

A TEST CASE FOR GLOBALIZATION: THE WORLD TRADE ORGANIZATION

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The global trading system's rule-making process started with a rigorous effort aimed at *multilateralism*, which over time became a thrust for *plurilateralism*. Now the drive is back to plain *bilateralism*. For more than two decades, global economic relations have been exposed to an era of uncertainty, brought about primarily by the major stakeholders of the system.

The prevailing uncertainty is still unfolding. One thing, however, is certain: the global architecture of rules-based trade that has been conceived, agreed upon, and implemented over the last seven decades today faces an unprecedented challenge, mainly emanating from the choices of the developed countries. It is voiced by politicians who channel the frustration of segments of society that have not adequately benefitted from this age of globalization. The U.S. presidential election and the Brexit referendum of 2016 have demonstrated the level of discomfort in these societies. In other words, a nationalist and populist fervor is rising in the countries once considered to be the bastions of the global liberal order.

It is far too early to forecast how, and by whom, the new rulebook for global trade and economic activity will be shaped. The existing system has served its function of providing relative stability to international finance and trade. The western liberal world order was mainly prevailed by coalitions initiated by the United States and supported by the European and other developed countries. Some even argued that the fall of the Berlin Wall and the collapse of the Soviet Union marked the end of history, a victory for the Western liberal order, once and for all. Globalization was accepted by all, and membership in the Bretton Woods organizations became universal. China and Russia also became stakeholders in the system.

Initially, the international community responded to challenges to the system with a multilateral, cooperative approach. The liberalization of the system had always been pursued in an orderly way, streamlined in eight successive rounds of the GATT. By the turn of the millennium, however, uncertainties affecting the system started to accumulate. Jubilation for globalization began to decline as the system failed to adequately respond to changing international economic relations. No new, meaningful progress in multilateral liberalization has been achieved since the 1994 Uruguay Round.

The 2008 crisis has accelerated the dispersion of economic power. Increasingly, emerging economies and developing countries are considered the answer to global trade problems. The W.T.O. Ministerial Conferences, though, have yielded meager adjustments that stopped short of addressing main issues.

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Since that juncture, the developed industrialized countries and a few emerging economies instead embarked on mega-regional, plurilateral quests, such as the twelve-nation Trans-Pacific Partnership and the Trans-Atlantic Trade and Investment Partnership, consisting of the 28 countries of the EU, both of which were spearheaded by the US. The Negotiations on Trade in Services Agreement, too, began in a plurilateral manner, with the participation of 23 countries. China responded by embarking on a Regional Comprehensive Economic Partnership with 16 countries in the Pacific Rim. In response to the financial crisis, the G7 and G20 configurations gained in importance and expanded their agendas.

Richard Baldwin, a Geneva based economist, in fact concludes that “coordinating international production is cheaper, faster and safer, supply chains ignore borders to go sprawling across the world... With many products made everywhere, trade has been in effect denationalized.” Workers in the developing world have increased their productivity through technology provided by companies of developed countries, thus becoming direct competitors to the advanced economies’ blue-collar workers. Mexican workers could replace workers in Detroit, enabled by the know-how at the Ford factory that moved across the border, all financed by U.S. banks.

Blue collar workers have responded forcefully. The perception in that segment of society is that living standards have stagnated and even declined over the past few decades. This anti-global sentiment of blue collar workers was channeled into political force by the populist nationalists and is changing the political environment substantially in major developed countries. Anti-globalization is being supported by diverse segments of society; Dani Rodrik argues that “the nation-state seems intent on reasserting itself” with nativist, isolationist, and illiberal policies, in response to hyper-globalization.

The electoral victory of President Donald Trump, in a way, represents a repudiation of seven decades of U.S. economic policy. His administration firmly believes that the leverage of the United States, politically and economically, would be better reflected in a bilateral approach to bargaining.

Globalization and economic integration have brought into plain view the reality of foreign work forces and sparked a series of criticisms. Politically unstable countries situated geographically nearby developed economies have fallen victim to internal chaos, forcing masses of refugees to seek shelter in Europe, aggravating the perception that the liberal order is under attack by external forces.

This emerging structure does not fit into the clean left-right model of the past. The appealing yet dangerous discourse of populism emanating from both the left and the right surfaced as a result of the current economic crisis. The growing resentment since 2008 is aimed squarely at the seeming impunity of elites. This feeling is only increased by the easily noticeable presence of migrants. The populist nationalist discourses of anti-establishment politicians are turning people against the system.

The Ministerial Conference of the World Trade Organization, to be held in Buenos Aires, will be taking place in an environment in which the focus of the major stakeholders is on bilateral trade arrangements, with a particular emphasis on the impact of trade on national employment. Since the *raison d'être* of the W.T.O. is to devise rules for international trade, the 11TH Ministerial Conference might have little bearing on the multilateral system in this bilateral moment. For the W.T.O. to reclaim its centrality, the multilateral system needs to work; for the multilateral system to work, the W.T.O. must address the problem of how to compensate those left behind by globalization.