

KEYWORDS

International trade
Multilateralism
Competition
Trade policy
WTO
Protectionism
Economic regulation
Regional cooperation
Emerging markets
Latin America
Brazil
China
Russia
India

Globalization and the new international trade environment

Oswaldo Rosales V.

The combination of profound technological change and the emergence of powerful competitors such as China and the other BRIC countries has led to dramatic shifts in competitiveness and a tendency for production to be structured around global value chains. Against this background, traditional protectionist threats have reappeared and others have arisen in connection with new security requirements, private-sector quality standards, good practices and climate change. These issues are integral to the new competitive environment but could turn into protectionist barriers in the absence of the right multilateral approach. In view of this and of the current global crisis, the present paper offers some policy proposals oriented towards the adoption of an internationalization strategy in the region's countries, emphasizing the importance of innovation and on issues that can be addressed from a regional cooperation standpoint.

Oswaldo Rosales V.
Director,
Division of International Trade
and Integration
ECLAC
✉ osvaldo.rosales@cepal.org

I

Introduction

Over the past three decades, the international economy has been undergoing a rapid transition characterized by the advance of globalization, intense technological change and the rise of major new competitors such as China, India and the Asia-Pacific region in general. The implications of these three developments are manifold and complex. They include, for example, dramatic changes in the global map of trade and competitive advantage and the emergence of new winners and losers among economic areas, countries, production sectors and firms. The scale of these changes could even lead to some adjustments in the “centre-periphery” view of the world since, at least in its less refined versions, this does not accommodate the growing presence of competitive developing countries that are increasingly making their presence felt in dynamic segments of the global economy and acting as drivers of technological change.

The slowdown in global economic growth observed so far would have been worse had it not been for the dynamism of major emerging markets such as those in the so-called BRIC group comprising Brazil, the Russian Federation, India and China, at least up to the first half of 2008. These countries and emerging economies generally are now accounting for the bulk of world gross domestic product (GDP) growth and a substantial share of international trade. The BRIC countries are also gaining importance in the financial sphere, as they are playing an increasingly important role in sustaining global economic equilibria. Any hint as to what they (and particularly China) might do with their enormous reserves has immediate repercussions on global financial markets. Again, to be sustainable in the long run, any solution to the crisis would have to attribute a greater role to the BRIC countries and emerging economies in the system of international financial governance.

One of the most striking features of globalization is that financial flows are far larger and moving faster than real flows in the economy. This marked disparity, however, distracts attention from the equally spectacular changes taking place in global production and trade, which are critical to growth prospects in the coming years. It is on these changes that this article will focus. The severe repercussions of the

current global financial crisis do not invalidate these issues. The greatest damage to Latin America and the Caribbean from this crisis would come if the region were to repeat the mistakes of adjustment policies in the 1980s by unnecessarily undermining growth and employment and, most critically, by sacrificing investment in infrastructure, education and innovation. These costs explain the widening of the gap between the region and the Asia-Pacific economies.

Despite the scale of the changes in the global economy, which have coincided with a strong expansion (2003-2007), the dangers of traditional protectionism—export subsidies and direct domestic support in agriculture, and antidumping arrangements, to name some of the most important—have yet to be avoided, while the uncertainty associated with the new international situation is hindering progress with multilateral trade negotiations and creating scope for the application of new types of protectionist measures. If the global economy contracts in 2009 and 2010, it is not only the Doha Round that will be affected. In the context of an economic slowdown and credit crunch in the industrialized economies, the competitive challenges posed by emerging economies may trigger pressures for renewed forms of protectionism. There are new issues on the global agenda such as trade security, the links between trade, climate change and the environment and some competitiveness-related aspects such as certification of quality or good production practices which, if wrongly handled, could deepen these tendencies, particularly affecting exports of natural resources and natural resource-based manufactures.

The growing importance of innovation and the expectation of a less dynamic international environment highlight the need to apply internationalization policies which focus on increasing the knowledge incorporated into exports and encouraging international alliances, the creation of international trade networks, a greater presence in global value chains, investment abroad, support for small and medium-sized enterprises (SMEs) that emphasizes access to the intangible aspects of the new competitiveness and, in short, a more determined effort to train human resources that is commensurate with the intensity of the technological change we are experiencing.

II

Uncertainty in the multilateral trade environment

To address the new global challenges, there is a pressing need to modify the institutional structure and mode of action of the World Trade Organization (WTO). First, though, the Doha Round needs to be completed, not least because there would be less scope for significant WTO reform if it were to fail.

1. The need to complete the Doha Round

Given the seriousness of the international situation resulting from the subprime crisis, there have been suggestions that the Doha Development Round should be postponed until a more propitious time. This would be the worst possible course of action. On the contrary, precisely because the crisis is so severe, negotiations need to be concluded as soon as possible, ensuring that the results are balanced and meet the declared goal of contributing to development. The need to complete the Doha Round becomes more urgent as the outlook for the world economy and trade in 2009 and 2010 deteriorates.

Awaiting better times before resuming the Doha Round negotiations would be particularly ill-advised for at least two reasons. First, because the process has coincided with the most favourable cycle in the world economy for the past 40 years (2003-2007), and yet no significant progress has been made in that period. Second, because the message sent out by suspending negotiations specifically with a view to resuming them only under better economic conditions would worsen the prospects for the world economy yet further by opening the way not only to measures that directly blocked trade but also to others that, under the pretext of supporting the sectors affected by the crisis, would lead to new sectoral disputes that would overload the WTO dispute resolution system without allowing it to make progress with trade negotiations. This would be undesirable for the Organization, distracting it from the agreements process and forcing it to focus on conflicts.

The current international economic crisis, the worst in almost 80 years, poses a serious challenge to recent progress on trade liberalization, particularly because the two driving forces of globalization — trade and

capital flows— will be depressed in 2009 and part of 2010. The threat of protectionism is a challenge for the immediate future. In a scenario of simultaneous economic contraction in the United States, the European Union (EU) and Japan, with rising unemployment and tightening credit, the political authorities will find the pressure for subsidies and trade barriers difficult to resist. The debate on the enormous bailout for the United States automobile industry illustrates these dangers. If other trading partners went down the same route, competitiveness would no longer be about quality and low costs but about the budgetary capacity of governments. Sectoral bailouts of this kind could damage international trade, since the entire global manufacturing sector is suffering from a drastic downturn in demand but special financial support programmes favour only certain segments of it. In a context of continuing weakness in global demand, support programmes could give rise to artificial competitive advantages derived exclusively from various forms of fiscal support.

The protectionist danger does not lie only in measures that could infringe WTO commitments. After two decades of unilateral cuts, applied tariffs are well below consolidated ceilings agreed at the WTO. Indeed, countries could double tariffs without violating those commitments, which would lead to an 8% decline in international trade (*The Economist*, 2008a). This is precisely what it would take for the current crisis to turn into a depression of historic proportions. If we have learnt anything from the depression of the 1930s it is that procyclical policies and protectionism served to make the problem worse and more protracted. The debate seems to have been going the right way so far, as was demonstrated at the Group of Twenty (G-20) meeting held in Washington, D.C. in November 2008. However, if we examine the extent to which the three main commitments have been complied with so far, there is little room for optimism.¹

¹ Up until now, none of the 20 economies has met the commitment to apply a countercyclical fiscal policy and a programme of extra spending equivalent to up to 2% of GDP; the commitment to complete the Doha Round in 2008 failed, while the agreement

2. Reforming the World Trade Organization

The main WTO reforms discussed are the following:

(i) dealing with the erosion of basic non-discrimination principles (most-favoured-nation treatment and national treatment) that has resulted from the proliferation of preferential trade pacts and free-trade agreements, (ii) improving special and differential treatment for developing countries, particularly the least developed, (iii) improving coordination between the WTO and multilateral financing agencies so that trade reforms are accompanied by financial assistance to developing countries, (iv) creating institutional mechanisms that allow decisions to be taken more quickly and efficiently and (v) strengthening the ties between the WTO and civil society organizations (WTO, 2004).

(a) *Preserving non-discrimination*

One of the most striking features of today's international economy is the proliferation of bilateral or plurilateral free-trade agreements whose benefits, by definition, are confined to their signatories. They run counter to the principles of non-discrimination established by virtue of both most-favoured-nation treatment, which obliges WTO members to give similar treatment to all trading partners, and national treatment, which requires them to give these partners the same treatment as local economic actors in certain respects. Agreements of this type have been made possible by article XXIV of the General Agreement on Tariffs and Trade (GATT), which permitted customs unions and free-trade agreements to exist subject to certain conditions.² Hitherto, these conditions have been interpreted vaguely and countries have not shown any particular enthusiasm for defining them more precisely to ascertain how far the web of preferential agreements is compatible with GATT (now WTO) requirements.

Because of this proliferation of free-trade agreements, the world is moving towards a situation in which most-favoured-nation treatment, from being the norm two decades ago, is now becoming the exception.

to refrain from imposing new trade barriers for 12 months has already been broken by several of the governments participating in the summit.

² The conditions are basically as follows: (i) that the creation of these groupings does not result in more restrictive tariff barriers or trade regulations either between the members of a particular customs union or free-trade area or between them and non-member countries and (ii) that the trade agreements deriving from these customs unions or free-trade areas serve to remove the main obstacles to trade between the signatory countries.

If this comes about, the World Trade Organization will be severely weakened, as the bulk of trade flows will be governed by disciplines that, while similar to those of the WTO, do not come under its authority. Countries signing agreements of this type must notify them to the WTO, but this is a formality and the Organization does not have effective mechanisms for evaluating their internal effects and their repercussions on other partners.³ From this point of view, the more attractive option could be to start examining the possibility of improving links between the different agreements so that they become building blocks for free trade and not stumbling blocks, i.e., using preferential agreements to move towards the multilateralization of commitments and prevent them from turning into fortresses that block trade with non-members.

(b) *Improving special and differential treatment provisions*

Traditional mechanisms have consisted, first, in giving the least-developed developing countries more time to meet their commitments and, second, in allowing a significant range of their products to enter the markets of the main countries or groupings completely or partially tariff-free. The analysis by the group of experts convened by the WTO concluded that these provisions were inadequate and, in some cases, actually counterproductive. It was judged that the Generalized System of Preferences (GSP) applied, for example, by the United States and EU to exports from developing countries is ultimately ineffective for the following reasons: (i) because the benefits are concessionary and not binding, they are unstable and do not provide a basis for long-term investment planning, (ii) preferences are sometimes tied to obligations unrelated to trade, (iii) most benefits tend to go to the provider of the concessions, something that can be deduced from the number of products included and the margins of preference granted, (iv) benefits tend to have a low ceiling, with preferences being altered arbitrarily as the product involved becomes more competitive, and (v) there is a tendency

³ It has been suggested that this aspect should be incorporated into the Trade Policy Review Mechanism to give the WTO greater powers to evaluate the real contribution of free-trade agreements to the liberalization of trade flows. However, this would mean screening the entire trade agenda, old issues as well as new, as this would be the only way to reduce the incentive to sign agreements of this type. But this is highly unlikely and everything suggests that the trend towards free-trade agreements will continue over the coming years.

for beneficiary countries to become over-reliant on these preferences and slacken their efforts to diversify exports (WTO, 2004).

There is scope, then, to recast the concept of special and differential treatment by linking it more closely to the issues of trade assistance and facilitation and by providing developing countries with the resources they need to improve and expand their infrastructure, their exportable product baskets, their education systems and their worker training, as well as groupings of SMEs and their access to credit and new technology. This requires a closer and more functional relationship between the WTO and multilateral financing agencies such as the World Bank and regional banks so that resources can be made available to buttress trade reforms with the infrastructure, human resources and technology needed to complement them. Trade agreements, discriminatory or not, only generate opportunities for higher demand if the necessary exporting capacity is available. This need to expand and diversify the range of exportable products is even greater in the least-developed developing countries. In the renewal of special and differential treatment, in short, the emphasis should be shifted from export demand to export supply.

(c) *Improving the workings of the WTO*

Another subject for debate is the decision-making procedure of the World Trade Organization, as decisions are taken by consensus and not by vote. Each of these methods has pros and cons,⁴ but what is being discussed now is the need to make mechanisms more responsive and ministerial meetings more efficient, and to strengthen high-level political participation. Consideration has been given to forms of “variable geometry” that would allow commitments to apply only to those who originally supported them, but with room for multilateralization as new partners sign up.

⁴ See WTO (2004) for a more detailed discussion.

Other concerns include making progress with transparency rules and improving links with civil society organizations by publicizing WTO functions and activities more vigorously and providing training and technical assistance on trade rules to governments, academia, employers’ organizations and the media. The dispute resolution mechanism—one of the Organization’s most highly regarded—is among the few multilateral forums in which the complaints of developing countries have not only been heard, but in many cases have led to changes in the industrialized-country policies they challenged.⁵

The main contribution of the WTO to a stronger world economy consists in a set of trade disciplines ensuring that predictable ground rules are applied and preventing backsliding at times of crisis or economic contraction or slowdown like the present. In the absence of initiatives to restart the Doha Round, greater efforts should be made to identify and publicize the trade implications of the financial crisis by recording the protectionist measures being taken by the Organization’s members, irrespective of whether they comply with current rules. These efforts should also document the amount of resources involved and the costs the measures represent for developing countries. Much the same could be done for the cost of protectionist measures applied by these same countries and their distributive effects, whose main victims are usually lower-income groups. This awareness-raising effort would alert the international community to trade developments and help WTO members appreciate the need to resume the Doha Round negotiations.

⁵ An overview of WTO disputes can be obtained by consulting the Integrated Database of Trade Disputes for Latin America and the Caribbean (IDATD) prepared by the ECLAC Division of International Trade and Integration [online] <http://badicc.eclac.cl> or <http://www.cepal.org/comercio>, both of which contain links to English versions.

III

The new protectionist threats in the twenty-first century

The acceleration of technological change and its repercussions for the competitive hierarchy of firms, conglomerates and nations is tending to manifest itself in the appearance of new trade issues affecting competitiveness, although many of them have yet to be addressed in multilateral trade rules.

The rules on trade security brought in unilaterally by certain countries, or recommended by multilateral organizations such as the World Customs Organization (WCO), have created strong pressures for institutional and operational improvements throughout the chain of trade activities. In this context, private-sector rules have been developed whose application is voluntary but which can affect countries' competitiveness. They include good practices in agriculture, safety certification, the rules of the International Organization for Standardization (ISO) and quality certification. The influence of environmentalist and consumer movements has also grown, particularly in Europe, and this has had indirect consequences for international trade by increasing requirements for the safety and "traceability" of food products in industrialized-country markets. Lastly, mention should be made of the environmental and climatic effects of economic and international trade growth.

The multilateral trading system has by no means kept up with the speed of technological change or with unilateral initiatives backed largely by the new system of business actors from the private sector whose influence on trade issues is often greater than that of industrialized-country governments themselves. This interaction of technological and business developments with new trade issues and institutions is complex, combining requirements arising from technological progress, such as quality certification, and business models based on technological change that set out to limit competition and protect private-sector activities, such as certification requirements associated with specific laboratories and firms.

The boundaries between technological progress, new issues, the creation of new agencies and institutions and protectionism are blurred and can easily be overstepped, particularly if developing countries do

not have the technical capacity to distinguish changes inherent in technological change or new modalities of trade (like global value chains), to which they need to adjust, from what are merely novel ways of transacting private-sector business that may hinder competition or encourage protectionism.

1. Security in international trade

Following the attacks of 11 September 2001, security rules gained importance in international relations and began to affect trade regulations owing, in particular, to the need to prevent the global supply chain from being used for terrorist purposes. This led to the creation of the Customs-Trade Partnership Against Terrorism (C-TPAT) in the United States (2002), the Authorized Economic Operator (AEO) programme of the World Customs Organization (2005) and the Partners in Protection programme of Canada, all designed to secure supply channels.⁶ The new trade security programmes take in not just products themselves but also the proper handling and traceability of cargo right along the supply chain, on the basis that "the security of a transport chain depends upon its weakest link" (Commission of the European Communities, 2003).

Complying with the new requirements brings new costs; furthermore, they depend on the situation of the firm and the level of certification demanded.⁷ These measures may adversely affect small and medium-sized producers, since if they are not able to comply with the requirements of these programmes they risk losing markets as they cease to be competitive relative to firms which do comply, whose goods enter not only more rapidly but with stronger security guarantees. Thus, products no longer compete just

⁶ See ECLAC (2008a, chapter III) for a more detailed account of these initiatives.

⁷ This encompasses, for example, physical security measures at the firm, cargo protection, staff security procedures, staff identification and monitoring systems and electronic communication and database systems.

on quality and price but also on security, a variable whose importance for access to more sophisticated markets could increase further.

2. Private-sector rules on food quality and safety

There is growing concern about food safety and the possibility of accidental contamination. One consequence of the globalization of agrifood chains is that they have started to include production links which operate under different national institutional standards, including the quality of sanitary and phytosanitary regulation, cross-border protection and even the efficiency and honesty of officials. Although food safety has improved greatly in recent decades, progress at the individual country level has been uneven, so that there are still major outbreaks of disease transmitted by foods which have been contaminated with micro-organisms, chemicals or toxins. Thus, the cross-border trade in contaminated foods may be contributing to the spread of such outbreaks (WHO, 2007).

Voluntary quality standards have increased both in quantity and in strictness, with a view to ensuring product safety and corporate commitment to protection of the environment and employment rights, among other things. Several public and private institutions that oversee safety and sustainability are promoting concepts and programmes of good practice in agriculture and manufacturing, together with different actors in the agrifood chain.⁸

In addition, in recent years multiple organizations have emerged to promote the concept of “fair trade” and private certification, i.e., the granting of labels guaranteeing that a particular product has been produced in accordance with their standards. There are currently 20 certified fair trade initiatives, most of them in Europe and North America, whose objective is to regulate the use of product certification labelling.⁹

⁸ “Good agricultural practices” are the measures applied in the production, processing and transportation of agricultural products to ensure product safety and protection for the environment and workers.

⁹ These initiatives are members of Fairtrade Labelling Organizations International (FLO), an association that provides direct support to certified producers by defining the parameters of what is deemed “fair trade”. Working on the basis of ISO standards for certification bodies, FLO inspects and certifies some 500 producers’ organizations in over 50 countries of Africa, Asia and Latin America.

To participate in global value chains, it is of course necessary to meet international quality standards. Complying with the relevant voluntary private standards can facilitate access to the more profitable segments of these chains. Sometimes, however, the concept of “fair trade” may turn into protectionism, particularly when the aim is to impose specific business practices from industrialized economies, even though they may be no better than those in developing countries. Another unfair trading practice, which is not emphasized enough, is the agricultural protectionism in industrialized economies. In other cases, quality certification itself can become an attractive business and relax its original focus on upholding quality standards throughout the value chain. The proliferation of private standards and the growing market demand for them, particularly in the food sector, is forcing exporters to turn to a quality certification market that is lacking in transparency, has considerable barriers to entry and suffers from certain conflicts of interest between these agencies and the leading producers in the central economies. This being so, it is worrisome that what were originally private, voluntary standards originating in major global consortia are tending to become predominant in international markets, whether because of gradual de facto multilateralization, their great influence in key markets or the oligopolistic nature of certification agencies.

In some cases, governments wholly or partly adopt private-sector quality requirements and pursue standardization, which means that, in practice, these requirements can become compulsory. In this way, the agricultural sector, and exporters in particular, are forced to adapt to many requirements of both a public and a private character (Salles de Almeida, 2008).¹⁰

3. The trade effects of private standards

The adoption of private standards (in addition to compulsory official norms) is both a challenge and an opportunity for the region’s countries, as compliance with these may become a de facto prerequisite for exporting agricultural products to markets that are more environmentally aware and increasingly demanding about quality. Even though compliance with rules may create greater opportunities to access stringent

¹⁰ Among the most important are ISO rules on organic production, safety, good practice, denomination of origin and geographical descriptions.

markets, they may also act as trade barriers because of the costs they represent, especially for developing-country suppliers. They could also be protectionist if their requirements exceed those established in the WTO Agreement on the Application of Sanitary and Phytosanitary Measures (SPS Agreement). By and large, agricultural exporters in developing countries are uncomfortable with the proliferation of private standards. In this area, the WTO distinguishes between concerns about content and concerns about compliance (see table 1).

The main concerns raised at the WTO relate to the relationship between private-sector organizations and international standards organizations (private standards are generally stricter than international ones), certain unnecessary trade restrictions imposed by private-sector norms (especially for small farmers), the measures governments could adopt to ensure that private-sector organizations comply with the SPS Agreement, and their relationship with other areas of WTO work, such as technical barriers to trade. Another concern is the lack of transparency of private standards, as they are not notified to the WTO.

With regard to good agricultural practices, developing countries face three major challenges: (i) ensuring that the interests of small producers are considered in standards relating to both product safety and the sustainability of domestic production, since excessively strict requirements could drive out small producers, (ii) ensuring that producers are not overloaded with practices and norms which, while not legally binding, in practice condition market access, and (iii) monitoring their effects on production,

certification and marketing costs, particularly for smaller producers.

4. The implications of climate change for the trading system

Climate change will be one of the main challenges facing the international community over the coming years. The trading system is a source of tension, given potential conflicts between climate change and the basic principles of international trade: non-discrimination, removal of quantitative restrictions, and non-arbitrary discrimination. Governments have begun to draw up specific legislation to comply with international obligations in this area, particularly those deriving from the Kyoto Protocol. If this legislation fails to take basic WTO principles into account, members will probably try to settle their differences through the dispute settlement mechanism, which will increase the cost of cooperation and intensify opposition to the workings of the multilateral system based on WTO rules (Hufbauer, 2008).

Different initiatives have arisen in the developed countries to deal with the link between climate change and trade by implementing “offsetting border measures” (Brewer, 2007). In 2007 and 2008, different legislative proposals were discussed in the European Union and the United States to address these issues. The initiatives range from the possible application of tariff surcharges varying by the contribution of each product’s entire supply chain to the “greenhouse effect” (or its equivalent, the requirement to purchase international emissions permits) to new areas for “green”

TABLE 1

Concerns about the application of private sanitary and phytosanitary standards

预览已结束，完整报告链接和二维码如下：

https://www.yunbaogao.cn/report/index/report?reportId=5_2036

