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Session II. Supporting the Multilateral Trading System: Curbing protectionism, developing new trade-friendly narratives, and ensuring meaningful deliverables at MC 11 of the WTO

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Major challenges to global trading system

1. Trade growth is weak

- ❑ Between 1990-2008, it was 7 % - between 2009-2015, 3 %.

2. Trade protectionism

- ❑ *(Evenett and Fritz, Global Trade Alert-2015: Almost 2000 new measures added in 2016)*

3. The WTO system cripples

- ❑ The erosion of WTO centrality, Baldwin 2009.

4. Anti-trade/globalisation rhetoric

- ❑ Abolish TPP, renegotiate NAFTA, stop TTIP...what next?

Trade policy narrative, and the changing rhetoric...

Up to now...

- How to save the Doha Round? 
- How to bring the WTO (that lost its centrality) back in?* 

- How to strengthen coordination between RTAs and MTS** 
- How to boost global trade in the post-crisis era? 

Henceforth

- How to ensure meaningful deliverables in MC?
- How to bring 'trade agreements' (incl. RTAs...) back in?

- How to react to negation of TPP, NAFTA, TTIP, TiSA ... (post-Trump era)
- How to curb trade protectionism?

Alternatives to a comprehensive Round

RTAs

- Trade negotiations continue **outside the WTO realm**
- **RTAs** with others (incl. major powers) under appropriately designed '**deep and comprehensive**' models

Pluri-laterals

- Download the trade agenda to a smaller number of issues, do-ables -ITA, GPA, Bali MC (i.e. TFA) - with **no need to single-undertaking**.
- ***Critical mass*** approach with **no need to a consensus-based** approach.

WTO reformed

- Fundamental reforms to **change the consensus rule** and **the governance...**
- Need to install *WTO.2 (al a Baldwin)* to **add new rules** (i.e. GCC, FDIs, currency manipulations, environment...)

Challenges to the alternatives

RTAs

- Major RTAs are **dominated by large trading powers** to impose the rules
- **Discriminatory consequences** and **rising compliance costs** for the third parties

Pluri-laterals

- **Political will** to bring meaningful outcomes is **ambiguous** (i.e. TiSA)
- May **not be effective in large issues** (NAMA and agriculture) that require trade-offs

WTO reformed

- ‘Changing WTO rules’ and ‘adding new areas’ require ***consensus rule***

MC and the future of world trading system

Bali MC 2013

- characterised by small but *do-able* steps with constructive results...

Nairobi MC 2015

- *constructive ambiguity*, underscoring deep divisions among the Members, with respect to the Doha Round (*Braga and Hoekman, 2016*).

Buenos Aires MC 2017

- (Please fill in the blanks) -----

Boosting multilateral trading system and the WTO centrality

❑ Leadership

- ❑ a functioning trading system is a global public good.
- ❑ China only or a 'collective leadership'

❑ RTAs

- ❑ need to be more inclusive, universal, open, transparent, measurable and relevant.

❑ Agenda-setting with deliverable vs. highly relevant issues

- ❑ do not let Trump and anti-global discourse to set the agenda

❑ Domestic trade adjustment policies

- ❑ impact of trade liberalisation on everyone.
- ❑ think ways to compensate losers from globalisation.

❑ Engagement of business and export-interests into MTS

- ❑ remember the 'juggernaut-effect' (Baldwin and Nicoud, 2008) and 'market pragmatism'...

Leadership

The functioning global trading system produces trade liberalisation - a global public good (*Narlikar, 2011*).

❖ Every nation benefits, but no one moves until others do liberalise.

Who is going to provide it?

- **US:** no longer has the self-confidence and will...
- **EU:** not as effective as it was - Brexit, Euro-crisis...If TiSA is dead, the EU may act!
- **China:** not inclined to take on this role so far...need domestic reforms (i.e. financial system, state aids and STE, exchange rate management...)
- **Brazil, India and S. Africa:** regional leaders, but not global...(so far blocking negotiations)
- *Collective leadership...*

RTAs

Inclusive: make RTAs more inclusive for all parts of the society. Remember 'trade is for all'. This is the only way to mitigate resistance to them.

Universal: with standardised trade rules...

Open and accessible: RTAs must have plausible accession mechanisms for future members...

Transparent: an upgraded monitoring and review of RTAs at the multilateral level...

Measurable: standardised impact assessment mechanism to underline possible implications for all countries- instructed under WTO RTA Committee.

Relevant: consider Sustainable Development Goals.

RTA Exchange: Harvest gains and experience in RTAs, to multilateralise best practices

Agenda-setting

Small but deliverable issues vs. Major issues

- ❖ “We reaffirm our strong commitment to advance negotiations on the remaining DDA issues as a matter of priority, including all three pillars of agriculture, NAMA and services, development, TRIPS and rules” (*G20 Trade Ministers Statement in 2016, Shanghai*)
- ❖ Bali MC was a good example for **do-able** issues (TFA, DFQF, export subsidies...)
- ❖ but, a strong **appeal for challenging issues**:
 - ❖ Singapore issues (investment, competition...)
 - ❖ Currency manipulations
 - ❖ E-commerce and digital trade
 - ❖ Environmental and labour standards
 - ❖ Taxation (i.e. protectionist tax proposal - *Ryan-Brady plan*)

A compromise of development and new issues needed...

Incremental progress is better than a big deal (Harbinson, 2016).

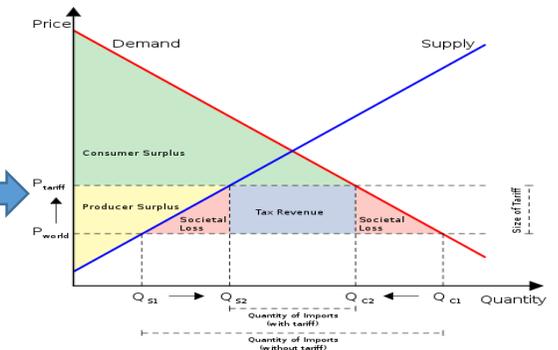
Domestic trade adjustment

❖ *Make trade inclusive:*

- ❖ Consider not all parts of the society are satisfied with trade liberalisation.
- ❖ Focus more on the loss (not only gains) from trade in impact assessment reports
- ❖ Trade compensation methods for losing sectors is a part of trade policy (i.e. *loss of producer surplus*)

❖ *Trade adjustment mechanisms:*

- ❖ training for new skills,
- ❖ policies conducive to new businesses,
- ❖ financial resources to be deployed to adjustment programmes,
- ❖ policy reforms



Engaging private sector and export interests in MTS

- ❖ Market pragmatism can bring the incentives and business can become the ardent supporter of multilateral trade liberalisation
 - ❖ Remember, European Single Market, Uruguay Round, and even TTIP...
- ❖ The involvement of business community need to be considered through Business bodies embedded in the WTO system (*E15 Initiative by ICTSD on the Functioning of the WTO, 2016*).
- ❖ Consider B20 recommendations...

Thank you...

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