



EXECUTIVE SEMINAR

GLOBAL GOVERNANCE PROGRAMME, IN COLLABORATION WITH THE SCHOOL OF TRANSNATIONAL GOVERNANCE

TRADE NEGOTIATIONS IN AN ERA OF UNCERTAINTY

Scientific Coordinators:

Bernard Hoekman | European University Institute

Robert Wolfe | Queen's University

Cappella

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15 - 17 APRIL 2019

■ INTRODUCTION

Trade strategy is now shaped by an environment of rapid economic and technological change in which we cannot assume that all countries always share trade liberalisation objectives or support the rules-based trading system. High profile protectionist actions seem increasingly legitimate in some countries, but routine protectionism never went away in many more. The potential direct and global ripple effects of a retreat from multilateralism bring considerable uncertainty, not least by undermining what we thought were the foundational norms of trade relations. Questions about whether new players in the system will accept those norms add to the uncertainty, if they privilege state-directed rather than market-oriented firms. At the same time, some citizens in the advanced economies think that trade and globalisation have not worked for them, and they face new uncertainty as artificial intelligence changes the future of work.

This course focuses on the strategic challenges for trade policy in a world adapting to rapid structural change and unpredictable policies. How should national interests be analysed? How can governments defend those interests from protectionist actions taken by others, while at the same time working to reduce fixed costs for firms of trading, and reducing uncertainty in partner country markets by getting them to make binding commitments? Bilateral and regional agreements are facing diminishing returns. Policies that generate the largest externalities and have systemic importance, require coordinated multilateral action. The old agenda of shallow reciprocal agreements is still with us, for example barriers to market access among developing countries, but in the 21st century economy it is necessary to develop deeper agreements, for example on subsidies, which will require new models.



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Drawing on the experience of practitioners and academic trade experts, the training objective is to improve participants' understanding of the evolving trade policy landscape and present alternative approaches to addressing the negative spillover effects of national trade-related policies.

■ PROGRAMME

15 APRIL

- 09.00 - 09.30 Opening
Brigid Laffan & Bernard Hoekman | European University Institute
- 09.30 - 11.00 Overview: Setting the Scene
Bernard Hoekman | European University Institute
- The changing nature of 21st century trade creates an extensive agenda calling for innovative approaches to trade cooperation. The 'rise of the rest', especially China, has led to geopolitical tensions because of economic adjustment pressures. At the same time, emerging economies are where the growth is. System differences are of growing importance: a key challenge is to manage the differences between state-capitalism/control and market-based economies. Policies and politics to "make it here" not "in the world" are putting the WTO under pressure and call for updating of the global rules of the game. This session will provide an introduction to the global trade regime; its basic rules and operating modalities; and provide an overview of recent developments and trends in the trading system.
- 11.00 - 11.30 Coffee break
- 11.30 - 13.00 Changes in the nature and political economy of trade (1): firms and value chains
Hildgunn Nordås | Organization for Economic Cooperation and Development
- Firm-level trade models have changed our understanding of the impact of increased trade, and increased trade restrictions, on productivity at the level of the firm, the industry, and the nation. This session will provide an overview of recent economic literature on how firms participate and collaborate in regional and global value chains and the implications for (and evidence on) the political economy of trade policy. Export performance for a country is not merely driven by its firms' productivity, but also by the connectedness of its firms to key value chain partners and this is reflected in trade policy preferences.
- 13.00 - 14.00 Lunch break
- 14.00 - 15.30 Changes in the nature and political economy of trade (2): Structural transformation - services and the digital economy
Martina Ferracane | European Centre for International Political Economy
- The shift to services is a major change affecting all economies and one that will only accelerate. Issue: how can we advance services liberalisation, taking into account that services are often regulated and that trade is associated with crossborder data flows. How is the services/digital policy agenda different from goods? Trade barriers vs. domestic regulation. STRI and ECIPE policy data.

- Implications for design of trade negotiations and potential agreements.
- 15.30 - 16.00 Coffee break
- 16.00 - 17.30 Changes in the nature and political economy of trade (3): Standards and regulatory heterogeneity
Hildegunn Nordås | OECD
Standards and regulations are legitimate instruments to address market failures and pursue social objectives. But they also generate externalities. This session will review empirical evidence on trade effects of regulatory heterogeneity - including both product standards for good and regulation of services - and approaches that have been used to reduce associated costs for traders, drawing on the work at the OECD on these matters.
- 20.00 Dinner

16 APRIL

- 09.30 - 11.00 Distributional impacts, social preferences and developing country interests (1): Recognising adjustment costs and social preferences
Douglas Nelson | Tulane University
Lower tariffs and global integration of markets generates gains from specialization, increased variety and lower prices. These gains can only be realized through resource reallocation. This gives rise to adjustment costs. The gains from trade are distributed asymmetrically - some benefit more than others; and some may lose. Who benefits? Who incurs costs? Who is left behind? Is it possible to have a "trade for all" policy? Aside from concerns with the distributional effects of trade, many citizens want to ensure that trade is fair in the sense of being consistent with social values, environmental norms and supporting sustainable development. This raises many questions. Who sets the rules? Who is accountable for results? How to ensure democratic legitimacy and the policy space needed for economic development?
- 11.00 - 11.30 Coffee break
- 11.30 - 13.00 Distributional impacts, social preferences and developing country interests (2): Developing country perspectives; special and differential treatment
Patrick Low | University of Hong Kong
A major factor driving some of the trade conflicts that have erupted in recent years has been the rapid growth of emerging economies and an increase in competitive pressures around the world. There is a long-standing debate and strong differences in views on how to consider economic development disparities between countries when designing and applying trade policies and trade agreements. The EU and other OECD member countries increasingly link access to markets to improving governance and attaining international standards. But in the WTO "special and differential treatment" of developing countries - a concept introduced in the 1960s - continues to prevail. Does this help or hinder development? Should trade agreements differentiate between countries in the applicability of rules? How can we take sustainable development

more seriously in the design of trade policy and trade agreements?

13.00 - 14.00

Lunch break

14.00 - 15.30

The return/rising use of industrial policy

Simon Evenett | University of St. Gallen (by video call)

This session will present up to date information on the rapidly evolving state of play as regards trade policy and related instruments in North and South. To what extent is there a resurgence in protectionism? How does what is happening today differ from the past (does it)? Has global value chain-production changed the political economy of trade policy? What policies are revealed preferred by different countries and why? (Subsidies, tax incentives; state-ownership and control; “forced” technology transfer). Is the balance changing between economic vs. national security motivations for trade policy? Which policies create the most serious international spillovers? What do we know? What do we need to know?

15.30 - 16.00

Coffee break

16.00 - 17.30

Trade policy responses (1): Trade defence instruments

Edwin Vermulst | VVGB Law, Brussels and **Stefano Inama** | UNCTAD

Trade defence instruments are an important tool in the trade policy arsenal. They are used in part to address instances of ‘unfair’ competition at the industry/firm level, due to so-called dumping by foreign firms; foreign subsidies; the behaviour of SOEs, or non-enforcement of intellectual property. Anti-dumping and countervailing duties are used extensively by the EU. These instruments have been revised recently with a view of ensuring that actions can be taken against imports from China and other economies where it is perceived that economic activity is significantly distorted by government policies. This session will review EU and US CVD practice regarding China as well as recent developments in the EU GSP+ and inclusion of labor standards and related norms in the application of trade defence investigations.

17 APRIL

09.30 - 11.00

Trade policy responses (2): Linkage strategies and trade conditionality

Lisa Lechner | University of Innsbruck

Review of theory and practice of issue linkages in trade agreements and preferential trade policies, with a focus on the evolution and state of play in the common commercial policy of the EU. What do we know about the effects of inclusion of nontrade policy objectives in trade agreements? What do we know about implementation of “nontrade” provisions of agreements? What are the implications for the design of trade agreements if sustainable development goals are taken seriously?

11.00 - 11.30

Coffee break

11.30 - 13.00

Trade policy responses (3): Dialogue - assessing the EU-China experience

Jacques Pelkmans | Centre for European Policy Studies

This session will provide an overview of the experience in engaging with large emerging economies on their trade policies as well as non-trade-policy instruments and objectives (investment; standards, good governance). The EU has complemented traditional trade and investment negotiations with extensive dialogues on a wide variety of subjects. What has been done? How does it compare with what is done towards smaller/poorer developing countries and countries in the EU's neighbourhood? What can be learned from experience to date that should inform the design of trade policy?

13.00 - 14.00

Lunch break

14.00 - 15.30

Trade policy responses (4): Transparency, uncertainty, and trade policy discipline

Robert Wolfe | Queen's University

Trade agreements are intended to reduce uncertainty for the parties and for economic actors, but that only works if the agreement generates good information. Firms need to understand the terms of foreign market access. Parties need information, and an opportunity to discuss it, to be able to assess if the intended results are achieved and to assess if agreements should be revised. And In areas where formal binding obligations - e.g., on subsidies - may be difficult to negotiate or to apply, informal mechanisms may both provide discipline and promote learning about the effects of policies What types of approaches could be used to generate the required transparency about the effects of policies? How can greater transparency be used to defuse or avoid conflicts?

15.30 - 16.00

Coffee break

16.00 - 17.30

Trade policy responses (5): Multilateral vs. plurilateral agreements

Bernard Hoekman | European University Institute

This session will reflect on alternative negotiation approaches under WTO auspices, including so-called critical mass and plurilateral agreements. Is this the new path forward for trade cooperation given the diversity of interests and the demise of hegemonic leadership by the US? What types of issues lend themselves to these type of approaches? What are the pros and cons of plurilaterals? Where is free riding a real constraint and where are cross-issue linkages needed to agree or to enforce an agreement?

17.30

Distribution of diploma and farewell

■ **SPEAKERS**

Simon Evenett	University of St. Gallen, Switzerland
Martina Ferracane	European Centre for International Political Economy, Belgium
Bernard Hoekman	European University Institute, Italy
Stefano Inama	UNCTAD, Switzerland
Lisa Lechner	University of Innsbruck, Austria
Patrick Low	University of Hong Kong, China
Douglas Nelson	Tulane University, United States
Hildegunn Nordas	OECD, France
Jacques Pelkmans	Centre for European Policy Studies, Belgium
Edwin Vermulst	VVGB Law, Belgium
Robert Wolfe	Queen's University, Canada

■ **PARTICIPANTS**

Milena Arsic	European University Institute, Italy
Sara Ashour	Ministry of Trade and Industry, Egypt
Rihan Badr	Ministry of Trade and Industry, Egypt
Gilberto Battistella de Macedo	Ca' Foscari Venice, Italy
Dowaa Bhieldeen	Ministry of Trade and Industry, Egypt
I-Ju Chen	University of Birmingham, United Kingdom
Leonard Bett Cheruiyot	Office of the Attorney General and Department of Justice, Kenya
Jessica Dickinson	Confederation of British Industry, United Kingdom
Kevin Doran Doran	ResPublica, United Kingdom
Antonio Franceschini	CNA - National Confederation of Craftsmen and SMEs, Italy
Jeta Goxha	University College Pavaresia Vlore, Albania
Mohamed Hassan	Ministry of Finance, Egypt
Galyna Kostiukevych	European University Institute, Italy
Jürgen Kurtz	European University Institute, Italy
Svitlana Lebedenko	European University Institute, Italy
Rafael Lima Sakr	University of Birmingham, United Kingdom
Merliza Makinano	Alliance for Green Phillipines, Phillipines
Sand Mba Kalu	Africa International Trade & Commerce Research, Nigeria
Mohammad Masudur Rahman	University of Waikato, New Zealand
Luca Rubini	University of Birmingham, United Kingdom
Maarja Saluste	European University Institute, Italy
Wajid Hasan Shah	independent, Bangladesh
Mamitsa Skenteri	SEERC, Greece