

The WTO Multilateral Trading System in a Globalizing World

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Valorization Addendum

The WTO Multilateral Trading System in a Globalizing World: Challenges and Opportunities

Maarten Smeets

1. What is the societal and or economic relevance of the research results, in addition to the scientific relevance?

This thesis contributes to a better understanding of the complexities of the trade issues in a context of an increasingly globalizing world. The analysis goes beyond providing explanations on the forces that drive globalization, but offers solutions for the ways forward. It contains specific suggestions on how to unlock the multilateral trade negotiations presently conducted under the umbrella of the Doha Development Agenda and which are in an impasse. These negotiations were launched at Doha in 2001 and are yet to be concluded. The results of the negotiations are expected to generate significant positive welfare effects to the benefit of the society as a whole.

The fact that trade liberalization generates economic benefits and enhances overall levels of welfare has been scientifically proven, but the process of how these benefits are generated and who benefits from trade liberalization are not always well understood. Yet the overall economic benefits that can be obtained from trade liberalization are the very reason why many developing and least developed countries have joined the WTO in recent years. This has also motivated the formerly centrally planned economies that in the last 25 years moved to market based principles, thus underscoring the merits of the WTO's multilateral trading system. While the benefits are undeniable, the anti-trade sentiments are growing again, thus defying the economic rationale. The thesis sheds light on the key functions of the WTO and how the mechanisms of trade liberalization translate into economic gains for the society as a whole. This is perhaps even more significant today than any time before, given the recent calls by some world leaders for introducing policies geared towards providing national preferences over imports. While for some years the anti-globalization sentiments were put to rest, the populist views in society are again on the rise. The growing backlash against globalization, which is often equated with trade liberalization, loss of jobs in the West, de-industrialization and stagnating economic growth, kicked in again rather unexpectedly and needs to be countered. The arguments against globalization are mostly based on a lack understanding of how the benefits of trade liberalization are transmitted to the consumers and how they generate economic welfare. The society stands to gain from better explanations on how globalization has triggered the overall higher levels of economic welfare and to which this thesis makes a contribution. This is not to diminish the arguments made against globalization, as it is recognized that globalization and trade liberalization can have negative effects and those need to be addressed by policy makers. Protectionism as

advocated by some policy makers, however, is not part of the solution, but part of the problem and needs to be resisted.

2. Target groups: to whom are the research results of interest and why?

The target groups that are addressed in the study include all stakeholders in international trade. This includes first of all the members of the WTO, and more specifically the consumers, producers, governments, policy-makers, negotiators, businessmen, parliamentarians, civil society and academics. The target group also includes the WTO Secretariat which provides the technical support to the members in the negotiations, even though the staff is aware of the challenges. One cannot single out or exclude any individual and/or interest group, as the ways trade have evolved imply that hardly anyone escapes from the effects of international trade and the multilateral trade rules, explicitly or implicitly and knowingly or without being aware of it. Trade rules increasingly address all aspect of citizen's daily lives, including through tariffs at the border, which imply a tax to consumers and non-tariff measures within the national economies, standards and technical regulations, safety measures, agricultural or industrial subsidies and any other kind of income support, patents, access to medicine, domestic regulations, including in the area of services, foreign direct investment, preferential trade schemes, access to markets and all other measures that affect competitive conditions in the market place.

All these factors combined determine the consumers' choice, their levels of income, the quality and price of goods, the health and safety of citizens as well as more broadly their living conditions. All stakeholders thus share a common interest, which consists of ensuring that the multilateral trade negotiations advance in ways that all stakes and interest are fully captured in the negotiations and reflected in the rules that emerge from those negotiations. The outcome of the negotiations should produce win-win solutions and mitigate the negative repercussions trade may have on any of the stakeholders.

Developing countries are a specific target group in this thesis, as trade and the new opportunities created for developing countries in terms of market access and their fuller integration into international trade and the multilateral trading system generate economic development perspectives and will contribute to lifting more people out of poverty. In addition, providing for a level playing field through the elimination of distortions in trade, including subsidies granted by developed countries against which developing countries cannot compete opens new economic perspectives. It should also contribute to providing new opportunities for developing countries in their efforts connecting to markets. In order to achieve these objectives, many countries need assistance through trade capacity building, which is provided for by the WTO and discussed in this thesis.

3. Into which concrete activities, products, services and processes and/or commercial activities will your results be translated and shaped?

The thesis provides for a range of specific concrete activities, products and processes. The most important one is the contribution it can make to advance the multilateral trade negotiations that are conducted under the umbrella of the DDA. The negotiations have mostly been blocked for nearly nine years. Ministers have reiterated at nearly all Ministerial Conferences that their top priority was to conclude the DDA, but to no avail. This position has gradually changed with an increasing number of countries no longer fully subscribing to the initial objectives of the DDA. At the last Ministerial Conference (MC-X), the language adopted in the Ministerial Declaration with regard to the future of the DDA was modified significantly, compared to the earlier declarations. The text clearly confirms a growing divergence in views as to whether and/or how the DDA would need to be concluded. Nevertheless, and despite the lack in progress in the DDA negotiations per se and the divergence in views, Members remain unanimous in their determination to advancing trade liberalization. Based on this commitment, the thesis offers an analysis how some specific and economically meaningful results were achieved at MC-IX (Bali) and MC-X (Nairobi) and how the process can be moved forward in the key areas.

A fundamental disagreement between the WTO members exists on the question how to proceed in the negotiations in the three key areas, i.e. agriculture, non-agricultural market access (NAMA) and services. Some members argue that the initial goals established at the start of the negotiations in 2001 and for various reasons that are discussed and analysed in the thesis are no longer realistic. Nevertheless there is a consensus that the constituent parts in the negotiations can and still need to be concluded. How to do so remains unclear as the approaches differ. The thesis contains specific suggestions how to move forward in agriculture and NAMA. The broad all-encompassing formula approach has proven not to work and should be abandoned. It is proposed to replace the highly complex tariff formula methods for both Agriculture and NAMA with a simple offer-request procedure. An important element that needs to be taken into account in that regard is role of the GVCs: members need to address areas where the trade liberalization can offer real and meaningful market access opportunities to the members and generate value added. New and concrete alternative approaches are thus offered in the thesis, geared towards simplifying the process and thus opening the way to concrete results.

It is also proposed to abandon the 'Single Undertaking' approach, which provided the guiding principle in the DDA and instead follow an incremental and critical mass approach in the negotiations, harvesting agreements when they are ready. When agreement is within reach, members should close the deal and move on, instead of waiting for agreement to be reached in other areas under negotiation. This has already held up the DDA for too long and delayed concrete outcomes. This approach has already proven to work in various areas. One example is TFA, ratified earlier this year and now put into effect, thus unlocking significant economic gains and saving billions of dollars in transaction costs. Another example relates to

the ITA, and which significantly slashes tariffs on high technology goods to the benefit of the society as a whole.

Other suggestions and proposals made in the thesis include new approaches with regard to the trade capacity building in support of developing and least developed countries. It is suggested to replicate the approach adopted in the TFA, which includes binding commitments between donors and beneficiaries in terms of support to be provided, thus holding the potential to generate direct, tangible and measurable benefits for developing countries.

Finally, the thesis will be turned into a book and made available to the public at large, thus spreading and disseminating the information to a broader audience. It will lead to articles, publications, material for lectures, courses, op-eds and policy papers for the members with both academic and policy relevance.

4. To what degree can your results be called innovative in respect to the existing range of products, services, processes, activities and commercial activities?

The thesis is innovative as there is a wealth of literature on the GATT and the WTO, but there are fewer publications that compare the WTO system with the GATT from the angle chosen in this thesis, i.e. how globalization and the recent evolutions in international trade affect the negotiations and the multilateral trading system. Most of the literature focuses on specific elements covered in the thesis. The thesis looks at the implications of trade patterns moving from the West to the East, the enlarged and more diverse membership, the complexity of the topics and how they are addressed. The thesis specifically addresses the question how globalization has affected trade rules and vice versa, what have the trade rules meant for globalization? It goes beyond raising the question, but on the basis of the analysis it offers specific policy recommendations on the ways forward. Finally, it is innovative in the sense that the analysis combines theory and practice, given the author's long standing practical and hands-on experience with trade issues in the real world. The thesis is very timely, as the backlash against globalization has been growing during the time of writing the thesis, thus adding to the relevance of the analysis and the policy recommendations.

5. How will this/these plan(s) for valorization be shaped?

The research results will be disseminated to the largest extent possible in this form as a thesis as well as in the form of a book, as suggested by my supervisors and members of the assessment committee and which will be published after defending the thesis.

The research results will be shared with the WTO's senior management and could serve as one of the elements in the preparatory process for the next Ministerial Conference to be held at Buenos Aires (Argentina) in December 2017.

The research results will equally be shared with the members of the WTO, including

policy makers from developed and developing countries that are actively engaged in the negotiations. They may find merit and value in the arguments presented in the thesis, thus facilitating the process of the negotiations and working towards concrete results. It may also contribute to enhancing countries' understanding of the issues that are addressed in the WTO and the DDA negotiations.

The research is likely to be of interest to the public at large, which will hopefully appreciate better the elements that shape globalization, how it impacts on the citizen's daily lives and how it affects the rules of the WTO multilateral trading system. It should contribute to a better communication between the different stakeholders and interest groups, who share a common interest, i.e. to improve the lives and welfare of all citizens. This is what is meant by inclusive growth, thus ensuring that all get a fair piece of the cake and minimizing the negative repercussions of trade liberalization.

The research is expected to also contribute to the academic debates by providing new insights into the today's trade issues by a practitioner, who not only analyses the issues from a theoretical and academic perspective, but takes into account a long experience with trade issues. The work will be shared with the Universities that are part of the WTO Chairs Program and the Advisory Board members of the WCP.

The research will be of use to countries that are presently contemplating accession to the WTO or are in the process of accession and who need to be more fully informed of the challenges and opportunities that WTO's membership brings.

The research results will be used during the many conferences, courses and lectures that I give at Universities and academic institutions around the world. It will be used for my University lecture at UIBE, China, in July as well as for the two-week summer course that I will be conducting at UIBE. It will hopefully trigger the curiosity of the students to better understand the trade issues and direct their studies and analysis to those areas. They may then become future trade negotiators and base their country's positions on a more solid analysis and grounds.

Finally, the thesis will provide the basis for further research and analysis and will lead to stand-alone publications in academic and peer reviewed journals. One such publication is on Georgia's post accession challenges, and which was accepted for publication by the WTO. It will also be submitted to a peer reviewed journal. Another publication will address the use of economic sanctions in international trade, which I had initially intended to include as a chapter in the thesis but will become a stand-alone publication. Other studies will focus on the bilateralism and regional and regional trade agreements in relation to GVCs.