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Supply Chains, Mega-Regionals and the WTO: A Road Map for the WTO

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Background

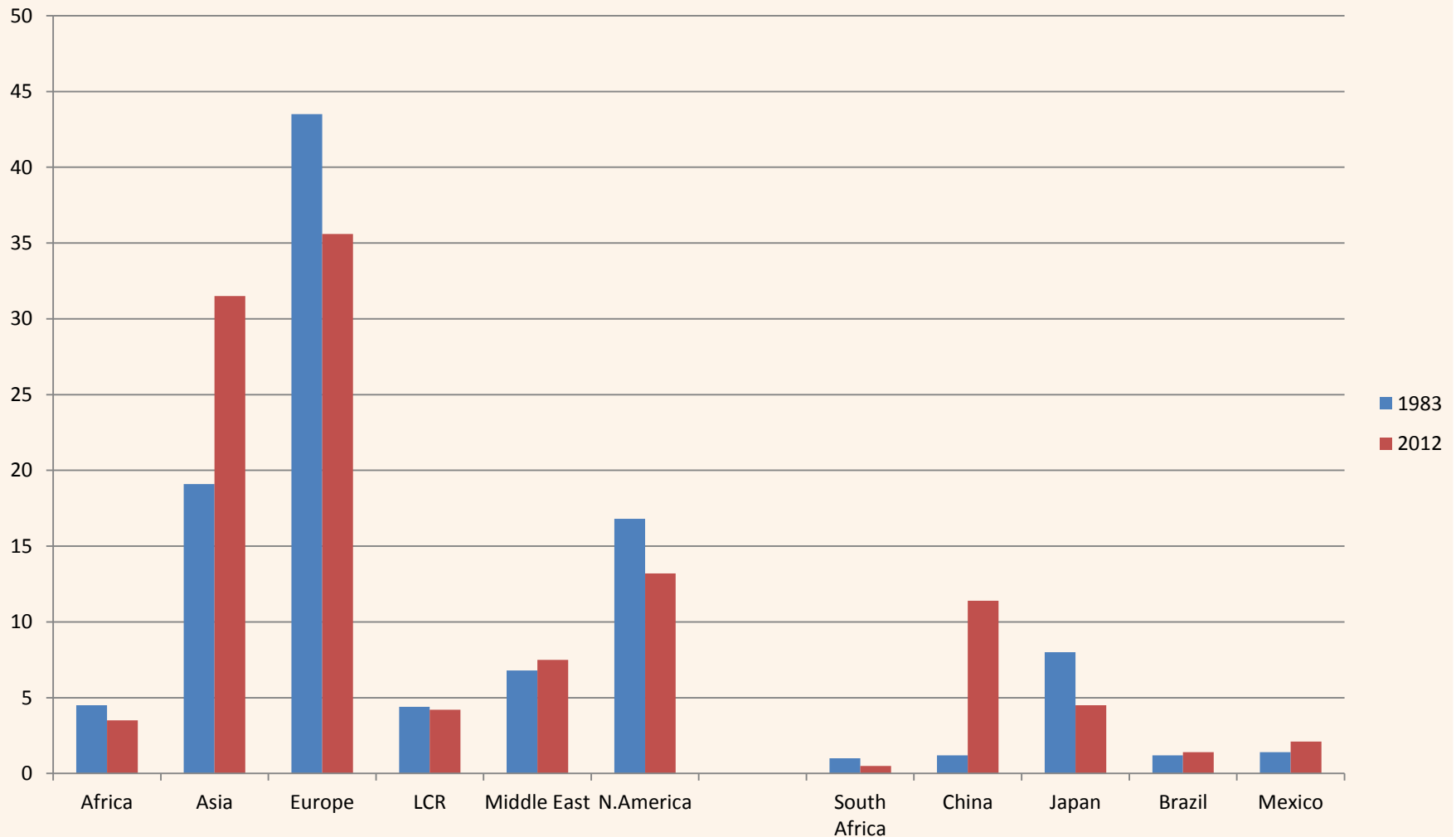
- Part of a project “Reviving Multilateralism” administered by the South African Institute for International Affairs; co-funded by the World Bank Development Grant Facility
- First draft discussed at a February 2014 meeting in Seoul hosted by the Korea Institute for International Economic Policy (KIEP)
- Other partners include Centre for Policy Dialogue; China Institute for WTO Studies, University of International Business and Economics; China Center for International Development, Nankai University; Cordell Hull Institute; Fundação Getulio Vargas; European University Institute; Indian Council for Research on International Economic Relations; Instituto de Pesquisa Econômica Aplicada; and S. Rajaratnam School of International Studies, Nanyang Technological University, Singapore.



A Rapidly Changing Economic Landscape



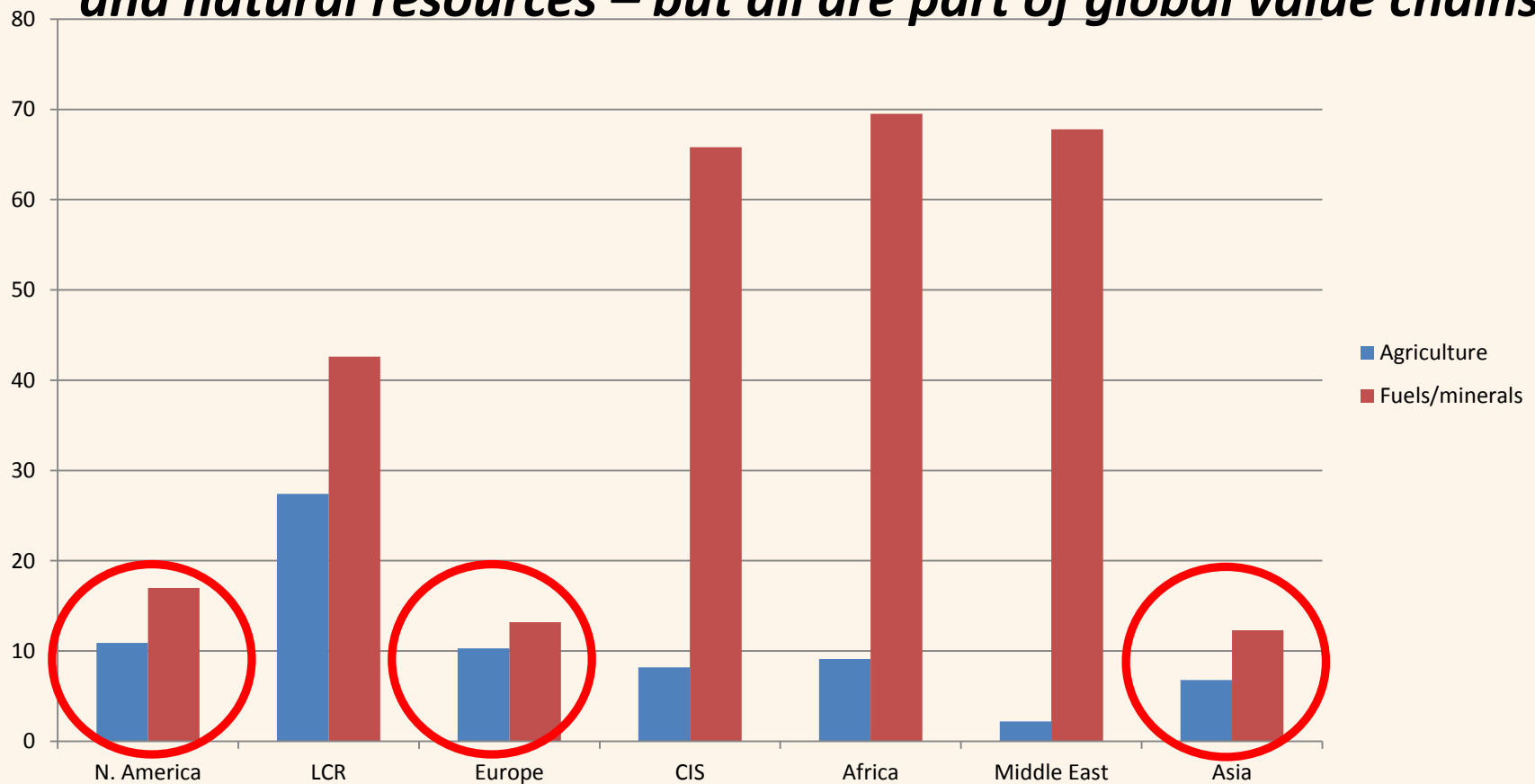
Shares in world merchandise trade, 1983 and 2012





Agriculture & fuels/minerals in merchandise exports, 2012

3 “global factories”; other regions specialized in agriculture and natural resources – but all are part of global value chains

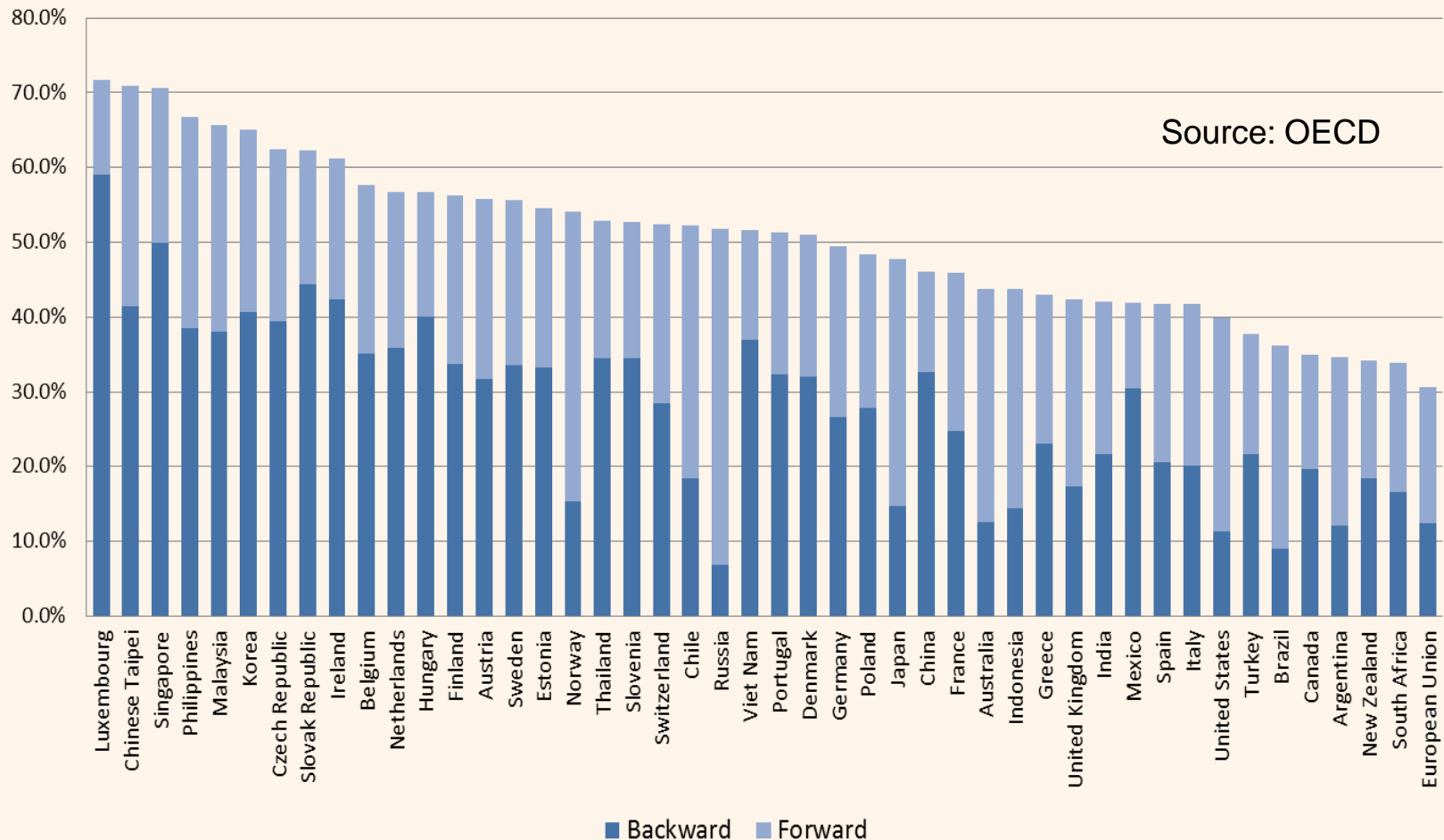


Source: WTO (ITS, 2013)



GVC participation index

(intermediates as % of gross exports, 2009)

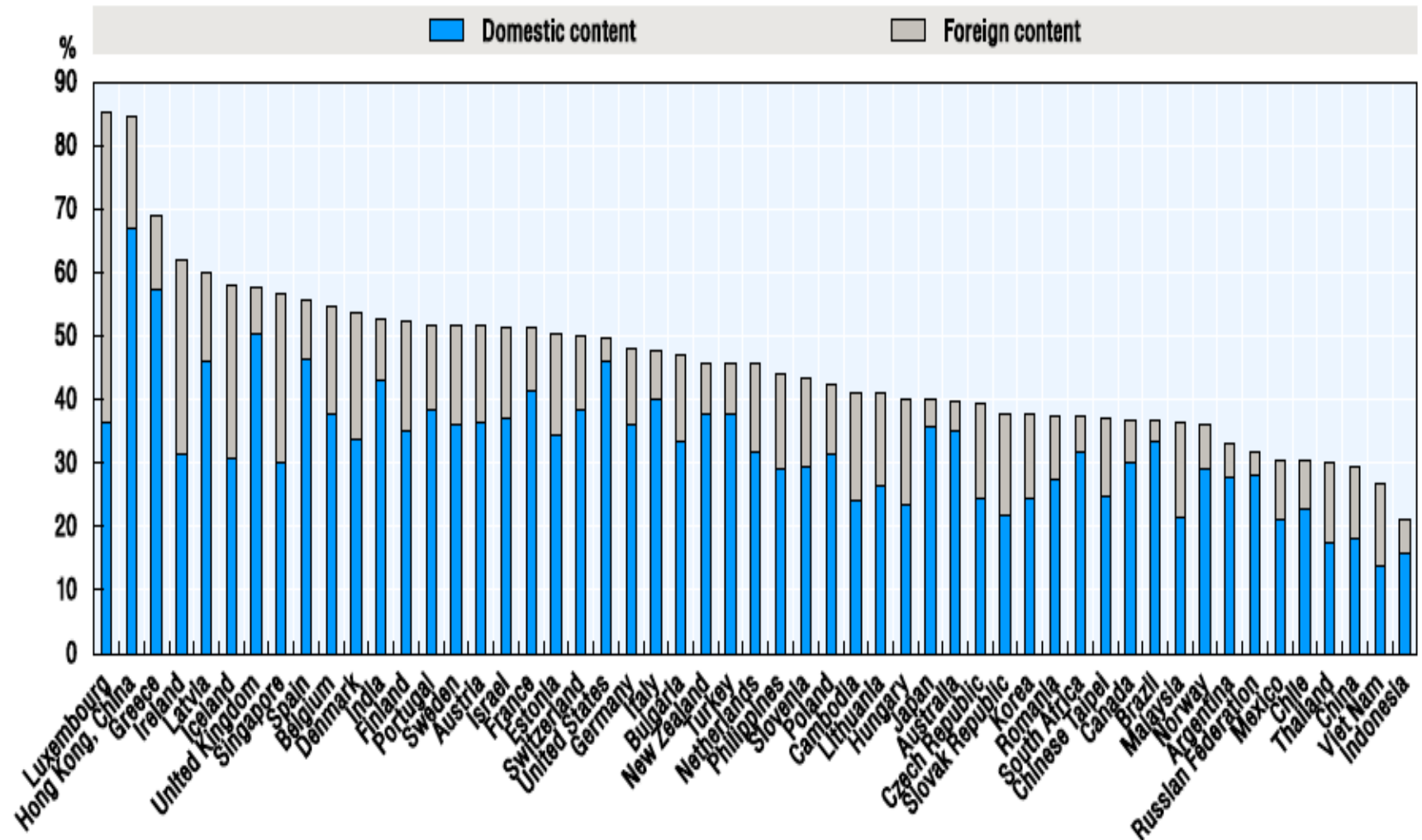


“Forward”: exports of intermediates used to produce exports in receiving country

“Backward”: imported inputs used in exports



Services share of total value added embodied in exports, 2009





Changes in trade driven by policy reform and technology

- Much reform has been unilateral
- Supported by GATT/WTO & regional trade agreements
- Post 1995: Many new WTO Members; active and effective dispute settlement/transparency mechanisms
- But new rule-making and liberalization in WTO elusive
- Rise of “mega-regionals”
 - TPP; RCEP; TISA; TTIP
 - Focus on regulation as source of trade costs; ‘new’ issues
- Emerging economies largely outside these processes – no initiatives that include the US and China
- ‘Mega regionals’ may disappoint: # of sensitive areas; agriculture support; rules of origin; services ambition?



Bali: Ministerial call for ‘road map’ to conclude Doha Round

- Basic argument of report: Think supply chain.
 - In a world of GVCs and vertical specialization many policies matter
 - Need to cut across policy silos (different types of services; product/process regulation, rules of origin, etc.)
- 1. Start with a supply chain view of the DDA market access/rules negotiations
- 2. Identify areas not on the table in DDA that matter for supply chain trade/investment opportunities, learning from PTAs
- 3. Facilitate more plurilateral cooperation in WTO
- 4. Revisit approach towards development differences



1. Market access & the DDA

- All areas for negotiation matter for supply chains
 - For agriculture: goods and services enter into GVCs at all stages, upstream and downstream
 - Agro-business value chains are part of equation!
 - For manufacturing competitiveness, services are critical – 45% of value added in trade....
 - For services, competitiveness depends on access to a variety of goods – from trucks to computers
- Dividing up the universe into these “sectors” just reflects convention and extant organization



1. Market access & the DDA

Identify how the policies under negotiation in the DDA impact on a representative set of GVCs

- Why?
 - To be able to illustrate/show how a cross-cutting deal ‘adds up’ and will make a difference for firms/workers ... and thus make a more compelling case that a package deal matters for economic operators and consumers
 - As a signal to the business community that WTO negotiators “get it” and demonstrate it is not “business as usual”
- But also a way of starting to identify issues that are not on the table – thus can also be part of a process of preparing a forward-looking agenda



1. Market access & the DDA

- How to do this?
 - Work with ICC and other business associations to identify a sample of representative supply chains
 - Include agri-business value chains that are important for many developing countries that are outside the 3 global factories
 - Build on extant research on GVCs, including from a development perspective (trade in value added data is very informative, but is disconnected from policy)
 - Needs to be a joint effort across IOs
- What about TISA?
 - Complicates matters, given limited participation
 - Can still occur in parallel—illustrate how/why services matter



2. Begin to scope out new policy areas for cooperation

1. Learn from PTAs

- PTAs today go beyond WTO in depth and coverage of policy areas
 - Implication: many WTO members want to pursue deeper international cooperation on trade matters
- Go beyond current transparency efforts (CRTA/TPRM)—use WTO as a forum to better understand and learn from what is being done in PTAs in new areas
- Can be packaged as one input into the deliberative processes needed to identify possible areas where cooperation in WTO could be pursued
 - Signal to stakeholders WTO is on the job...
- Include regional organizations



2. Begin to scope out new policy areas for cooperation

2. Pursue more deliberation under WTO auspices

- Substantial preparatory work needed to address future needs
- Supply chain frameworks can identify issue areas that are not part of the DDA; so will a “learning from PTAs” initiative
- Complement these with processes that center on deliberation
 1. *Focus on cutting across policy silos/fiefdoms*
 - Along value chain framework lines
 2. *Create space for discussion of new issue areas*
 - NB: without presumption of eventual negotiations
- Can be done under umbrella of TPRM; or, on initiative of Council/Committee Chairs
 - Involve the business community; worker/consumer organizations, regulators



3. More cooperation between groups of WTO Members

1. Critical mass agreements
 - Including new types of such deals as illustrated by the Bali Agreement on Trade Facilitation
 - Universal agreement but differentiated/contingent implementation commitments
2. Annex 4 WTO agreements (‘Plurilateral agreements’)
 - PTAs are now default outside option for new areas. Why?
 - Not very transparent; not open to any State wanting to join; separate dispute settlement system
 - Plurilateral agreements for *new* issue areas
 - Necessary condition: Relax consensus requirement
3. Other forms of cooperation – learning; knowledge exchange etc. – formal forms of deliberation



3. More cooperation between groups of WTO Members

- *Number of concerns have been raised re: plurilaterals*
 - Creates a multi-tier system – variable geometry
 - New rules written by sub-set of WTO members; precedent setting
 - Undercuts MFN
 - Resource burden on WTO
- *But:*
 - We already have a multi-tier system
 - Rules are being written in the (mega) PTAs
 - MFN will apply for market access issues covered by WTO
 - Members can be charged for costs for servicing by WTO
- A Code of Conduct to address concerns of countries that do not desire to participate in new plurilateral agreements



4. Development concerns: build on the Bali TF Agreement

- Back to supply chains and vertical specialization
 - Traditional special and differential treatment (‘less than full reciprocity’) is ineffective
 - Competitiveness requires low barriers to trade, low trade costs, access to efficient services, etc.
- Focus on impacts of policies, own and foreign; implementation capacity constraints
- *Deliberation once again*
 - In Committee on Trade and Development?
 - Include development organizations
 - Bali TFA as a model – general rules; differentiated implementation linked to aid for trade