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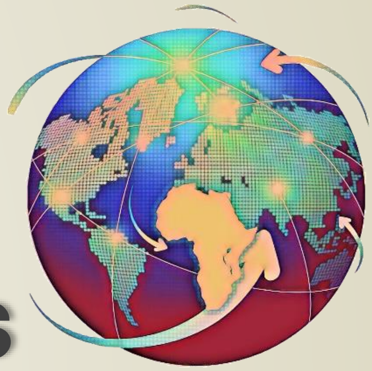
Multilateral trade governance



FAQs

QUESTIONS AND ANSWERS

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How was it possible to conclude the Uruguay Round and establish the WTO?

It is important to recall that the late 1980s, when the Uruguay Round of Trade Negotiations was expanding the scope of multilateral trade governance beyond the agenda of the General Agreement on Tariffs and Trade (GATT), was marked by a unique confluence of political, economic and policy developments. The demise of communism heralded a new global political era. Debates about the state-market dynamic had reached critical convergence of policy thought on an economic model that favoured the role of the market. Trade liberalisation was a key tenet of this stream of collective policy consciousness. The collective, global mood favoured multilateral governance solutions, and in particular the negotiation of a new multilateral trade governance regime. Even an institutional anchor for this system was achievable. This had not been possible post-World War II, when the envisaged International Trade Organisation (ITO) could not be established.

It was possible, during the Uruguay Round, to conclude a comprehensive set of Agreements extending well beyond the disciplines governing trade in goods, to include trade in services, intellectual property rights, and dispute settlement. That process includes the establishment of an institutional anchor for the multilateral trading system.

What happened then?

By the end of the 1990s things had changed. The embrace of multilateral governance solutions began to falter. The demonstrations at the Seattle Ministerial Conference hinted at things to come. The Doha Development Round was nevertheless launched in November 2001, and the expectation was that this Round would provide an opportunity to bring the development concerns to the multilateral trading system. The process faltered soon after that. By 2004, steps to incorporate so-called Singapore issues (such as investment and competition policy) into the WTO agenda, had met with effective resistance. Ironically, many developing countries were among the nay-sayers.

But what prompted this retreat from liberalisation? Arguably trade itself became implicated in the retreat. Concerns about winners and losers became prominent – and many countries began to protect their domestic markets from import competition, claiming their policy space and right to regulate. Distributional issues featured very importantly – while it is true that, despite millions being raised out of poverty, trade has not delivered universal and inclusive benefits. There are also concerns about the very system of rules and whether all are playing by these rules. The US-China trade war is perhaps the most visible manifestation of these concerns.

Is there still a role of multilateral trade governance?

We believe the answer to this question must be in the affirmative. The 21st century reality is one of deep level integration of global markets and commercial arrangements. And then there is the role of technology. Developments, especially in the ICT space, are facilitating global integration and also changing the nature of integration. The increasing complexity of global value chains (GVC) and the large proportion of global trade that is GVC-connected, highlight the importance of investment governance in this context. This means that markets transcend national geo-political borders and the associated national policy and jurisdictional foundations. Such deep integration requires, perhaps much more so than before, multilateral governance solutions.

Is there any good news about the WTO? What about the conclusion of the Trade Facilitation Agreement?

Trade facilitation, which reduces trade transaction costs, enhances competitiveness. This is important, especially for developing countries. The TFA entered into force on 22 February 2017. At the latest count, 139 member states have ratified this Agreement. The successful conclusion of a multilateral trade facilitation agreement (TFA) (the only surviving Singapore issue) is important for several reasons. In many parts of global economy (especially in developing regions), non -tariff barriers (many of which are addressed in the TFA) dwarf the impact of tariff barriers. It exemplifies important benefits that can be derived from special and differential treatment in this area of trade governance. Importantly, it brings trade facilitation into the ambit of multilateral rules-based governance and under the WTO dispute settlement understanding. Read more in the Dispute Settlement in Trade Relations Q&A.

Does multilateral trade governance reduce the importance of national policy?

Multilateral governance solutions are not a substitute for national policies; they do not absolve national governments of their responsibility to develop national policies and regulations to ensure that it is possible meet the requirements of new technologies and market realities. These developments require policy and regulatory responses that keep pace with economic developments and provide incentives for investment in the expansion and diversification of production capacity, to create jobs, income and wealth. Education and ongoing skills development, accompanied by labour market regulatory reform, are among the priority domestic policies in a digital 21st century economy.

How does the economic rise of China fit into this picture?

China has undeniably changed the global economic landscape. Its economic rise during the past two decades has been one of the most significant global economic developments. China has become not only one of the largest economies, but also one of the largest trading nations. This has resulted in increased competition in global markets and has provided significant demand for commodities; from sources across the world, including many developing countries. China's dramatic rise as an innovation leader in the tech space has major implications for the first-generation leaders such as the US. However, there are consequences still to be figured out. One legitimate enquiry is about how China's exports to Africa are hampering the continent's own industrial development.

But what about China and the multilateral trading system? China was fervent in its desire to become a member of the WTO and acceded in 2001. This was very important not only for China but also for the global economy. The problem is that China's economic model of state capitalism, featuring a plethora of state-owned enterprises, involves an economic model that does not sit easily with the rules-based multilateral trading system. Concerns about the protection of foreign intellectual property in China, are a case in point.

What about the US-China trade war?

There is no doubt that the US-China trade war will have a notable impact on the global economy. Tariffs work directly on the import price, meaning that consumers and producers will be affected. The impact on production and consumption decisions can be expected to work through to the reconfiguration of value chains – there will be winners, alongside the losers. However, trade wars bring uncertainty. While investors, producers and traders deal daily with risk, uncertainty undermines rules-based governance.