

## Reviving Commitment to Multilateralism

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It is perhaps fortunate that the bar for success at the World Trade Organization's Ministerial Conference has been set so low, given the failure of this ministerial to agree on virtually anything, even a ministerial declaration. As United States Trade Representative Lighthizer left the conference early, amid pronouncements by others about how U.S. leadership would now be missing from the W.T.O., there was a feeling of inaction in the room. The usual excitement of previous Ministerial Conferences seemed to be missing, as issues that should have been easy for negotiators to agree upon gradually slipped off the table.

The System, as its Friends call it, is floundering. Of that, there is no doubt. Some members simply choose not to engage in negotiations which would directly help their economies, in an effort to score arcane political points that only those steeped in W.T.O. lore would recognise. The whole mechanism for negotiation seems cumbersome. One is reminded of Pascal Lamy's description of the organization as "medieval."

### Trouble has been brewing for some time

In 1997, the high-water mark of liberalisation, we had concluded the Basic Telecoms Agreement and its attendant reference paper on competition safeguards, and were looking forward to the sunlit uplands of energy services, financial services, and gradually filling the empty but promising cupboard that is the built-in agenda on services in the General Agreement on Trade Services (G.A.T.S.). From your vantage point twenty years ago, you would have been optimistic about 2017. But the next twenty years, representing around thirty percent of the seventy-year-old General Agreement on Tariffs and Trade/W.T.O. system, can be described as nothing short of disastrous.

Little progress has been made in the multilateral system except around the edges (the Global Trade Facilitation Agreement, for example), support for free trade has declined all over the world, and regulatory barriers have steadily increased, creating economic distortions that make supply chains less efficient and taking wealth out of the global economy. As a result, we see declining levels of actual wealth creation, such as industrial output. We see trade as a share of world G.D.P. going down. We see global growth rates stuck below two percent, and we see the consequent budget deficits and the need for austerity measures.

### If multilateralism is in trouble, what then is the solution?

The answer may lie in the open: plurilateralism, one of the few positive announcements from Buenos Aires. While W.T.O. members failed to agree to even launch a working group on e-commerce, an open plurilateral was announced with some 70 countries participating. We may be in a Tokyo moment, so-called for the Tokyo Round in the 1970s, when a number of conditional Most Favoured Nation agreements were launched, including the Government Procurement Agreement. Plurilateralism may also accelerate the services liberalisation agenda. Trade agreements among W.T.O. members, when genuine vehicles of trade creation, should also be encouraged as way of setting targets that other members can follow.

If the general membership do eventually come around to the notion that the liberalisation contained in these open plurilaterals is of value to their economies, they will join these agreements, which they can easily do due to the openness of the platform. But it is critical for the system that countries

seeking to liberalise are not held back by the lowest common denominator. The irony is that the beneficiaries of this desire to get on with things are precisely those developing countries that currently refuse to engage; the benefits that come from trade liberalisation are nice to have for a rich country, but they are critical for a poorer one. The people closest to poverty are the ones who will be pushed into it fastest if global growth continues to stall.

### Light at the End of the Tunnel

Despite the lack of progress in Buenos Aires, there is hope for the future. Members formed a plurilateral group on e-commerce, and the United States, the European Union, and Japan issued a joint declaration to work trilaterally, in the W.T.O. and other forums, on the elimination of unfair, market distorting practices in third countries. Recognition that these three major trading powers should work jointly to deal with one of the most pernicious behind-the-border regulatory barriers is a very good sign.

One other area of hope could well arise if the United Kingdom, once it has left the European Union, is able to be a forceful advocate for services liberalisation and for pro-competitive regulatory reform. The United Kingdom is a very large economy—the sixth biggest in the world—is the second largest exporter of services, and maintains a historic commitment to principles-based regulation rooted in common law. The United Kingdom will not be able to play this role if it locks in to an E.U. regulatory system that requires consent for regulatory divergence, or if it is on a hair trigger and could lose recognition if it diverges in any way from the prescriptive regulatory rule-book of the European Union. However, if the United Kingdom does not bind itself in this way, it could act as a catalyst to unblock some global initiatives that have been stalled for far too long, generating much needed growth and lifting people all over the world out of poverty.