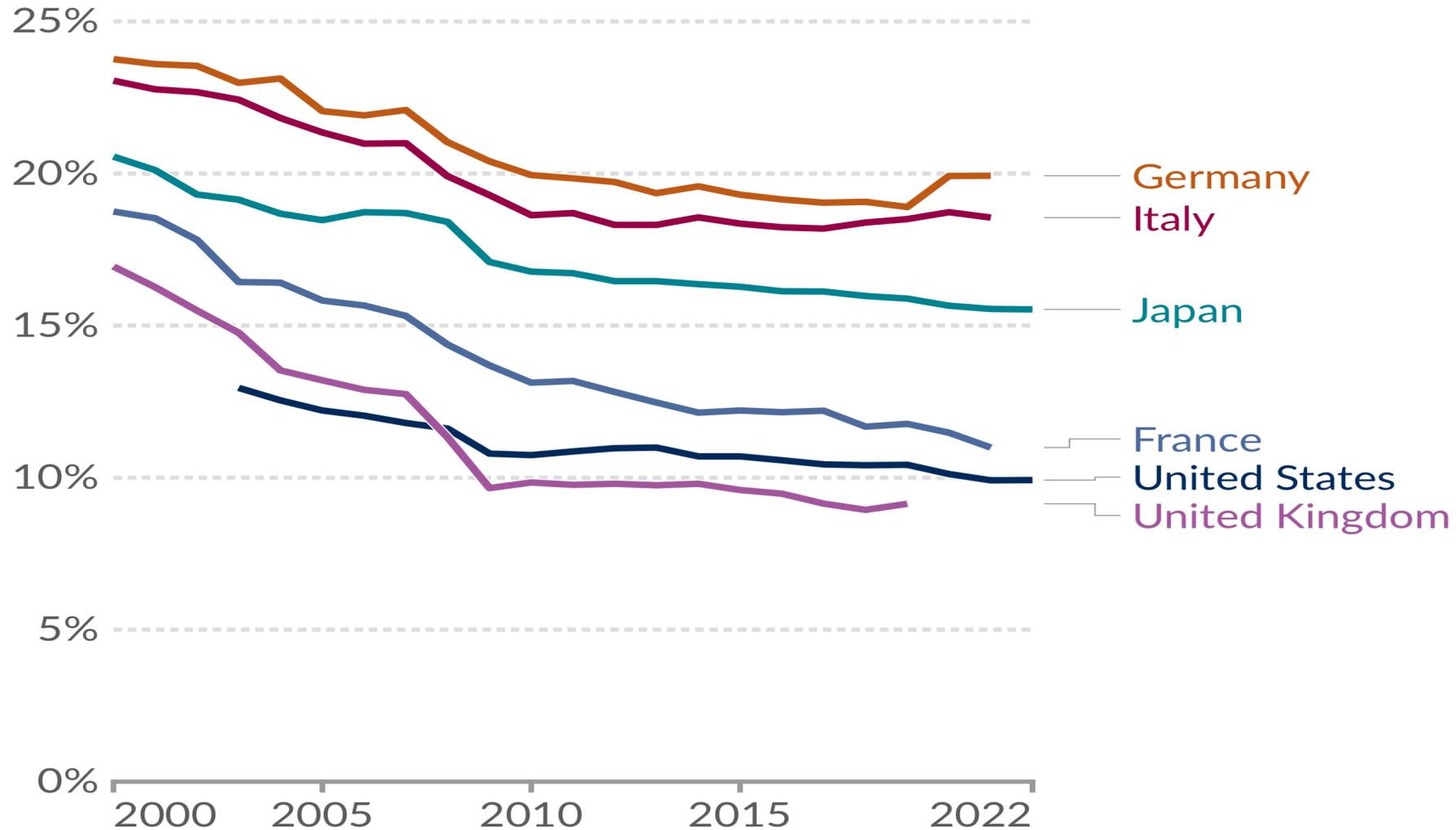
- From „sole superpower“ to relative decline via military overreach
- A (renewed) multipolarity
- A Historical Irony: Trump’s unilateralism seeks to REESTABLISH American predominance, but ACCELERATES relative decline in US position

# How MAGA policy achieves the opposite

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- The Military Dimension – Forced revision of NATO budgeting followed by increased demands - less trust
- The Political Dimension – J. D. Vance at the Munich Security Conference: Questioning „shared values“
- The Economic Dimension – Shift to service economy parallels reduced US share of World GDP
- Will Trump's tariffs bring manufacturing back?

# Manufacturing jobs as a share of total employment



Data source: Data from multiple sources compiled by the UN  
[OurWorldinData.org/trade-and-globalization](https://OurWorldinData.org/trade-and-globalization) | CC BY

# Trump's Tariffs

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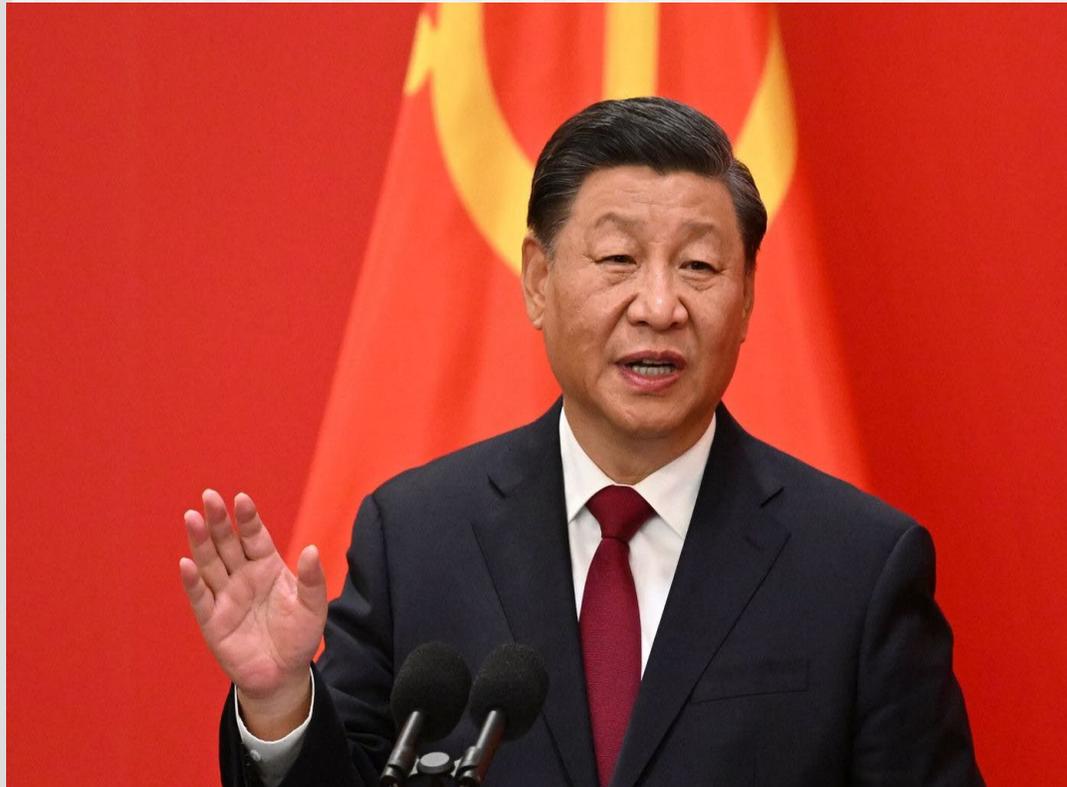
- An unprecedented attack on the world trade regime
- Political basis: authority shift from Congress
- Intellectual basis: highly questionable
- An effort to rewrite terms of world trade to favor US via transactional power plays
- Will NOT bring manufacturing back soon.
- Uncertainty is part of the game!

# Other Players: The EU/Eurozone – Economic Strength/Political Weakness



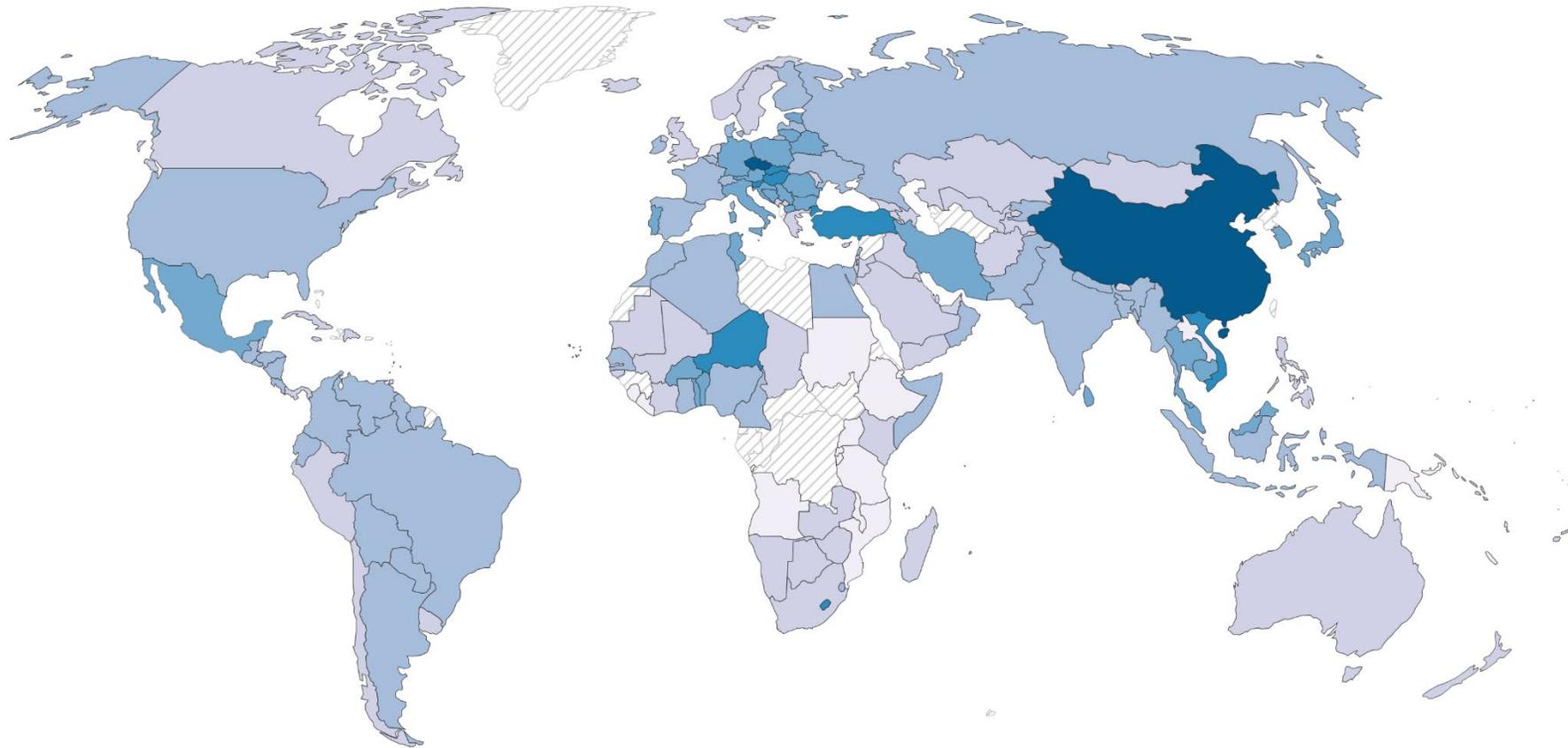
# Other Players: China

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- Continued (if reduced) GDP Growth
- Combined with Political Discipline
- Stronger manufacturing fuels military buildup
- Trump torpedoed TPP

# Manufacturing jobs as a share of total employment, 2023

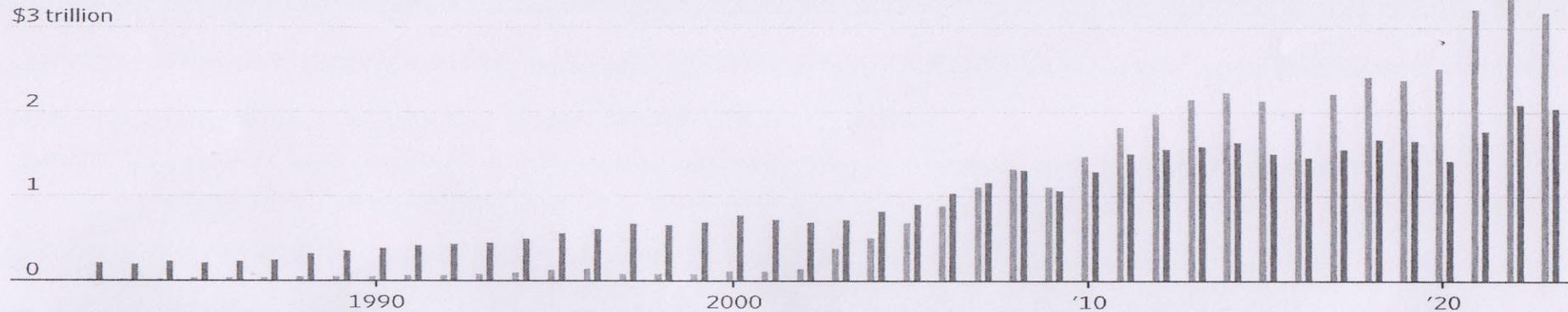


Data source: United Nations Industrial Development Organization and International Labour Organization  
[OurWorldinData.org/trade-and-globalization](https://OurWorldinData.org/trade-and-globalization) | CC BY

# The „China Shock“: Since 2010 China's exports lead U.S. by increasing amounts

Total goods exports to rest of world

■ China ■ U.S.



Source: World Bank

# Structure of Industrial Production Worldwide 2000-2030 (projected)

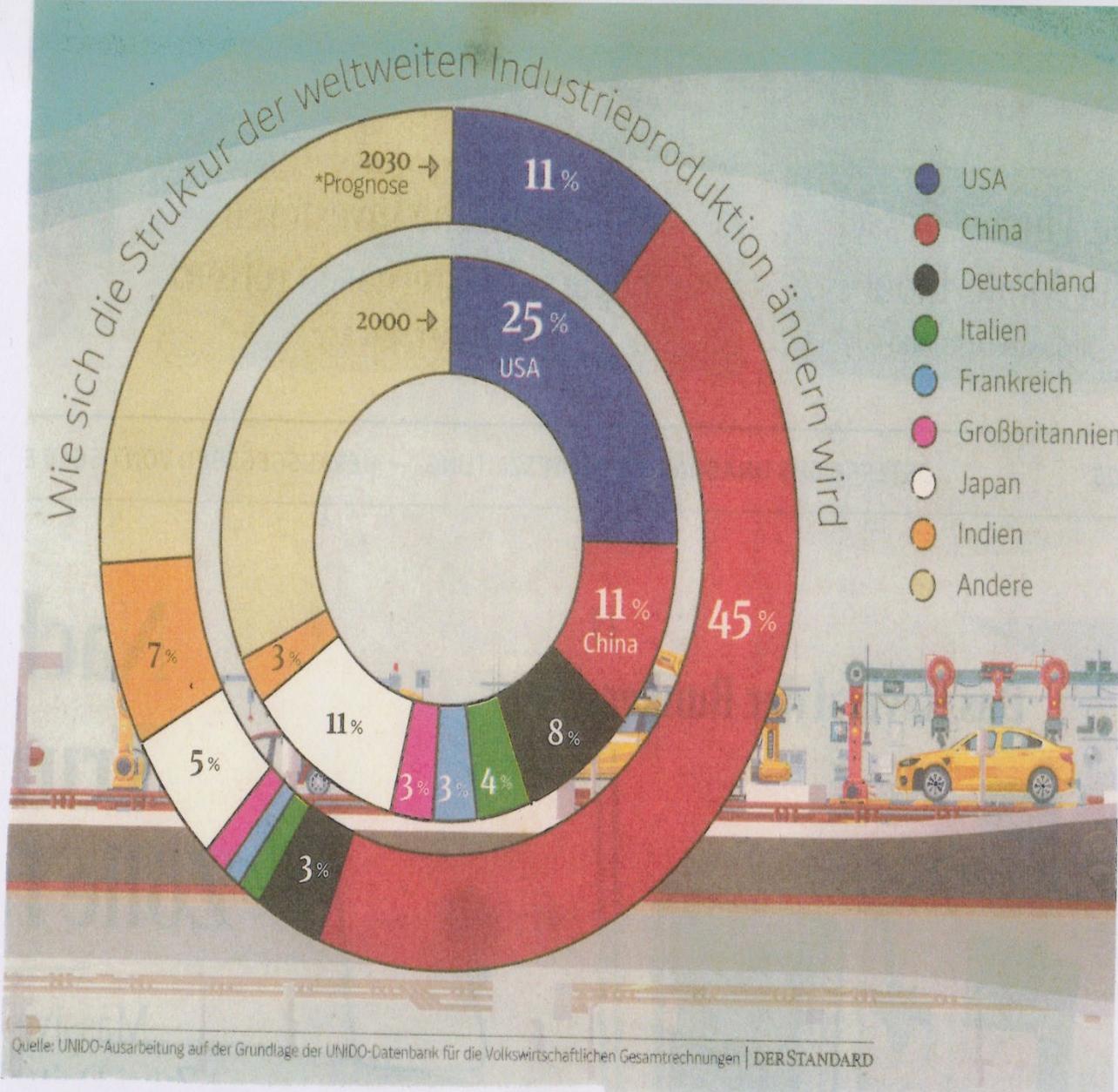
## USA/China

2000: 25/11%

2030: 11/45%

Source: UNIDO

(US share 2025: 9.7%)



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Part Two:

**THREATS TO THE RULE OF LAW –  
LOCAL AND INTERNATIONAL**

# The Attack on the State and the Rule of Law in the U.S.



# The Attack on the Rule of Law and the state in the United States

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- A regime change – „unitary executive“ sanctions DOGE destruction and cuts without Congress approval.
- „Democracy“? Trump and enablers manipulate narrow election victories to dismantle the rule of law.
- „Flooding the zone“ to confuse and distract media + opposition
- Is the „leader of the free world“ becoming an autocracy?

# The Courts + Popular Protests

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- Numerous negative rulings in lower courts
- Executive response: Evade, defy, appeal?
- Supreme Court yet to rule on „unified executive“ theory
- Trump vs. United States – presidential immunity
- Popular protest – still peaceful, but threat of martial law is real. „Insurrection Act“ of 1798
- Unilateralism in trade policy AND domestic politics

# Putin's Attack on International Law in Ukraine: The End of „Soft Power“?

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Stalin at Yalta,  
February 1945 :

„How many divisions  
does the Pope have?“

# The current situation

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- Russia's invasion could mark a fundamental limit to the reach of international law
- And a limit to the reach of „soft power“
- Putin's nuclear threat keeps NATO troops out
- Cease fire? Maybe
- The EU + Britain „coalition of the willing“ – success not assured, time frame (too) long

# Three routes to enforcing international law

- Via the UN – no chance due to Russia's veto
- Via The Hague – partial success at best so far
- Special Tribunal soon to be formalized by Council of Europe
- Can Putin be tried in absentia?



# The end of „soft power“?

- Most relevant for trade - REAL economic sanctions –
- NOT happening
- After the end of USAID – does „soft power“ have a future?
- Joseph Nye 1937-2025



## Alexander Schallenberg, Austrian Foreign Minister, February 2022:

- „The vacation that we (Europeans) have taken from history for the past thirty years is over.“



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Part Three:

**IMPLICATIONS FOR THE FUTURE  
OF GLOBAL TRADE**

# A Historian's Questions

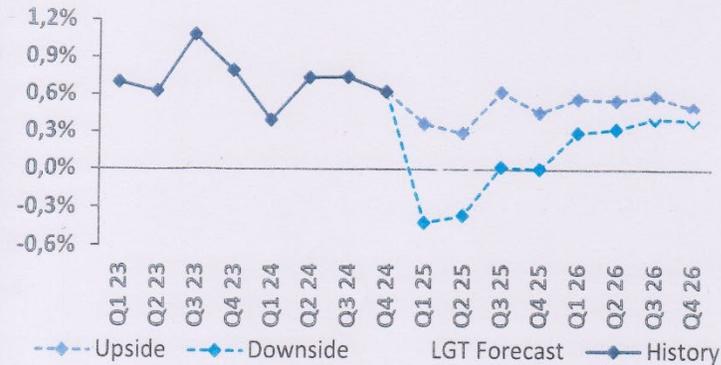
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- Historians as „prophets of the past“ (Schlegel)
- What will happen to the „rules-based world order“?
- Was this only code for US predominance?
- What does/can the WTO actually DO?
- IMF prognosis: „a major negative shock“

# Prognoses - U.S.

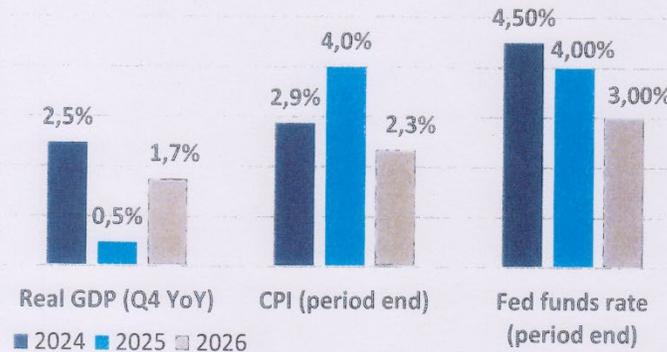
Real GDP  
CPI  
Fed Funds Rate

US real GDP growth forecast (QoQ)



Source: LGT, Bloomberg; as of 07.04.2025

LGT forecasts: US economy



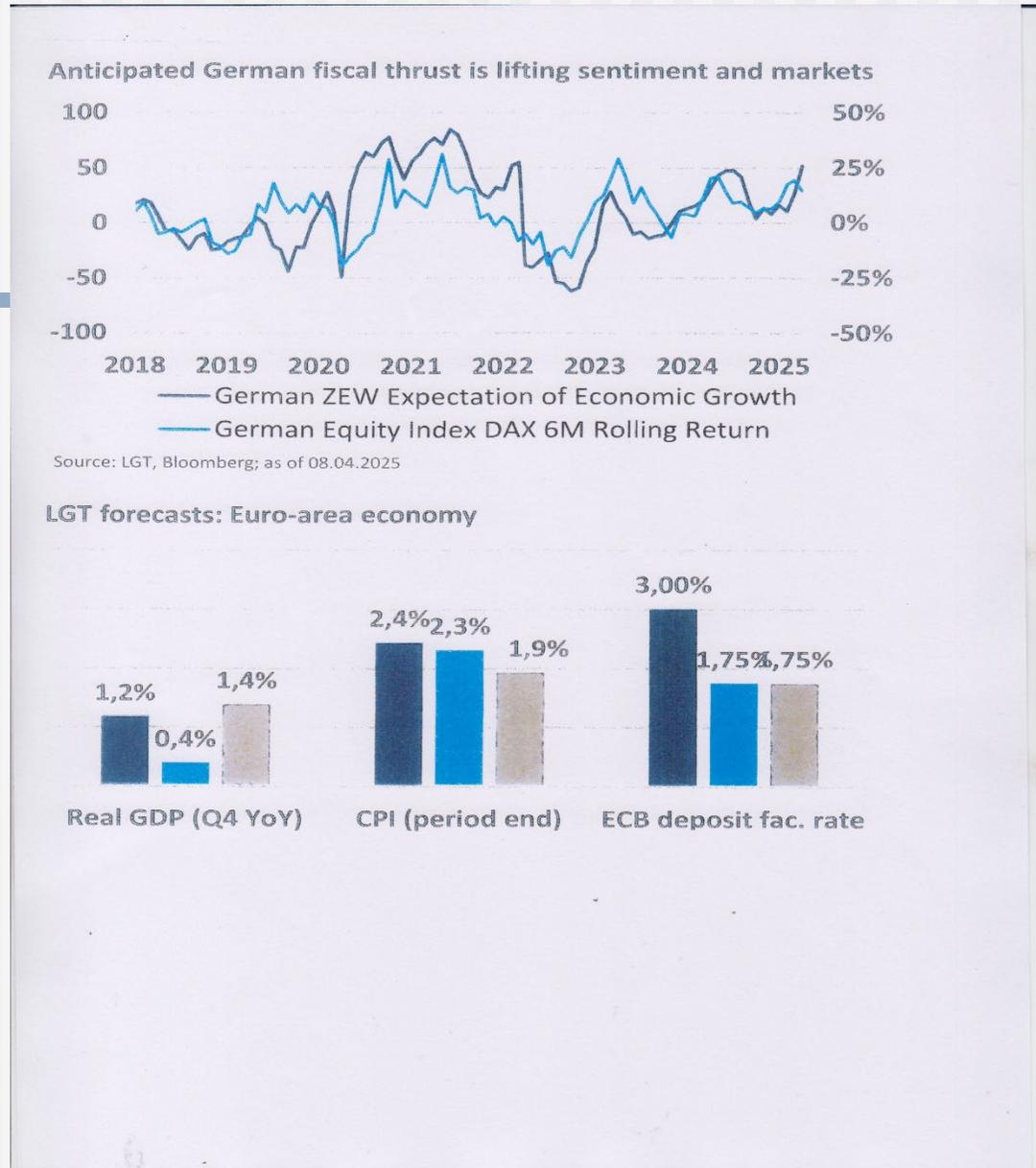
Source: LGT, Bloomberg; as of 07.04.2025

# Prognoses - Europe

GDP

CPI

ECB deposits



# A second China shock?

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- Similar problems among all players
- But China's GDP growth still surpasses all others
- Leadership in multiple sectors – including basic science – already achieved
- Adam Tooze: „The first China shock was when China was incorporated into our supply chains. The second China shock is when we beg to be incorporated into theirs.“

# Three scenarios (Prognos Institute)

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- US-China conflict remains but does not escalate: Eurozone improves trade w/more reliable partners
- EU moves to protectionism – at great cost to Germany
- „Worst case“: US-China conflict escalates, trade with China collapses, other trade relations, research cooperation, and supply chains break down.

# Two questions

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- Does the shift in global trade patterns map onto the shift in global power relations? NO
- Can the Eurozone benefit? YES, in certain sectors, and by stronger relations with „reliable“ partner nations
- IF internal hurdles can be reduced AND decision-making made more efficient

# In summary

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- Johannes Leitner: „Relying on the US for defense, on China for exports and on Russia for energy is no longer possible.“
- Most likely outcomes: Varied interests pursued in parallel
- „The weakest states will suffer most.“

# Conclusion

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- In transitions „fluidity“ is the norm – no fun for planners
- The risks of „risk management“
- Flexibility and improvisation skills needed
- Volatility and uncertainty unleashed by Trump tariffs likely to continue – Donald Trump is consistently unpredictable!

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**THANK YOU FOR YOUR  
ATTENTION AND YOUR  
PATIENCE!!**