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*RSIS High-Level Trade Policy Meeting*

## **Looking into the Trade Abyss**

*By Evan Rogerson*

### **SYNOPSIS**

*With the outbreak of large-scale trade wars around the world, and the pressures nationalist governments have applied on the World Trade Organisation (WTO), there is an urgent need for an in-depth evaluation of the perils and possibilities for trade policy.*

### **COMMENTARY**

TRADE WAR has become a reality. The threat of Brexit is having a chilling effect in Europe. The Regional Comprehensive Economic Partnership (RCEP) negotiations are unlikely to be concluded this year. And the WTO system moves closer to paralysis with the looming collapse of its appeals function and the continuing inability of its members to make progress in multilateral negotiations.

There is little to offset this gloomy panorama. The EU-Mercosur Free Trade Agreement (FTA) is significant, but its implementation is threatened by political strife over the Amazon. The US-Japan deal is less substantial than the Trans-Pacific Partnership (TPP), now transformed into the Comprehensive and Progressive Agreement on TPP (CPTPP) following the withdrawal of the United States. Other initiatives in Asia and Africa are a long way from fruition.

### **Counting Cost of Economic Nationalism**

This is why the second Singapore Trade Policy Forum convened by the Centre for Multilateralism Studies (CMS) at RSIS, with the support of the governments of Singapore, Australia and New Zealand, comes at a crucial moment. On 21-22 October 2019, around 30 senior trade experts from governments, business and academia,

local and international, will take part in an intensive informal debate on key facets of the emerging crisis. These are:

Since this time last year, threats of trade disruption have become reality. Unilateral actions and reactions are having a negative impact not only on trade growth but also on the global economic outlook. From agriculture to high-tech, the uncertain trading climate is affecting investment and confidence.

Questions for the Forum include whether there is an end in sight; the seriousness of the damage so far and what could be the next layer of threats. We need to ask if this is a matter of political cycles or a fundamental shift in the politics of trade. The reaction of business is crucial.

As the WTO has declined, efforts have been invested in regional, plurilateral and bilateral alternatives and in looking for new leadership. There have been positive developments, notably CPTPP, but other structures of trade co-operation from APEC to the G20 have run into similar problems to the multilateral system.

Are existing regional and plurilateral arrangements up to filling the gap? How do they handle the trade-off between depth and breadth, and how can they contribute to rebuilding a more stable trade environment? Are sectoral initiatives the way forward, and can they be brought back into a broader context? How do we deal with the risk that they intensify the rich country/poor country divide?

### **WTO Reform – What Does it Really Mean?**

We need to look behind the catchphrase. The agenda so far is largely a response to US positions; it is not clear that this is a basis for broad agreement. Paradoxically, much of the debate on multilateral reform is taking place either outside the WTO or plurilaterally.

It is essential that more structured discussions be extended to include the whole WTO membership. Dispute Settlement is the most urgent challenge, with the Appellate Body on the brink of collapse.

Special and Differential treatment for developing countries is increasingly divisive. Besides these acute problems, we need to think about decision-making in the WTO and the future of multilateral negotiation. A key question is whether WTO reform means a two- (or more) tier system, or, alternatively, competing systems grouped around competing powers.

### **Rules for Digital Economy – Stimulus to New Negotiations?**

Digital transformation is rapidly changing the economic landscape across the Asia-Pacific region. The issue is whether the trading system can be revitalised to adapt to the pace of technological progress in a digital world economy.

Trade agreements to date have just scratched the surface of the issues governments and business are facing – from data and the use of artificial intelligence, to tax policy and content regulation, to cyber security.

Reluctance in some quarters to engage multilaterally on digital issues in the WTO has led to plurilateral approaches. What do these agreements mean for existing trade regimes and a future agenda for cooperation between governments and the private sector?

In the 1990s, the WTO Agreement on Basic Telecommunications required substantial work between trade ministries and other government entities on issues like access and competition. Are new models for cooperation required for access to broadband and connectivity, along with trade rules?

### **Trade and Climate Change: Clash Waiting to Happen?**

Public awareness and concern about climate change are on the rise. The consequences of global warming are impacting lives now. This trend will intensify, obliging governments to take more stringent action to curb carbon and carbon-equivalent emissions.

Regardless of whether such action will be sufficient or timely enough, intensified efforts will surely raise tensions between trade policy and climate change policy. Governments will become increasingly concerned about “carbon leakage”.

In the absence of international agreement regarding the attribution of responsibilities for action among nations, or the establishment of an appropriate “border adjustment” arrangement, both trade policy and climate change policy will suffer. Is a regime clash inevitable or can governments act to prevent it?

### **Globalisation – Endangered or Just Evolving?**

Aside from the trade war, it is useful to ask how far there has in fact been a reaction against globalisation. This means examining the extent to which rising inequality and a sense of exclusion is blamed on international economic engagement, how robust is the link, and what can be done about it.

Nationalist ideologies imply less reliance on global markets and more reliance on national and perhaps regional ones. The question is how easy that disengagement would be, given the intertwined nature of the production and consumption relationships that have been built up over the last decades.

Does the trade war presage delinkage between China and the United States, bifurcating the global economy and obliging many other countries to make economically costly choices?

There are no easy answers, but frank and informed debate is essential to help shape policies that can rescue the trading system.

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