The WTO Multilateral Trading System in a Globalizing World

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Propositions relating to the dissertation

The WTO multilateral trading system in a globalizing world:
Challenges and opportunities

Maarten Smeets

1. The shifting economic balance from the West to the East not only leads to an accumulation of economic wealth in Asia, but also has implications for the political power balance. More power comes with higher responsibilities and the expectation that China takes a stronger leadership role in advancing the multilateral trade negotiations conducted under the umbrella of DDA, commensurate with its growing share in international trade.

2. The concept of global value chains is not new per se, as it has been the basis for international trade specialization and globalization for decades. The real challenge for all countries, particularly developing and least developed countries is to be part of GVCs in order to add value in the production process, thus ensuring a fuller participation in international trade and the multilateral trading system.

3. In order to conclude trade negotiations in situations where agreement is not fully reached on all the issues, members can apply an approach that is referred to as ‘constructive ambiguity’. This consists of drafting language that satisfies all parties, but is understood and interpreted differently by the members. While this approach yields short term outcomes, with all parties perceived as ‘winners’, it can result in imbalances in the trading system and lengthy and costly dispute settlement procedures to interpret and clarify the meaning of the agreement.

4. Mega-rounds of multilateral trade negotiations belong to the past as trade liberalization is increasingly pursued through topic based and/or plurilateral negotiations. An incremental approach, with smaller agreements negotiated by groups of countries and which should preferably have multilateral application, hold the future for advancing the trade agenda in the WTO.

5. The benefits of trade liberalization would be more widely spread if bilateral, regional and multilateral trade liberalization were to be pursued in a complementary fashion, thus generating synergies and spill-overs from the regional to the multilateral negotiations. Regional trade negotiations can thus function as ‘laboratories’ and testing the issues.

6. The evidence suggests that the economic benefits and efficiency gains obtained by a country through domestic structural adjustment reforms undertaken prior to and during its accession process to the WTO largely outweigh the economic gains obtained through the new market access opportunities and which result from the newly acquired WTO membership.
7. The multilateral trade negotiations that have been conducted in the GATT and the WTO have generated major economic gains, growth and enhanced overall levels of welfare to the benefit of the consumers, despite the stalemate in the DDA. The entering into force of the TFA as the first multilateral trade agreement negotiated in the WTO, and the implementation of the ITA are expected to generate significant reductions in transaction costs.

8. Since the financial and economic crisis, protectionist measures have been on the rise. The introduction of new protectionist measures contemplated by some world leaders as a tool for maintaining and/or creating domestic employment, re-industrialization and generating economic growth, would once again confirm that people sometimes refuse to learn from past experiences and repeat making costly mistakes: indeed, it is firmly established that the longer term cost of protectionism largely outweigh the short term gains. Genuinely working together to find mutually beneficial solutions, including new and innovative cooperative and adjustment mechanisms at national and international level are the way forward.

9. As in a rowing boat the front is in the back and the back is in the front, going backwards means going forward.

10. A golf player can significantly improve his handicap by always playing his second ball first. It has the additional advantage of not having to play a second ball.