



NEW TRADE REALITY AND MULTILATERALISM

Monday, 4 November 2013

Session 1

THE NEW REALITY OF INTERNATIONAL TRADE AND THE TRADING SYSTEM

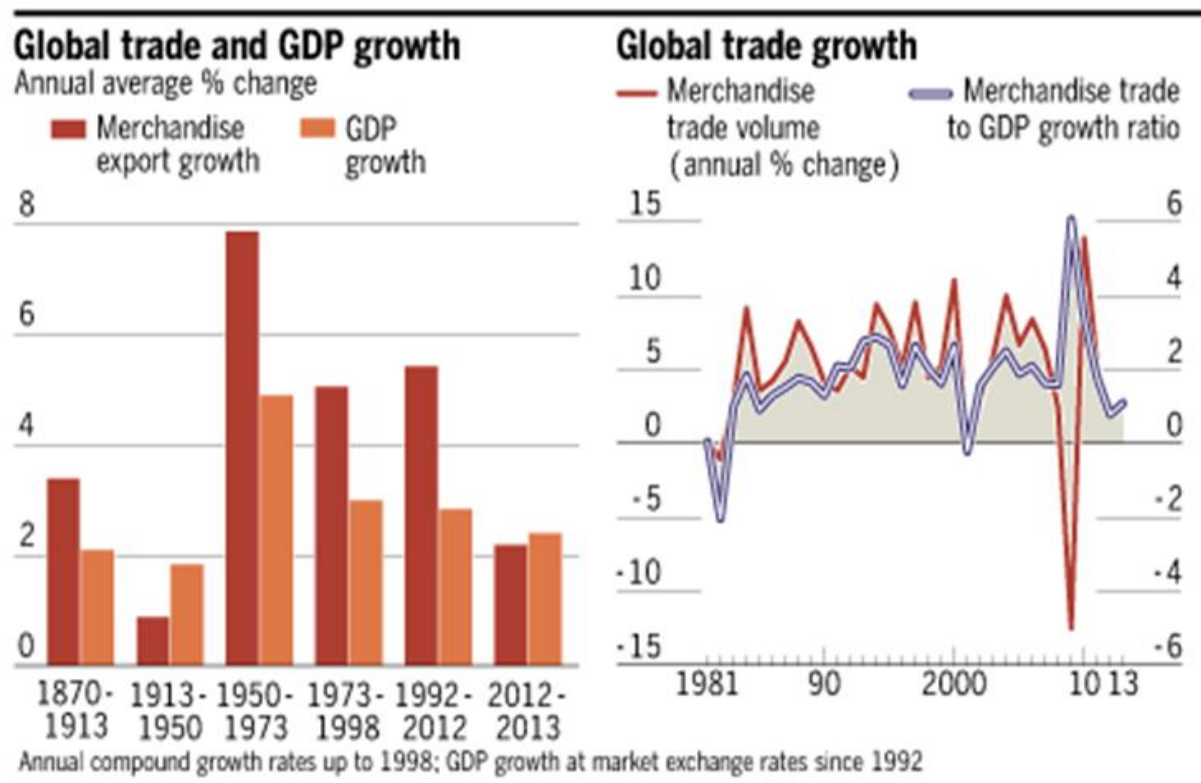
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OUTLINE

1. The new reality in international trade
2. The multilateral trading system & today's trade reality

1. NEW TRADE REALITY

FACT 1:
**WORLD TRADE GROWTH EXCEEDED THE WORLD GDP GROWTH BY A
 FACTOR OF 2:1 (FROM 1980 TO 2011)**

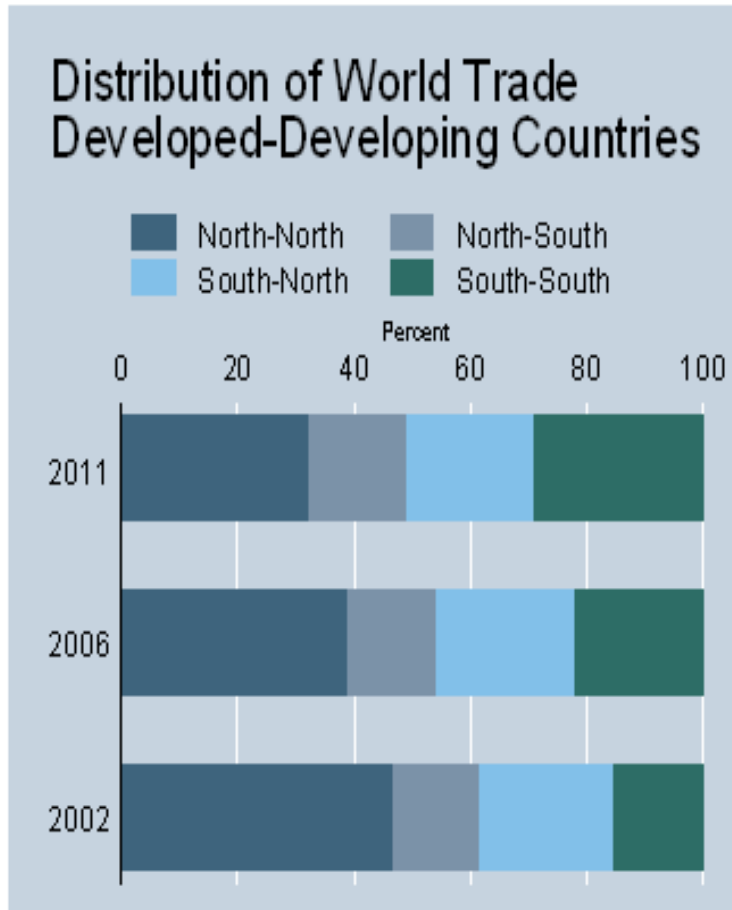


Source:

[“Trade: Into uncharted waters”](#), Financial Times, 24 October 2013

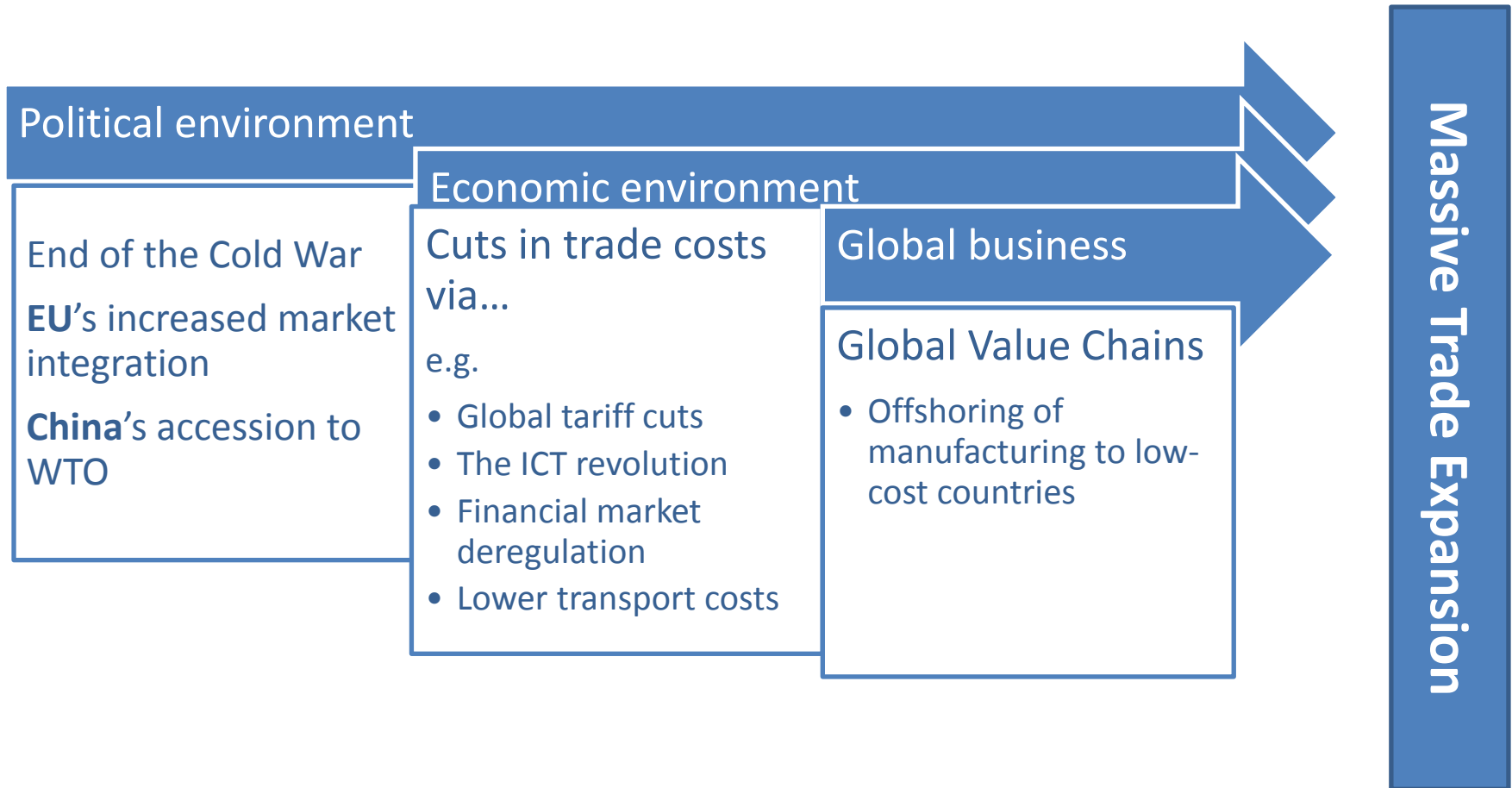
1. NEW REALITY IN INTERNATIONAL TRADE

- ... fuelled by expansion in trade among developing countries (South-South trade)



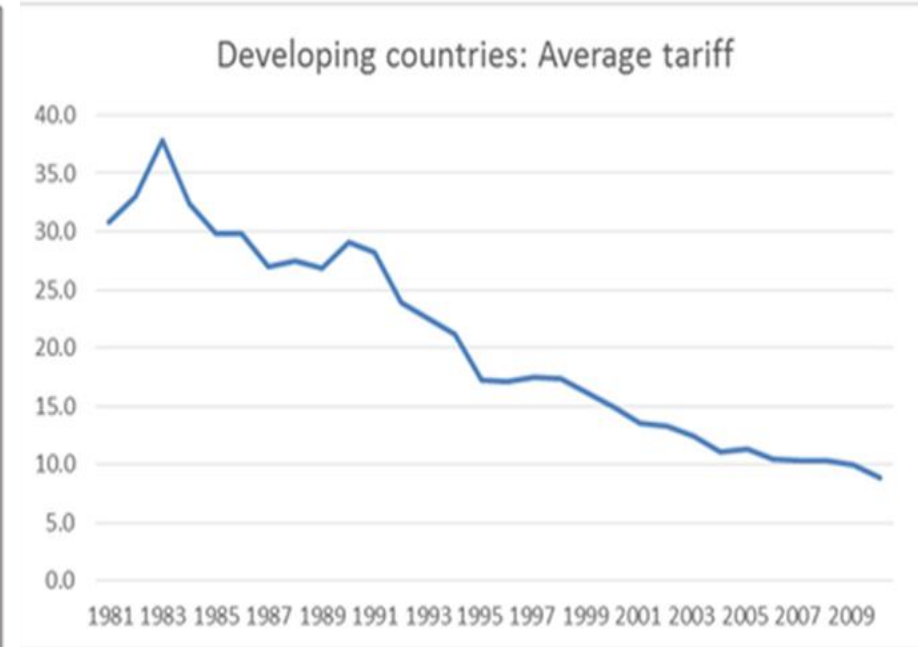
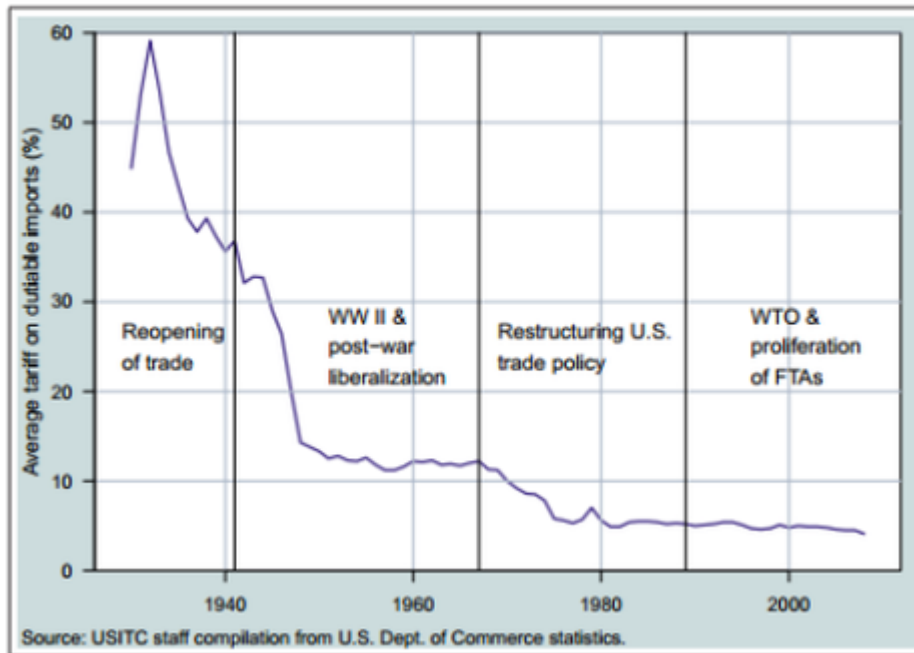
Source: UNCTAD (2013), [Key Trends in International Merchandise Trade](http://unctad.org/en/PublicationsLibrary/ditctab20131_en.pdf) 2013
(http://unctad.org/en/PublicationsLibrary/ditctab20131_en.pdf)

- and driven by changes in:



Example: Tariff reductions in the US and developing countries

FIGURE 3.2 U.S. trade-weighted tariffs on dutiable imports and historical periods, 1930–2008

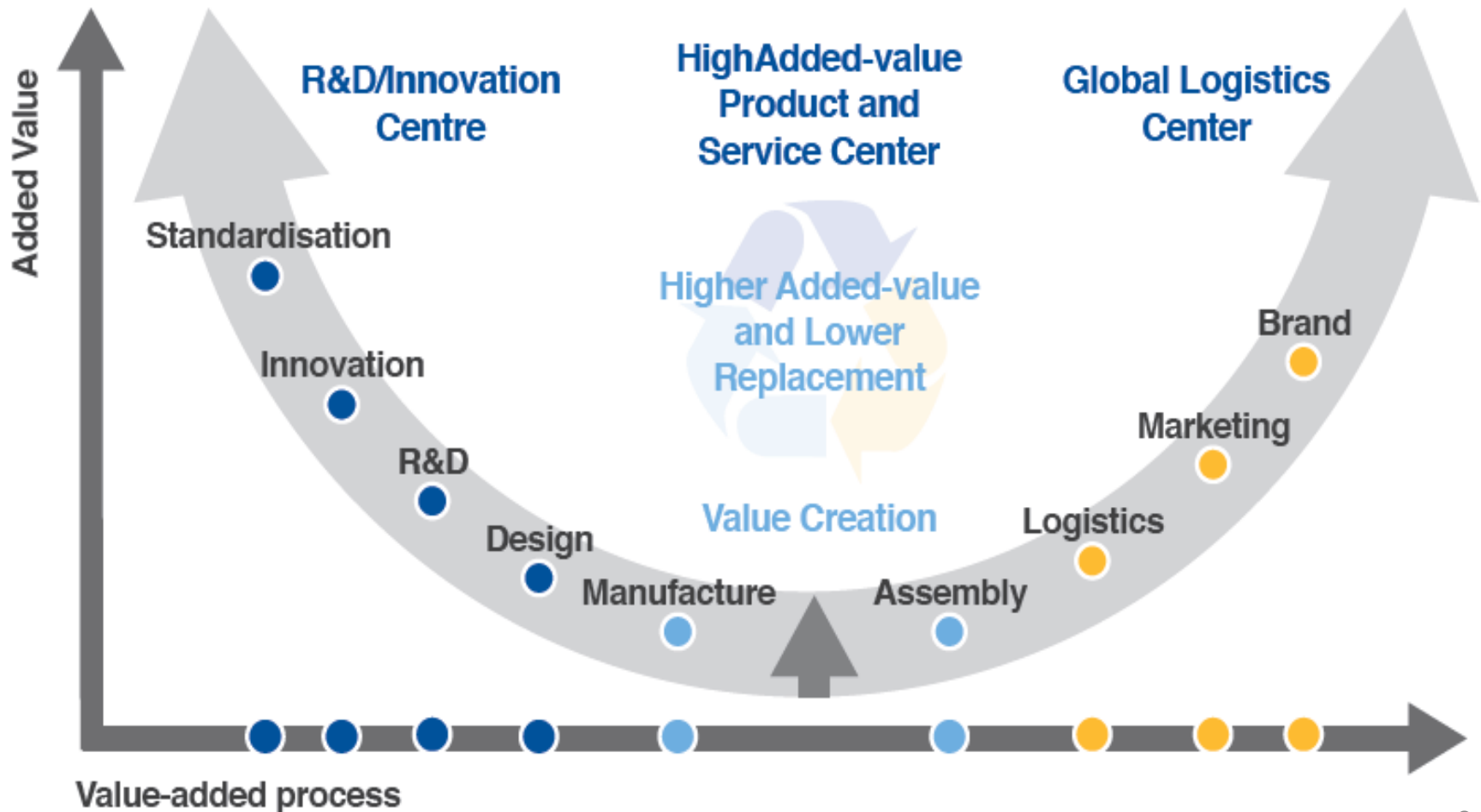


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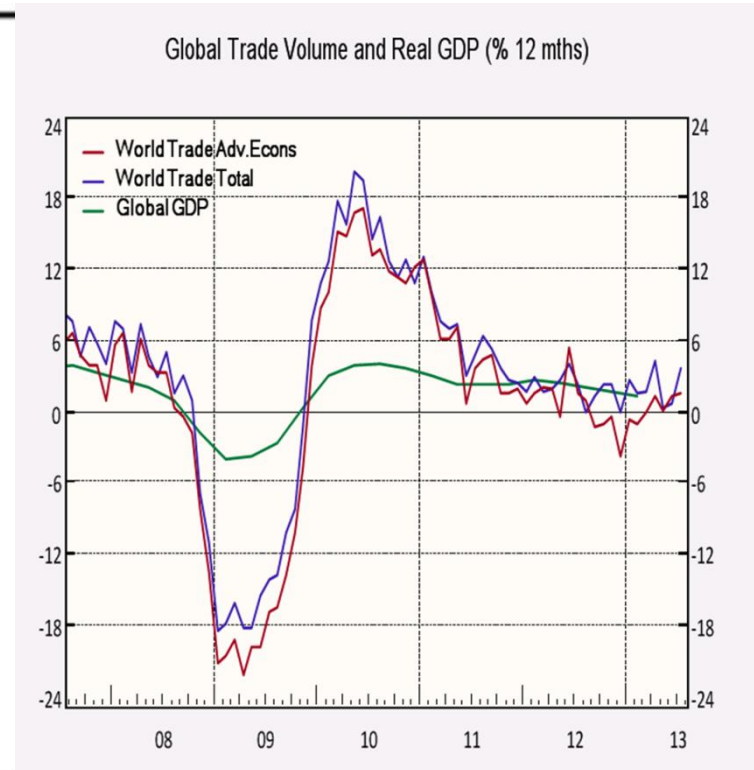
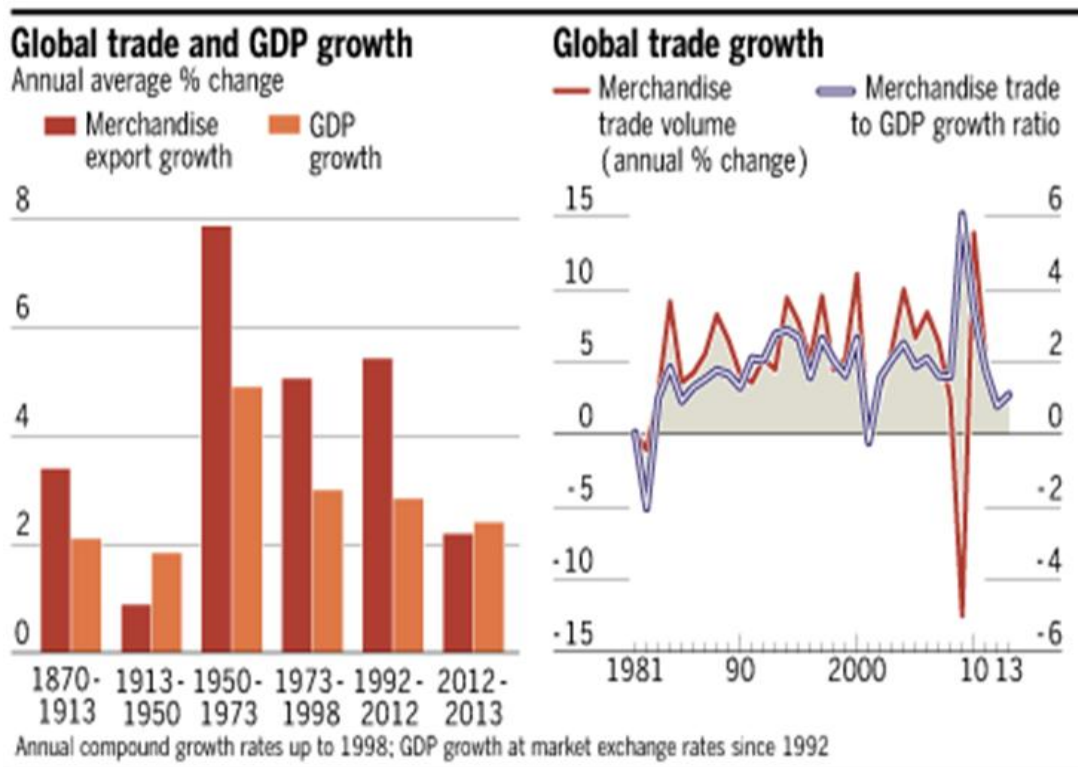
["Should slowing trade growth worry us?"](#), Paul Krugman, The New York Times (30 September 2013)

See also UNCTAD (2013), [Key statistics and trends in trade policy](#), (http://unctad.org/en/PublicationsLibrary/ditctab20132_en.pdf)

Example: Global Value Chains - “Smiley Face”



FACT 2: FROM 2012 ONWARDS , WORLD TRADE GROWTH RATE IS LOWER THAN WORLD GDP GROWTH RATE



Source: [“Trade: Into uncharted waters”](#), Financial Times, 24 October 2013

Source: [Gavyn Davies](#), FT Blog, September 29 2013

FACT 2:
**FROM 2012 ONWARDS , WORLD TRADE GROWTH RATE IS
LOWER THAN WORLD GDP GROWTH RATE**

Why did it happen?

- All the “drivers” (e.g. market access improvements) exhausted their powers?
- The rise in the “stealth” protectionist measures, e.g. NTMs (non-tariff measures)?
- Slowing demand in the North not being compensated by demand growth in the South?
- Less offshoring and more “re-shoring” (i.e. the end of GVCs)?

or

- Simple statistical issue due to increase in the services and the double-counting of trade values within GVCs?

Is this shift temporary?



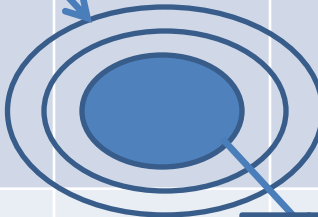

- “Yes” (e.g. HSBC), “No”, or “not sure” (the majority)

Does it matter?

- “Yes” → This will bring yet another new trade reality, and the start of a global recession...
- “Maybe not” → the world is just going back to normal steady state (e.g. Krugman)

Example:

How export values may be “double-counted” within a GVC

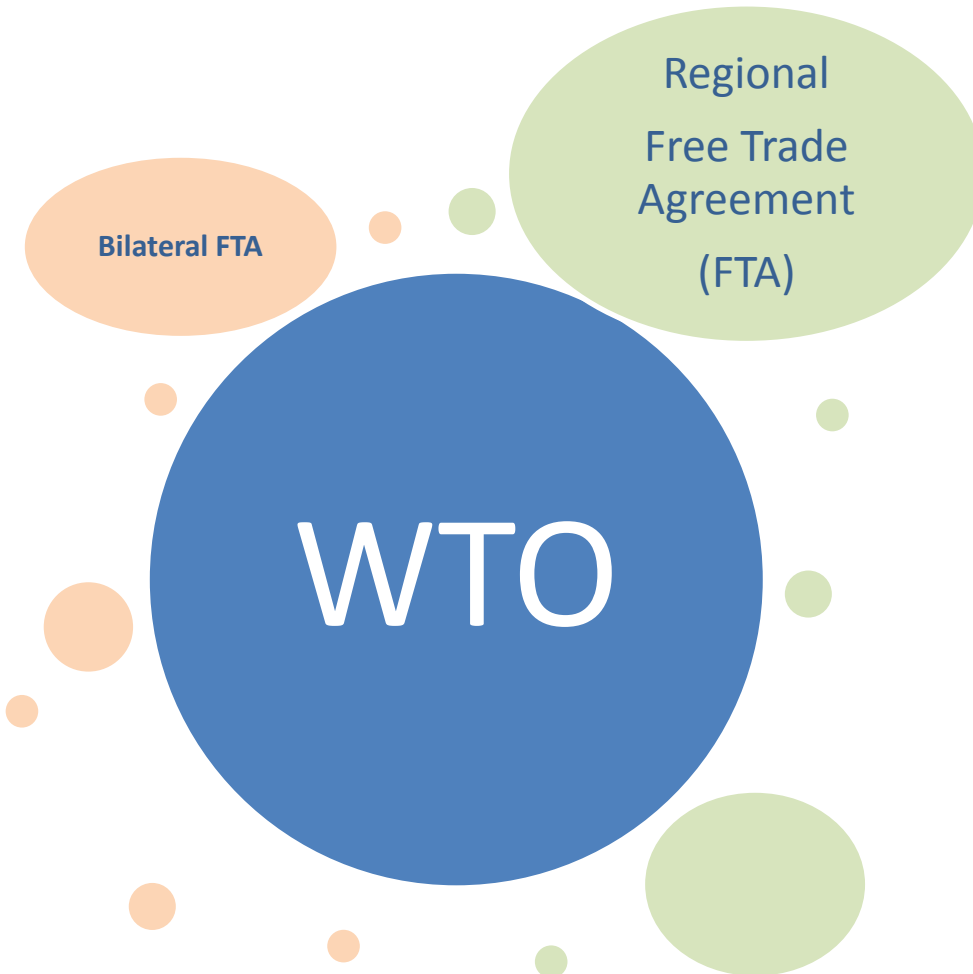
	Raw material extraction	Processing	Manufacturing	Final demand	Gross exports	Domestic value added	Double counting
Country A					2	2	0
Country B					26	24	2
Country C					72	46	26
Country D					<u>100</u>	<u>72</u>	<u>28</u>

Source: UNCTAD (2013), World Investment Report 2013
http://unctad.org/en/PublicationsLibrary/wir2013_en.pdf

2.

**THE MULTILATERAL TRADING SYSTEM
AND
TODAY'S TRADE REALITY**

“PANORAMIC VIEW” OF THE INTERNATIONAL TRADE SYSTEM



The multilateral trade system = World Trade Organization (WTO) consists of ...

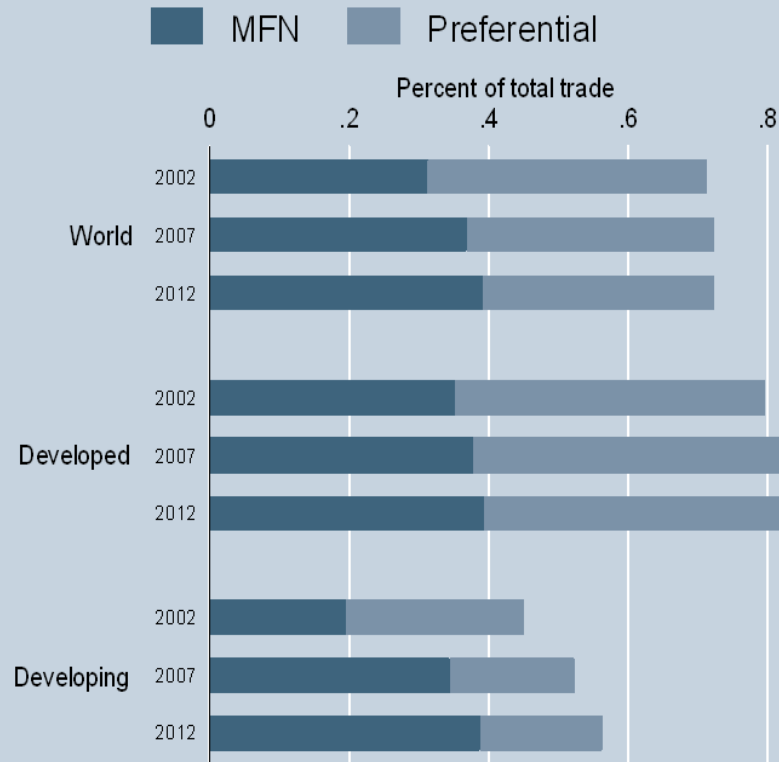
- Almost 160 members (159 as of March 2013)
- Around 30 agreements and commitments that are “enforceable”
- Frameworks to review and monitor the members’ trade policies, and
- The dispute settlement mechanism

There are also non-multilateral trade agreements ...

- That are bilateral or regional in nature
- Whose number is close to 380 in the world
- Have no legal linkage with the WTO dispute settlement mechanism

TODAY'S MARKET ACCESS (TARIFF) SITUATION

Free Trade



World:

- By 2012, almost 40% of international trade became tariff-free (i.e. faced zero % tariff) under the WTO-MFN term, with an additional 35% trade was tariff-free under preferential terms.

Developed countries:

- Over 80% of their trade were tariff-free (40% under MFN, and just over 40% under preferential)

Developing countries:

- Just below 60% of their trade were tariff-free (40% under MFN, around 20% under preferential)

DO THE WTO TRADE RULES FIT TODAY'S TRADE REALITY?

Apparently not.

- This is why some bilateral or regional FTAs go much deeper in scope (WTO+) and/or wider in coverage (WTO-X) than the WTO rules
- More new “mega” FTAs (e.g. TPP, the US-EU, ASEAN-plus-6) are currently under negotiation

Are the members doing anything about this non-fit?

- Each “Round” is for updating the contents of the WTO rules (“updating” includes market access improvements)
- But the Doha Round negotiating agenda does not cover many areas that need updating

→ This is why concluding the Doha is so crucial

WTO + (Plus) ... includes the issue areas under the WTO rules, but the degree of liberalization can exceed those agreed under the WTO.	Tariff elimination with the Rules of Origin
	Services
	Technical Standards and regulations (for agriculture and manufactures)
	Contingency measures (e.g. anti-dumping, safeguard, countervailing duties)
WTO-X (Excluded) ... includes the “strategic” issue areas that are not covered in the WTO rules.	Trade Facilitation
	Capital mobility
	Government procurement*
	Investment policies
	Intellectual Property Rights protection
	Competition policies
	Socio-economic issues (e.g. labour standard, environmental protection, poverty alleviation)

SOME UNCTAD RESOURCES ON INTERNATIONAL TRADE AND TRADE POLICIES

- UNCTAD_STAT
(http://unctadstat.unctad.org/ReportFolders/reportFolders.aspx?sCS_referer=&sCS_ChosenLang=en)

- Key trends in international merchandise trade (2013,
http://unctad.org/en/PublicationsLibrary/ditctab20131_en.pdf)

- Key statistics and trends in trade policy (2013,
http://unctad.org/en/PublicationsLibrary/ditctab20132_en.pdf)

- South-South Trade Monitor (2013,
http://unctad.org/en/PublicationsLibrary/webditctab2013d1_en.pdf)

- Study: Non-tariff measures to trade: Economic and policy issues for developing countries (2013, http://unctad.org/en/PublicationsLibrary/ditctab20121_en.pdf)

- Study: Non-tariff measures: Evidence from selected developing countries (2010,
http://unctad.org/en/Docs/ditctab20093_en.pdf)

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