

Trade Cooperation in a Multipolar World Economy

KIEP, February 13-14, 2014

Chairman's Statement

Dr. Chulsu Kim

Hosted by KIEP, the Korean Institute for International Economic Policy, a group of 25 international trade experts from a dozen developing and developed countries have met for two days in the first of a series of International Roundtables to explore solutions to the current impasse in the international trade negotiations that are being held in the World Trade Organization (WTO). Chaired by Dr. Chulsu Kim, former Trade Minister of the Republic of Korea and Deputy Director General of the WTO, the group analyzed a wide variety of new and innovative approaches to reviving the momentum of multilateral trade liberalization that, until recently, provided a major impetus for global economic growth, development and poverty reduction.

The meeting was organized and funded by KIEP, with co-funding from a grant from the World Bank. It is part of a major project involving a group of leading research institutes from developing and developed economies that is focused on re-thinking approaches to international trade cooperation in today's multipolar world economy. Holding the first of these Roundtables in Seoul reflects the important role that the Republic of Korea plays as a bridge between the high-income OECD member countries and the developing world on international trade issues.

The changing structure of world trade

Goods and services are increasingly produced in international supply chains, with suppliers in one country producing inputs that are processed in another and then shipped to one or more other countries. Each stage of the supply chain requires efficient logistics and other services to move products across borders. Supply chain production implies that trade negotiations today need to focus on a much broader range of policies.

The two days of Roundtable meetings focused on the implications of such major changes in the way trade is conducted, changes that raise new negotiating challenges. The consensus view of the group of experts was that these new issues – such as differences in domestic regulation of goods and services, investment policies and various forms of “murky protectionism” – are now of major importance to manufacturers, farmers and service providers around the world, especially those that are integrated into international supply chains. More effectively incorporating and addressing these issues into trade agreements, the group believes, is essential to reviving the negotiating momentum and creating the dynamism that has been missing from the Doha Round.

State of play in Geneva

The open and rules-based multilateral trading system has provided a vital framework supporting the integration of developing countries into the world economy. The WTO structure was developed over time through periodic multilateral trade negotiations. The most recent round of negotiations was launched in Doha, Qatar, in 2001. Despite more than a decade of effort, WTO members have not been able to agree on a package of measures that would improve market access conditions for exporters around the globe and thereby lower prices of goods and services for consumers and increased consumer choice. The new Agreement on Trade Facilitation concluded in December 2013 at the WTO Ministerial in Bali, Indonesia is a very welcome and positive development for the trading system by illustrating that the WTO processes can generate concrete outcomes. But it does nothing to lower tariff barriers, non-tariff barriers or liberalize trade in services. Much more also needs to be done to address the constraints that affect greater participation by the least developed countries in the global trading system.

Efforts to remove trade barriers for goods and services in the Doha Round have been at a standstill since the 2008 mini-Ministerial meeting in Geneva. In the meantime, major trading nations have turned to a variety of regional initiatives, including the Trans-Pacific Partnership (TPP) and the Regional Comprehensive Economic Partnership (RCEP). So far there are no regional initiatives to liberalize trade and investment that include all of the major players, and there is a danger of the world economy splitting into separate blocs. The shift towards regional approaches and away from the WTO by large trading countries is not in the interest of the majority of nations that are not part of them.

Where should we go?

As suggested by Director General Roberto Azevedo, WTO members should take a creative approach and be open to new ideas that could allow them to overcome the stumbling blocks that have helped lead to a shift in attention towards regionalism. In Bali, Ministers directed their WTO negotiators to develop a work program by the end of 2014 that offers a road map for agreements to liberalize trade on a multilateral basis.

In our view one element of a new approach would be to look at the challenges that were just mentioned from a different perspective. The key criterion should be to identify approaches that offer better prospects for addressing the fundamental impediments to trade expansion that affect specific sectors and economic activities.

We consider that the core market access elements of Doha Development Agenda in the areas of agriculture, industrial goods and trade in services remain critically important, but that the approach that has been taken so far by WTO members should be re-visited. Rather than exclusively pursuing negotiations on specific trade policies such as tariffs on imports of goods, subsidies for agriculture, and market access for specific services, an approach that focuses on how various policies impact negatively on the operation of different types of supply chains may offer a complementary mechanism to help move negotiations forward.

The group also considered that greater focus is needed on approaches that allow groups of like-minded nations to agree amongst themselves to new policy disciplines and address the trade-impeding effects of differences in regulatory policies. One possibility in this regard is to focus on negotiation of a number of sectoral agreements that include both the goods and services that

together make up the value added that is embedded in a product. Careful selection of such sectors will ensure that all WTO members can benefit. Investment policies were identified as one priority area for such an approach, given the importance on investment for supply chain trade.

The ultimate goal must be that the results of agreements among groups of WTO members be extended to all WTO members. Doing so is important to be consistent with the consensus necessary to conclude meaningful agreements, as well as for fulfilling the goals of the WTO system.

The group agreed that greater effort should be made to improve the knowledge base to inform international cooperation on trade, including the effects of domestic regulation, and the factors that influence the distribution of the benefits that are generated within global supply chains. This is particularly important in order to better identify policies that can be used to promote value addition and enhance the development impacts of supply chain participation.

The analysis and conclusions of this Roundtable will be published in a detailed report, the first of six such reports that are planned under the project in connection with upcoming follow-on Roundtables. The next two of these will be held in Brazil and in South Africa.