



Queen's
UNIVERSITY

| Policy Studies

Canadian trade policy in a G-Zero world

Robert Wolfe

Queen's and IRPP

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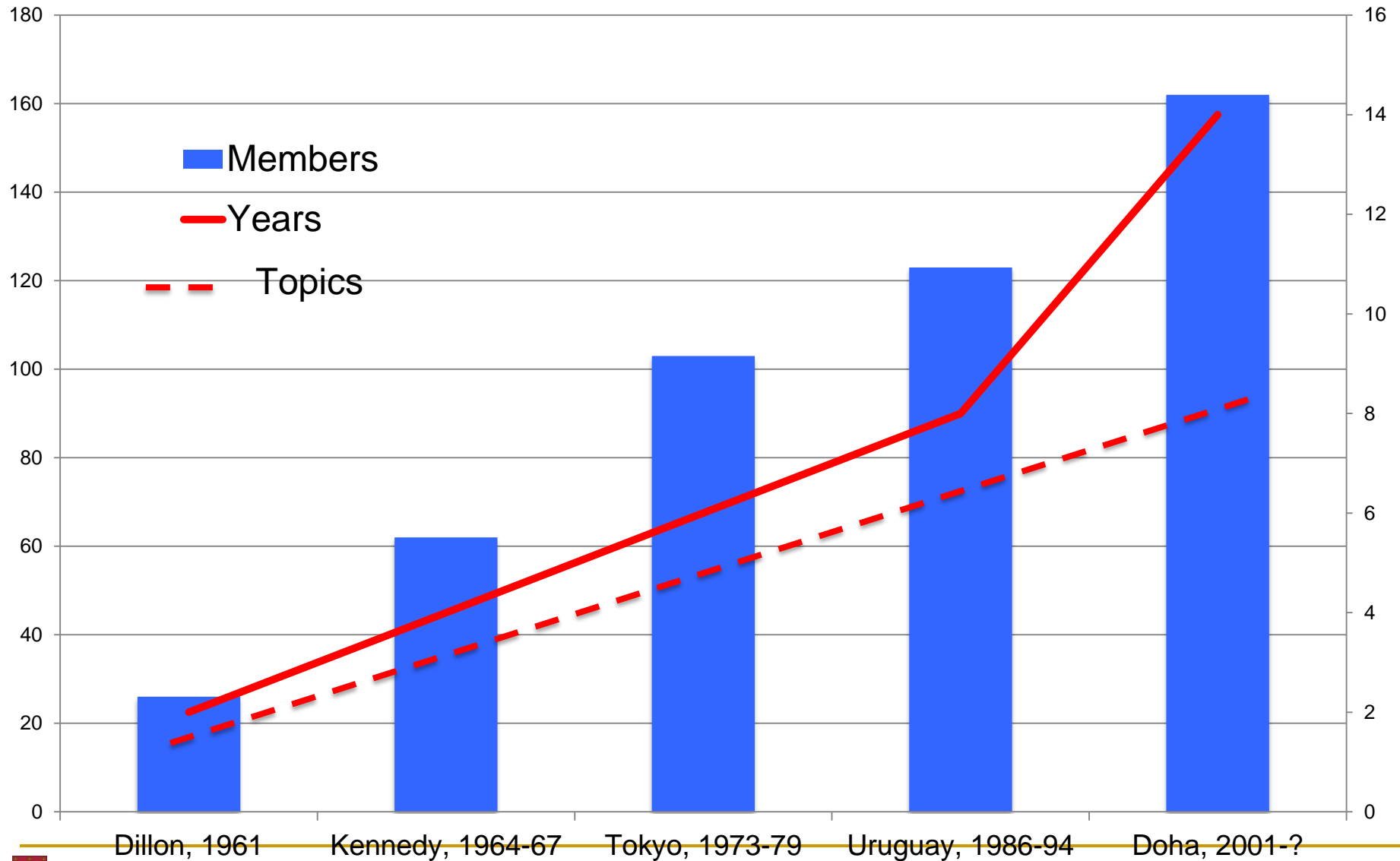
Trade agreements and Canadian policy

- Presentation based on argument of IRPP book
- Conventional wisdom: WTO is no longer best forum for negotiations
- Global commerce is changing: where should Canada pursue its trade policy objectives?
- Are preferential agreements (PTAs) an alternative?

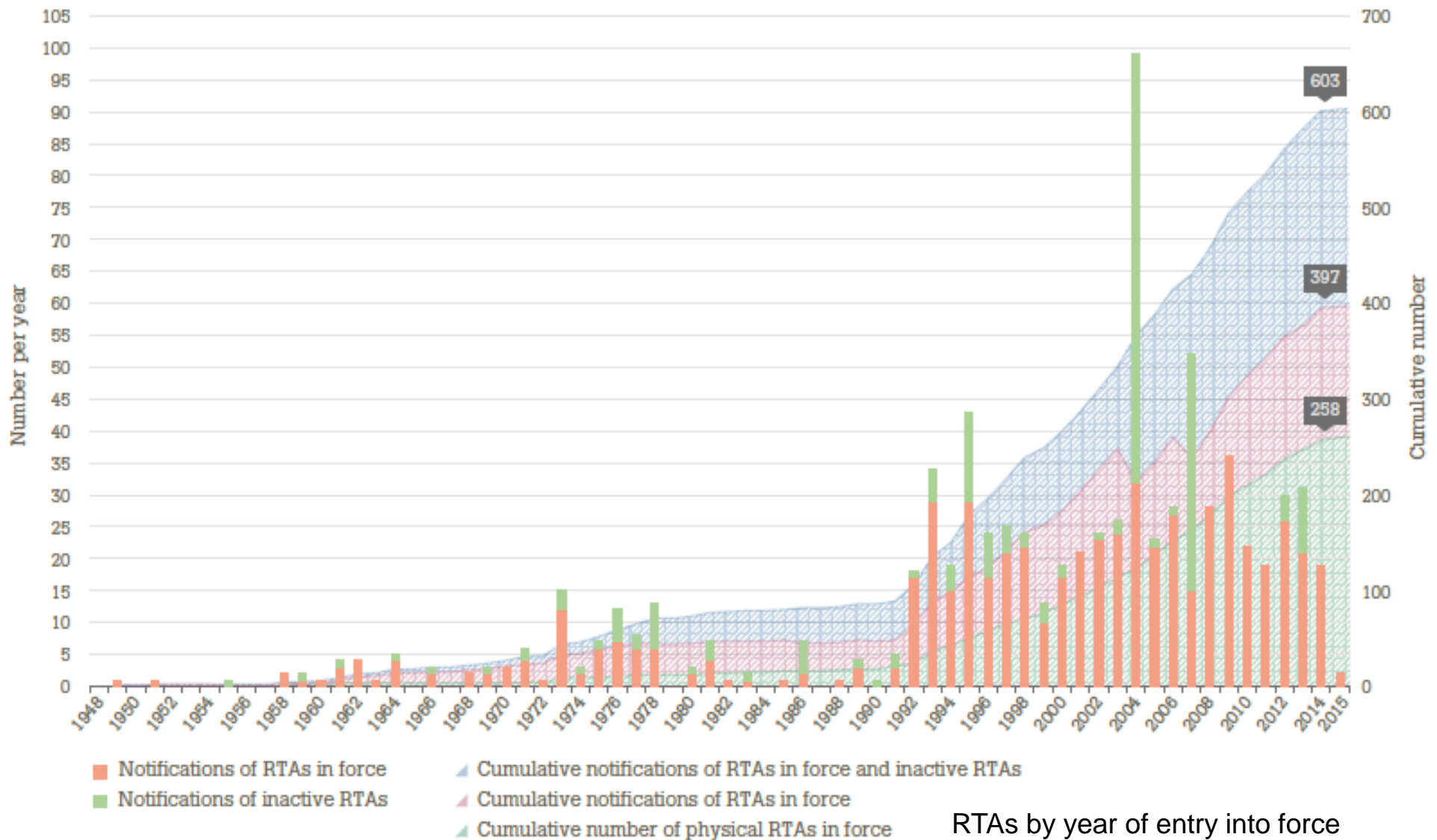
WTO is the bedrock for Canadian trade policy

- Our trade agreement with the world
- 162 Members; 634 staff
- Goods, services, intellectual property
- Principles: multilateralism and non-discrimination
 - Most-Favoured-Nation (MFN)
 - National treatment

More Members, topics: slower negotiations



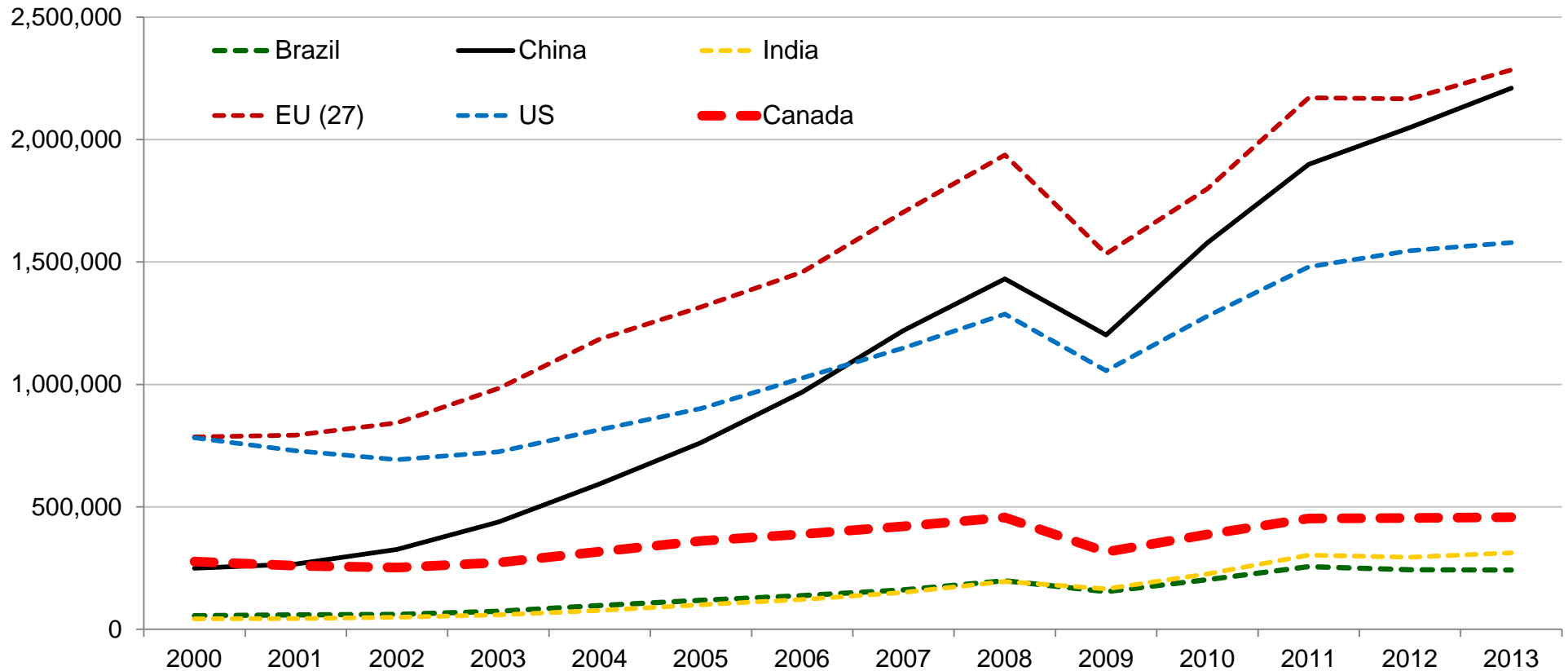
RTAs proliferate as WTO slows



RTAs by year of entry into force
 Source: [WTO Annual Report 2015](#)

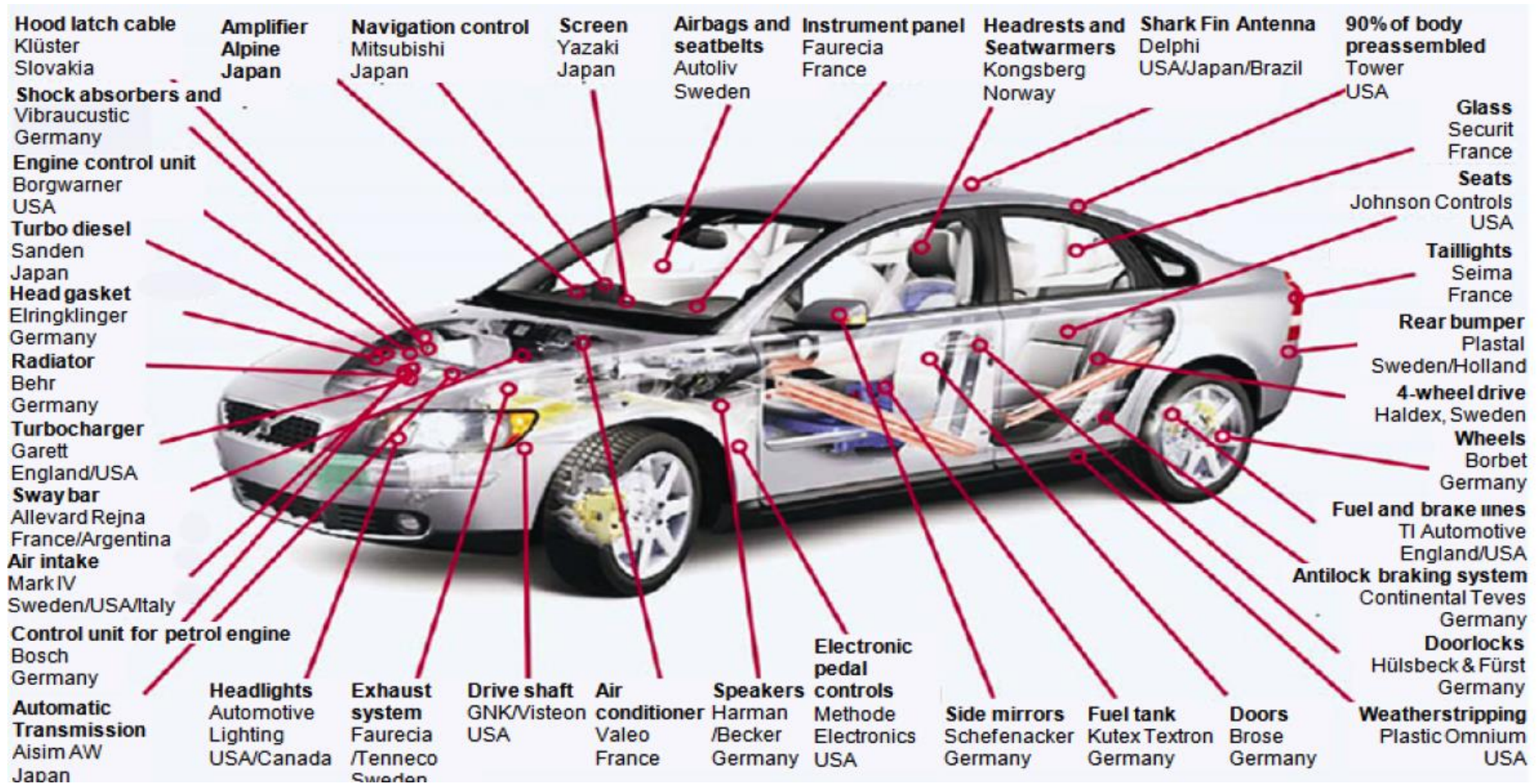
Changing trade patterns, shifting power

Total Merchandise Exports 2000-2013 (USD millions)



Source: WTO Statistics Database

Made in the world (only half in Sweden)



Firm-centric trade policy when imports matter as much as exports

- Eliminate tariffs on intermediate inputs
- Address regulatory uncertainty in goods and services
- Reduce trade costs
 - Trade facilitation at the border
 - Domestic infrastructure

Why do I call it a “G-zero world”?

- Fragmented trading system
- No group of countries able to provide leadership
 - G-7 too small (no China); G-20 too amorphous.
- No new multilateral treaty deposited with the United Nations in 2011, 2012 or 2013
- Proliferating mega-regional and plurilateral trade negotiations a **symptom** of G-zero challenge, or a **solution**?
 - See list provided

A natural experiment in a changing world

- Analysis of current negotiations and agreements on three sets of criteria
 - Negotiability (transparency, packages, critical mass)
 - Effectiveness (institutional design)
 - Regulatory agenda

Does transparency help or hinder negotiations?

- Option 1: Most proposals and Chair draft texts with commentary public
 - WTO negotiations stalled
- Option 2: No public proposals, no draft texts
 - TPP, TiSA, TTIP also not swift
- Does it make a difference?
 - Differential effects on negotiations, and on ratification

TPP and TiSA illustrate the package problem

- Differences from WTO Single Undertaking
 - TPP has small number of participants
 - TiSA covers only one domain
- Might make TiSA hard to conclude and TPP hard to ratify in U.S. Congress

The plurilateral alternative to WTO consensus

- Critical mass ~90% of trade in a good or service
- EGA: list in GATT Schedules; MFN to all
- Will TiSA get to critical mass without China?
- TiSA alternative is an RTA under GATS Art. V, with no access to WTO mechanisms

Institutional design to be effective

- Transparency for economic actors and partners
- Accountability for obligations
- Works very well in WTO
 - formal notification of changed policy
 - subsequent discussion in committees
 - ultimate but last resort to robust dispute settlement
 - large sophisticated Secretariat

Many PTAs have more *designed* than *implemented* institutionalization

- Committees often moribund.
- Intergovernmental dispute settlement mechanisms rarely used
- Not serious for market access but may be fatal for 21st century regulatory agenda

1. Regulatory cooperation **or**

2. Regulatory coherence?

1. Promote collaboration between regulators, aimed at alignment

- ❑ Yes: Canada-U.S. Regulatory Cooperation Council
- ❑ Maybe: CETA Regulatory Cooperation Forum
- ❑ No: WTO

2. Improve domestic regulatory process

- ❑ Big agenda in WTO, OECD, APEC
- ❑ TPP chapter on “regulatory coherence” basically “good regulatory practice”, but not alignment

Back to the future, in Geneva?

- Will all of these PTAs be concluded **and** ratified?
- Will institutional structure limit effectiveness?
- Will overlapping and inconsistent disciplines improve opportunities for global value chains?
- Will they be worth the bother without China's participation?
- If the answers are negative, will everybody want to go back to Geneva?

Is WTO dead?

- True, Doha Round on life support
 - Note trade facilitation, ITA 2, GPA, export subsidies
- **BUT** Mega-regionals, and plurilaterals, are effectively WTO side-agreements
 - PTAs not useful for some issues
 - PTAs explicitly dependent on WTO institutions
- All significant traders now Members of WTO

Canada needs a coherent multilateral trading system

- Support all efforts to strengthen WTO
 - Reinvigorate negotiation mechanisms (more critical mass plurilaterals?)
 - Better transparency mechanisms (e.g. for PTAs)
- Maintain access to U.S. market, **and U.S.-centric supply chains**, hence WTO, but also TPP, and TiSA
- Improve access to other big traders, hence CETA, and negotiations with China