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RSIS High-Level Informal Meeting

Trade Threats and Responses

By Evan Rogerson

Synopsis

As the clouds of trade war continue to gather, the Centre for Multilateralism Studies at RSIS is convening on 24-25 October 2018 a high-level informal meeting among officials, the private sector and academics from around the Asia-Pacific region to discuss the threat and what can be done about it.

Commentary

INTERNATIONAL TRADE faces an unusually uncertain and unpromising policy environment. A rising tide of economic nationalism in major economies threatens to undermine the global integration that has promoted growth and distributed it more widely. Multilateral structures have been weakened and trade liberalising agreements are being depicted as a threat. Trade war is a real and immediate danger.

The World Trade Organisation (WTO) has just revised its trade growth forecasts downward, from 4.4% to 3.9% for 2018 and 3.7% for 2019. The International Monetary Fund's (IMF) global growth forecast has also been cut by 0.2% for 2018-19 and the outlook is for further softening. The most significant cause of this decline is the restrictive trade measures introduced since April. Even where their direct effect has not yet been felt, the uncertainty they induce affects investment decisions.

Economic Nationalism: From Rhetoric to Reality

As the IMF observes: "Escalating trade tensions and the potential shift away from a multilateral, rules-based trading system are key threats to the global outlook."

Over the course of this year, economic nationalism has passed from rhetoric to reality. In early 2018 the United States announced tariff increases on washing machines, solar cells, steel, and aluminum. Then on 15 June 2018 the US announced a 25 percent tariff on imports from China worth US\$50 billion. China retaliated at a similar level.

On 17 September, the US announced a 10 percent tariff – rising to 25 percent by the end of the year – on an additional \$200 billion in imports from China. In response, China announced tariffs on a further \$60 billion of US imports. The US has also suggested that a further \$267 billion of Chinese goods – covering nearly all remaining Chinese imports – may be hit with tariffs, and it has also raised the possibility of tariffs on the automotive sector that would affect many other countries.

In the IMF's analysis, an intensification of trade tensions, and the associated rise in policy uncertainty, could dent business and financial market sentiment, trigger financial market volatility, and slow investment and trade. Higher trade barriers would disrupt global supply chains and slow the spread of new technologies, ultimately lowering global productivity and welfare. More import restrictions would also make tradeable consumer goods less affordable, harming low-income households disproportionately.

Eroding Foundations of Trading System

The need for international trade and economic co-operation has never been greater. Yet the rules and the institutions that underpin co-operation and stability are themselves under threat. The WTO dispute settlement system is in crisis, with the impasse over the appointment of new Appellate Body members.

At the same time the possibility of negotiating significant new multilateral trade deals is remote. The collective emphasis on the development gains from trade liberalisation that marked the launch of the Doha Round in 2001 is long gone. As China and others emerged as trading powers, the positions of the older powers hardened and the negotiations deadlocked.

The cracks that were papered over as long as there appeared to be life in the Doha negotiations have come back deeper than before. Between the older powers, especially the US, and the emerging major traders, particularly China, the climate of mistrust makes significant progress at the multilateral level impossible.

The limitations of regional and other free trade agreements as alternatives are also becoming more obvious. They are vulnerable to the same forces of economic nationalism as the multilateral system. Nonetheless, they remain the best option in current circumstances to keep a mutually beneficial trade agenda moving.

Making a Difference: Singapore Trade Policy Forum

Smaller, trade-dependent economies like Singapore are active in defending a stable trading environment. Their efforts need the support of the whole trade policy spectrum, from government officials and business leaders to academics. A holistic

approach to trade issues involving a range of stakeholders can generate fresh thinking and inform policy development. This is the aim of the Singapore Trade Policy Forum to be held on 24-25 October 2018.

The Forum is being organised by the Centre for Multilateralism Studies at the S. Rajaratnam School of International Studies (RSIS) in Singapore. It will bring together around 40 senior trade experts from governments, the private sector and universities from the Asia-Pacific region and beyond.

The agenda covers:

- The threat of trade war and possible responses. How dangerous would a trade war be to the Asia-Pacific region? What will be the effects on global and regional value chains and investment decisions?
- Rebuilding a stable trading environment. How did we come to the point where trade war was possible? What can be done to avoid it in future?
- Trade rules for the digital age. New rules for new situations. The impact of industrialization 4.0 on trade - agriculture, industrial goods and services as well as the “new” issues of the digital economy and eCommerce.
- The crisis in dispute settlement; how has the WTO dispute settlement system moved from celebratory mood a couple of years ago to existential crisis today?
- Renewing a pro-trade consensus. How to build a more inclusive and responsive trade agenda?

This very timely meeting fills an urgent need for an informal, inclusive international forum where stakeholders in trade policy can come together as individuals, rather than as representatives of governments or organisations, for focused discussions. Its approach can be described as “Track1.5”, combining the perspectives of governmental and private policy actors.

While the meeting will be private in order to enable freer discussion, the main themes and any conclusions that emerge from it will be published. Those who support the rules-based trading system need to renew their intellectual engagement with its challenges and construct credible responses to them. This Forum is a step in that direction.

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