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Geneva Consensus for Trade Multilateralism *A Relook at the Eighth Millennium Development Goal – Global Partnership for Development*

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An Overview

Multilateralism, particularly trade multilateralism, is in crisis because traditional supporters of multilateralism (the Scandinavians and the west Europeans) are to do more to influence traditional and emerging powers for trade multilateralism to work more and better for the poor. This is the essence of the Eighth Millennium Development Goal – Global Partnership for Development.

Part of the reason for this crisis is lack of recognition of the fact that the centre of gravity of economic activities are shifting towards the east. Also, it is partly because of mismatch between the level of ambition of traditional and emerging powers, and lack of collective leadership. The Doha Round of negotiations is to be separated from the institutional functions of the World Trade Organisation for strengthening trade multilateralism, and should also be perceived clearly by the users of the multilateral trading system.

However, crisis gives opportunities to reform. A Geneva Consensus is to be developed to strengthen trade multilateralism by addressing, among others, concerns on non-tariff barriers and linkages between trade and global public goods such as climate change and food security.

Given the current state of affairs on the Doha Round of multilateral trade negotiations, and also climate change negotiations, there is no evidence to suggest that such a consensus is on the horizon. This ‘consensus’, if not unanimity, is critical and would need a convergence of thoughts on the part of all international organisations in and out of Geneva to think and act together. These organisations need to liaison actively with capitals around the world to build better political

ownership of Geneva Consensus.

In 2009, UK’s Department for International Development published a document titled: “World Trade: Possible Futures” (<http://www.worldtradeweekuk.com/Pages/F8F22494-8C8B-479E-858B-F37DA4143177.cFile>). Keeping in mind two factors (scarcity/abundance of natural resources and coordination/fragmentation of global organisations), four possible scenarios were analysed:

- Global Innovation: under scarcity of natural resources and coordination among global organisations
- Global Citizen: under abundance of natural resources and coordination among global organisations
- Fragile Alliances: under abundance of natural resources and fragmentation among global organisations
- Deglobalisation: under scarcity of natural resources and fragmentation among global organisations

It appears that we are heading towards the most dreadful scenario – that is ‘deglobalisation’, which will have a huge negative impact on the poor, particularly their right to aspirations by exploring and availing new opportunities to progress. As evident from the consequences of financial crisis, which was originated in the rich world, it is the poor, the majority stakeholders of the real economy, who suffered most.

This is mainly because the current state of trade multilateralism is not in a position to integrate the many concerns of civil society – those ranges from food security to the environment and human rights. This is due to the fact that there are less-than-adequate attempts to have more focus on

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developmental aspects of trade by addressing linkages between trade policy and other flanking policies which explain the relationship between trade with developmental subjects such as food security.

Need for Mainstreaming Trade into Development

Since trade should play a significant role in development and poverty reduction, as argued in several studies, there is a clear need for mainstreaming trade into development policies. Presently, there is lack of emphasis on this linkage in trade policy-making. This is reflected in existing macro-micro gaps, implying that while growth is given priority; development dimension of this growth is often missing; planning for development relies on top-down approach, implying that growth in one or a few sectors will trickle down or percolate to lower income groups. That is not necessarily the case.

In addition, there are evidence of significant gaps between developmental concerns in national capitals and negotiating concerns in Geneva. This is to be urgently addressed to enable multilateral trading system integrates with developmental concerns, particularly trade, climate change and food security linkages. CUTS survey on “Defining the Future of Trade” revealed the importance of closing these gaps for better delivery on development vis-à-vis the multilateral trading system. (http://cuts-international.org/pdf/Making_trade_a_tool_for_poverty_amelioration_in_the_21st_Century.pdf)

Furthermore, many countries are addressing many of these concerns by behind-the-border non-tariff measures. Lack of mutual recognition and harmonization of non-tariff measures are further eroding the possibility of better integration between the multilateral trading system and development concerns.

- The emergence of global value chains (GVCs) presents both an opportunity and a challenge for the developing world. With

the spread of GVCs, trade of intermediate inputs is increasing. Data indicates that intermediate goods now represent more than half of the goods imported by OECD economies and close to three-fourths of the imports of large developing economies. In addition, imported inputs also account for a significant chunk of exports. This gives an impression that developing countries could now play an increasingly important role, and could more effectively integrate themselves into global trading system. On the negative side, there are also some serious issues that would constrain developing countries benefitting from the GVCs. Inability of many countries in incorporating themselves in the global production chain because of factors such as obsolete technology, inadequate infrastructure, and others.

- Power is getting concentrated into the hands of a few trans-nationals operating global production chains. These companies also control intellectual property and brands, and capture much of the value created in these chains. In addition, though production and development of new products is often ‘out-sourced’, profit margins remain concentrated at the center.
- These firms are increasingly becoming much stronger in influencing rules governing trade such as standards, intellectual property rights.

Incidentally, many of these concerns are not properly dealt in preferential trade agreements, particularly those involving developing countries, because they are aware of further trade distortions if they deal with them bilaterally. Our survey has pointed out that non-tariff measures would be the major challenge of cross-border trade in the 21st Century.

All these require strengthening of the WTO’s deliberative functions, the so-called missing middle. More capacity building on these linkages

**Table 1: Major trade challenges in the 21st century
(Rankings based on priority)**

Priority	Non-tariff measures impacting countries’ ability to conduct trade in tasks	Linkages between trade and trade-related issues in governing global public goods such as climate change, food security (in terms of their impact on consumption, standards of living, terms of trade, etc)	Any other important challenge from your perspective
1st Priority	13	19	8
2nd Priority	18	11	4
3rd Priority	5	6	24

is needed at national and regional level as well as in Geneva.

Civil society groups, particularly those who are working at grassroots, are very much concerned about these issues. Many of them blame international trade on deteriorating situation vis-à-vis these issues. Some of them may be right but some civil society's opposition to trade opening is due to lack of correct knowledge about these linkages.

They are to be studied at the local level so as to know better how positive linkages can be strengthened and how negative linkages are to be addressed. In this regard, institutional development, particularly at the micro and meso level, is the need of the hour. There will be more political buy-in for trade opening, provided we show positive linkages between trade opening and poverty amelioration and reduction in inequality leading to inclusive growth.

It is true that some sections of the society will be negatively affected as a result of trade opening; they are to be helped with appropriate safety nets – trade adjustment programmes. There should be studies on welfare gains before trade opening and if net welfare gains are positive then there should be more trade opening, provided there is an effective benefit sharing mechanism linking winners and losers. Civil society organisations, particularly those working at the grassroots, are to be more engaged with trade policy making and its implementation. Knowledge gaps between grassroots and capitals, and that between capitals and Geneva are to be bridged.

Post-2015 Agenda for MDG-8

The Post-2015 agenda for Global Partnership for Development should take into account the following key issues/messages.

- Trade policies of countries should be reviewed in respect to their ability to fulfill the role of trade as an effective means for poverty amelioration and reduction in income inequality leading to inclusive growth. In other words, the relationship between trade and consumer welfare (as described in the preamble establishing the WTO) should be the guiding principles of reviewing trade policies.
- The impact of non-tariff measures on trade under imperfect competition should be studied so as to negotiate multilaterally-agreed rules, including qualification and quantification of non-tariff barriers and their gradual reduction on the basis of countries' ability to reciprocate, to reduce their scope to distort trade.

- Trade in tasks (integration into global value chains) cannot be performed well unless there is equal emphasis on all three factors of production; capital, labour and knowledge. As their use is increasingly getting integrated, in some sense they are endogenous as well. While trade in capital and that in knowledge is drawing political attention among the policy-makers, that is not so in case of trade in labour. More emphasis on addressing labour market rigidities through trade in labour will not only strengthen the role of trade as a tool for inclusive growth but will also help poor countries to get integrated with global efforts on trade in tasks.
- Based on the principles of reciprocity and non-discrimination, there should be multilaterally agreed rules to address trade-related market contestability issues arising out of competition-related trade distortions and trade-related competition distortions.
- The WTO Secretariat should do joint studies and capacity building with United Nations Framework Convention on Climate Change, Food and Agriculture Organisation and other inter-governmental organisations to create better understanding on trade and trade-related issues in governing global public goods such as climate change, food security and how the poor countries can deal with them.

Conclusion

The moot question – whether a multilateral trading system is ready to face 21st century trade challenges – is to be addressed in the light of the following two conditions:

- WTO, as an institution, is act as a platform where diverse expectations are harmonized.
- The new Quintile of the WTO members, consisting of Brazil, the EU, India, the US and China, is to collectively provide stability to the multilateral trading system.

The first one fundamentally deals with the purpose of the WTO as an institution. For the multilateral trading system to work better there should be more emphasis on reciprocal obligations including less than full reciprocity on the part of all of its players as per common but differentiated responsibilities principle for trade liberalisation to act as an effective means for poverty amelioration and reduction in inequality leading to inclusive growth. Countries should focus on absolute gains that would accrue to them as a result of taking part in the multilateral trading system as against relative gains.

**Table 2: How do we develop a Geneva Consensus for “trade liberalisation with safety nets”?
(Ranking based on priority)**

Priority	<i>Bridging the gap between development concerns in capitals and negotiating concerns in Geneva</i>	<i>Building consensus step-wise – first at regional level by deliberating issues at regional economic communities and then taking them to Geneva</i>	<i>Strengthening the relationship between the WTO and other inter-governmental organisations</i>	<i>Strengthening the relationship between state and non-state actors – at domestic, regional and international level</i>
1st Priority	18	8	5	11
2nd Priority	9	8	9	10
3rd Priority	4	13	9	8
4th Priority	7	9	15	8

Secondly, for the WTO to become a more effective institution to deliver trade as an important tool for inclusive growth, there should be stability in the system. The new Quintile should be responsible for collectively providing stability to the WTO as an institution governing the multilateral trading system. 21st century trade challenges are such that in order to address them there should be adequate lubrication in the governance of the multilateral trading system, so that the conflicts are the least. Collective leadership can provide the much needed stability in the multilateral trading system by both reducing the possibilities of conflicts through the use of economic power. They should exercise their economic power collectively and through economic diplomacy as against coercion.

Given the two conditions which can determine whether 21st century trade challenges can be successfully addressed or not (in other words, effectiveness of the multilateral trading system), there are four possibility scenarios:

- An ideal scenario is where there is a high degree of possibility of the fulfillment of both the conditions: the WTO, as an institution, act as a platform where diverse expectations can be harmonised and collectively the new Quintile of the WTO Members provides stability to the multilateral trading system.
- The most undesirable scenario is where none of the two conditions are fulfilled. That could lead the world to an economic chaos as witnessed during the inter-war years in early part of the 20th Century. The impeding economic crisis in Eurozone countries may prove to be more than just flapping of butterfly wings.
- The other two scenarios (combination of the two conditions) are unlikely to happen. This is because the two conditions necessary for addressing 21st century trade challenges are to be looked at as per the principles of normative economics as against those of positive economics.

Enabling the WTO to address 21st century challenges requires complete support and back-up from all member states. To attain such a position, there is need for trade policy reviews, especially from the perspective of how to make trade as a means for poverty amelioration and reduction in income inequality leading to inclusive growth. Increasing application of non-tariff measures has emerged a serious challenge. If the current “business-as-usual” situation persists it could undermine trade integration efforts and could create obstacle to trade from becoming an effective tool for poverty amelioration. This calls for in-depth study of impact of non-tariff measures on trade under imperfect competition.

Finally, two additional initiatives could make the WTO regime more prepared for addressing 21st century challenges. First, there should be multilaterally agreed rules to address trade-related market contestability issues arising out of competition-related trade distortions and trade-related competition distortions. Secondly, there is need for the WTO Secretariat to conduct joint studies and capacity building with organisations such as United Nations Framework Convention on Climate Change, Food and Agriculture Organisation to create better understanding on trade and trade-related issues in governing global public goods such as climate change, food security and how the poor countries can deal with them.

For this to happen, we need to develop Balanced Rules for a Geneva Consensus on Trade Multilateralism based on the principles of:

- Right to free and fair trade
- Good governance at the national, regional and multilateral levels
- Capacity building of smaller developing countries, particularly least developed countries
- Coherence among all relevant international organisations
- Linkages among issues, stakeholders and Geneva-grassroots