



NEXT GENERATION TRADE

Building a Principled, People-Centred Global Economy



DE-WEAPONISING TRADE

Session Briefing

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In their new book, *Good Economics for Hard Times*, 2019 Nobel Prize winners in Economics, Abhijit Banerjee and Esther Duflo write that, “sometimes we forget that the case for free trade is by no means self-evident. For one, the general public is certainly not convinced. They are not blind to the gains of trade, but they also see the pains.”¹

Historians of international trade point to meetings such as the World Economic Conference in 1933 as early examples, although largely unsuccessful, of inter-governmental efforts aimed at resisting protectionism and the spread of inward-looking anti-trade economic policies.² This period, marked by severe economic hardships, had dangerous political consequences as well, “undermining faith in democratic governments to manage their economies and hence abetting a turn to more authoritarian regimes...”³

Following World War II, steps to revive international trade were largely framed around the importance of economic cooperation in fostering peaceful relations between countries. As U.S. President Harry Truman put it in 1947: “If the nations can agree to observe a code of good conduct in international trade, they will cooperate more readily in other international affairs. Such agreement will prevent the bitterness that is engendered by an economic war. It will provide an atmosphere congenial to the preservation of peace.”⁴

Fast forward to today’s world, in which sophisticated global supply chains and related progress in terms of poverty reduction and economic development have been made possible to a significant degree by a stable trade regime. At the same time, there is renewed concern, two decades after the “Battle in Seattle” and the collapse of World Trade Organization (WTO) negotiations over perceived unequal costs and benefits of globalisation. There is widespread opinion that the international trade system “hasn’t nurtured our domestic institutions that support workers and their families, such as unions and the social safety net; thus, people are angry... Indeed, a growing body of research shows that pursuing growth without equity is bad for both.”⁵

1 Abhijit Banerjee and Esther Duflo, *Good Economics for Hard Times: Better Answers to Our Biggest Problems*, 2019, p. 52

2 https://www.researchgate.net/profile/Petros_Mavroidis/publication/265001187_The_genesis_of_the_GATT/links/54d1de900cf28370d0e14fdc/The-genesis-of-the-GATT.pdf?origin=publication_detail

3 ibid

4 Speech at Baylor University, 16 March 1947

5 <https://democracyjournal.org/magazine/48/toward-an-institutional-turn-on-trade/>

Critics of the international trading regime point not just to unfair distribution of economic benefits but also to impacts of the system's expanding scope. Some experts note that "the WTO not only made it harder for countries to shield themselves from international competition but also reached into policy areas that international trade rules had not previously touched: agriculture, services, intellectual property, industrial policy, and health and sanitary regulations."⁶ This has led to calls for new international norms that would expand space for governments to pursue domestic objectives, including updated rules on issues such as permitting countries to temporarily protect sensitive sectors from competition.⁷

These arguments are set within the context of mounting trade conflicts, chiefly between China and the United States, and growing concerns that an expanding trade war, including reliance on national security arguments as grounds for tariffs, could spiral out of control, adversely impacting broader international relations. An example of these developments is seen in the case of Canada detaining Meng Wanzhou, a senior executive at Huawei, on a U.S. arrest warrant involving the company's involvement with Iran. In response, China arrested and has continued to detain two Canadian nationals on charges of stealing and illegally sharing state secrets. U.S. President Trump has suggested this case may be dropped in exchange for Chinese trade concessions and a new trade agreement between the countries.⁸

Despite such conflicts and related developments such as the deadlock over appointments of new judges to the WTO's Appellate Body, nations continue to move ahead with bilateral and regional trade agreements. For example, members of the Regional Comprehensive Economic Partnership (RCEP), currently made up of 15 countries within South Asia and the Pacific regions, have committed to completing a major trade deal in 2020.⁹ This impending step should be seen alongside other recent developments such as the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), which member states expect to bring about opportunities to increase exports for many industry sectors over the coming years.

Questions for consideration:

1. What steps should the international business community, trade unions and civil society actors take in order to urge states to "deweaponise" trade policies and practices? How much damage could current trade conflicts do to the rules-based trading system as well as other areas of international governance that have been developed over the past 70 years?
2. How can the international trading regime most effectively account for the "downsides" of trade in specific countries and industry contexts? Should the answer focus on greater flexibility for national level actions or are new forms of international cooperation also needed to ensure that those who are adversely impacted are compensated and supported?
3. Are regional trade and investment agreements like the CPTPP that incorporate provisions relating to human rights, labour standards and environmental protections a promising way forward for the foreseeable future in managing adverse impacts of trade on people? What are the strengths and weaknesses of such agreements and what other approaches may be needed?

6 https://drodrik.scholar.harvard.edu/files/dani-rodrik/files/globalizations_wrong_turn.pdf

7 *ibid*

8 <https://www.reuters.com/article/us-usa-trump-huawei-tech-exclusive/exclusive-trump-says-he-could-intervene-in-u-s-case-against-huawei-cfo-idUSKBN10A2PQ>

9 <https://www.asean2019.go.th/en/news/3rd-regional-comprehensive-economic-partnership-rcep-summit/>