Testing times for those seeking open markets

By Shawn Donnan

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Viewed from on high and away from the niggling of the negotiating rounds, there are two ways to look at what is happening in the world of trade.

The optimistic view is full of promise. The global economy, it holds, is about to reap the fruits of the most ambitious effort at trade liberalisation in two decades.

Better yet, when it succeeds Liberalisation will help restore growth and put globalisation back on track after years of a slowing contribution to growth by trade.

Negotiators in Geneva may be struggling to rescue the Doha Round of world trade talks, and to overcome the new Indian government’s objections to a deal struck in December by the World Trade Organisation’s 159 members in Bali. And, now the 13-year-old Doha Round does look like an awkward teenager, making life difficult for its parents while the WTO, about to turn 20, seems increasingly caught in its own post-pubescent existential funk.

Yet the pragmatists working outside the WTO are winning, the optimists argue.

Within months a grand “mega-regional” deal could be struck in the form of the Trans-Pacific Partnership (TPP), a union of 12 Pacific Rim countries now dominated by the US and Japan. US President Barack Obama has said he wants to announce significant progress on the partnership at the Asia-Pacific Economic Cooperation forum in Beijing in November.

By the end of next year the EU and US may close their own Trans-Atlantic Trade and Investment Partnership (TTIP). Moreover, the EU has announced the successful end of negotiations with Canada, notching up its first trade agreement with a G7 country.

There are tangible steps towards freer trade being being taken in Africa, Latin America and southeast Asia. And all seems to be well with a major “plurilateral” effort at liberalising the global trade in services.

The optimists argue that amounts to the most promising collection of trade liberalising measures since the Uruguay Round of the mid-1990s.

It is a compelling vision. But there is that other view of the state of things.

The pessimistic take – and its advocates would, of course, call it the realist’s view – is that all the negotiations now under way are ridden with naive false promise.

Whether it is across the Atlantic or the Pacific, negotiators – led by American officials – are bogged down in the complexity of their undertaking, even as their political masters demand rapid progress.

Moreover, they are being outfoxed by vested interests determined to keep whatever protections they enjoy in place.

Few, if any, of the major attempted agreements now being negotiated are likely to succeed, the pessimists argue. And when they fail the world will fall back into a creeping protectionism, one that will contribute to an extended era of below-par growth for the global economy.

The problem the optimists face is that the world of trade recently has generated plenty of reasons to be gloomy.

And that, as power politics return in the form of the crisis in Ukraine or gunboat stand-offs in the South China Sea, suspicions are rising.
The US may, with a sharp focus on China, be leading the charge for much of the trade liberalisation now on the agenda, but President Barack Obama still lacks the fast-track authority he needs from Congress to close any trade deal. And that is evident in the slow progress of its negotiations, particularly with Japan where every promise of bold reform by Shinzo Abe, prime minister, seems to stiffen opposition to opening its agricultural markets in the negotiating room.

Worse still, from the point of view of trade negotiators, the 2016 US presidential elections are rapidly approaching.

Within the EU there is a growing public scepticism fed by frenetic social media campaigns about the value of concluding a trade deal with the US even as the strategic case for one grows via the belligerence of Russia’s president Vladimir Putin.

Across the developing world there is a suspicion that all attempts at “mega-regional” agreements, such as the TPP and the TTIP, are about the rich world seizing back the control it has progressively lost over the agenda in the WTO.

That suspicion is not without foundation. In a September speech in Washington, Michael Froman, the US trade representative laid out in unusually stark terms the justification for the Obama administration’s trade agenda.

“US trade policy is a central part of what may be the most consequential strategic project of our time: revitalising the post-world war two international economic order,” Mr Froman told a forum on the TPP and its strategic merits.

The foundations of that order, he said, had been disrupted by “a series of seismic shocks”, including “the rise of emerging markets”. But the US was now working to fix that.

“We’re now engaged in a major effort to ensure that, as the current order evolves, it continues to reflect our interests and our values, and that the US continues to play a leading role in it. And trade is one of our most promising tools for that project.”

The global economy may indeed be on the cusp of something big when it comes to trade. But monumental things always face monumental obstacles. This time is no different.

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