



Trade Frictions arising from global imbalances

Peter Draper

Development through Trade
Programme

SAIIA

16th September, 2010





Overview

- The Multilateral Trading System: Emerging Systemic Issues
- The Multilateral Trading System: Key Questions





The Multilateral Trading System: Emerging Systemic Issues

- By and large the system has worked concerning those trade issues covered by WTO disciplines
 - But some gaps are evident (Evenett and Hoekman, 2009):
 - Subsidies disciplines (exports; finance)
 - Government procurement
 - Policies affecting movement of services workers
 - Services exports
 - Transparency and notification mechanisms
 - Climate change





The Multilateral Trading System: Emerging Systemic Issues

- Global economic imbalances and the trading system: Exchange rates
 - Should the WTO be involved in exchange rate issues?
 - If yes, how?
 - Implications for dispute settlement?
 - Division of labour between WTO, IMF and World Bank?
 - G20's role? (Two countries are not WTO members)





The Multilateral Trading System: Emerging Systemic Issues

- Shifting economic power-balances
 - Accommodating emerging market needs in the MTS?
 - Leadership (read China)
 - Plurilaterals and/or critical mass decision-making?
 - Single undertaking?
 - Multilateralizing regionalism?





The Multilateral Trading System: Emerging Systemic Issues

- Is the US retreating from global trade leadership?
 - Theory of hegemonic stability – potential consequences if yes
- The old order is dying but the new order is in its infancy





The Multilateral Trading System: Key Questions

- Will global imbalances trigger a trade war?
Not immediately, so far the system is working. But the longer imbalances endure in crisis conditions the greater the risk. Unwinding ongoing fiscal expenditures (subsidies) arguably pose the greatest challenge (Sally and Erixon, 2010)
- How can protectionism arising from unilateral actions be avoided?
The G20 needs to seriously engage with the trade agenda and practice what its member states preach. It should also establish a robust monitoring mechanism.

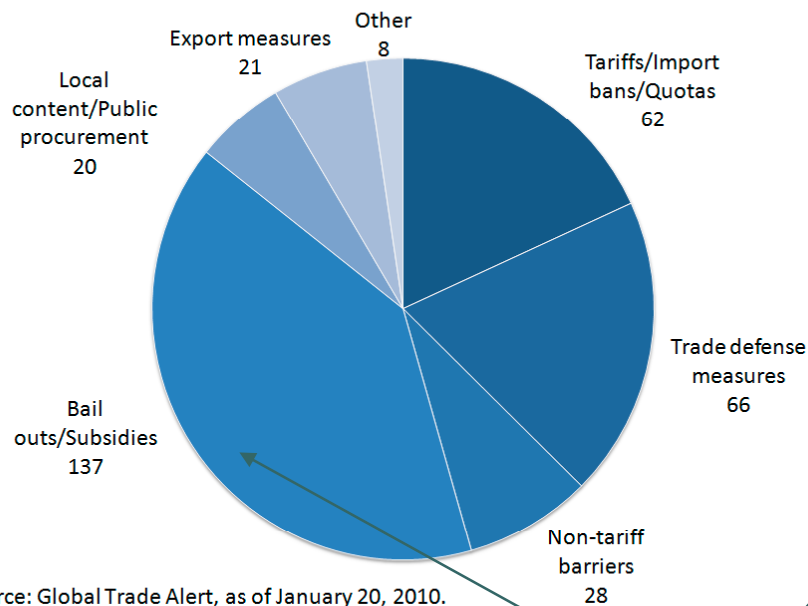




Global Protectionism: Differing Perspectives

GLOBAL TRADE ALERT

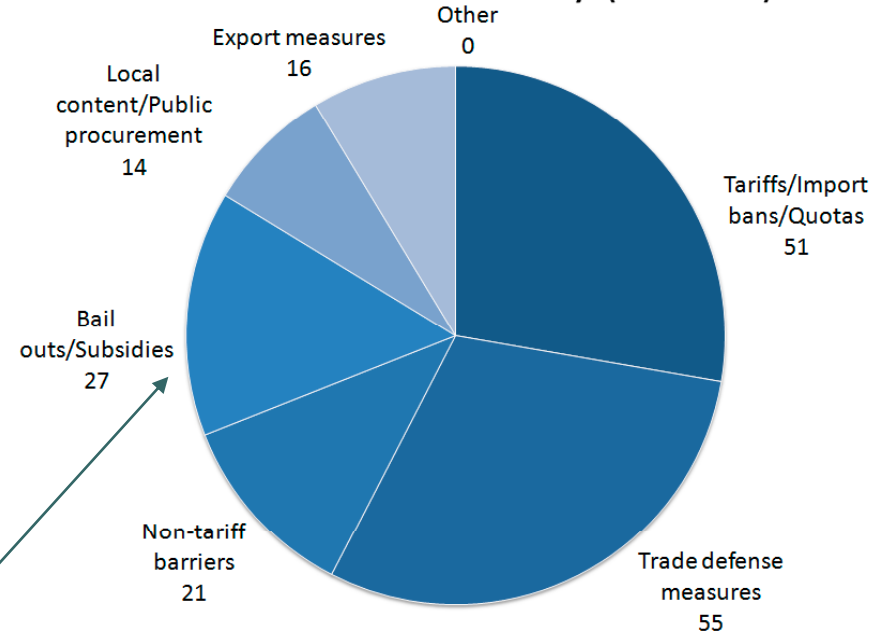
Total Red/Implemented Measures in GTA: (Total =342)



Source: Global Trade Alert, as of January 20, 2010.

INTERNATIONAL MONETARY FUND

Measures Included in Our Study: (Total =184)



Source: IMF Report, April 16, 2010

Major difference

Fiscal policy consolidation needed?



The Multilateral Trading System: Key Questions

- Can the Doha round be revived?
That ultimately comes down to US leadership, but other countries also have to step up to the plate
- So can the G20 energise the multilateral trading system?
Unfortunately the G20 lacks a common normative basis or 'glue' binding its member states together; and opinions about what constitutes effective development strategy vary widely. Furthermore, its legitimacy is in question. Nonetheless everyone seems to agree on the need for the multilateral trading system as a key component of global peace and security. Whether this will be sufficient in the long term remains to be seen.

