

ACHIEVING A SUCCESSFUL WORLD TRADING SYSTEM

CACCI POLICY STATEMENT SUMMARY

Reform starts at home

The world has just witnessed the worst recession for a hundred years as a result of the COVID-19 pandemic. This recession has brought the deterioration in world trading arrangements to a head. The G7 noted that existing rules ‘failed to prevent the spread of protectionism, including unfair subsidies, oligopolistic market structures, overcapacities, and export restrictions’. It described how ‘...the gains from liberalization have accrued disproportionately to the top, while leaving many communities and regions behind’. It called for ‘...root-and-branch reform of the WTO to support open and rules-based trade’.

The world cannot afford the underperformance of world trade to hinder a badly needed economic recovery.

The current 25 CACCI member countries have a combined population of 2.7 billion, representing some 40% of the world total; a total GDP of US\$15 trillion, accounting for about 25% of the world total; and a combined trade of US\$8 trillion, representing about 26% of the total global trade value. CACCI represents the collective business interests of over 150 million businesses across geographical Asia, sometimes accounting for at least 97% of economic activity. These businesses employ perhaps one billion people, generating a living for them – many of them family owned and run businesses. Small and medium business enterprises are the main engines of most economies and there is a dire need for economic recovery to restore jobs and incomes, particularly in low-income economies. More than that, there is an imperative for better economic performance sustained in future to service the large increase in debt around the globe.

CACCI also represents a diverse range of economies in respect of their economic development from least-developed countries (LDCs) to advanced economies. Our views are fixed on the need to ensure equitable growth and opportunity for all nations and communities embedded in the UN [Principle Two: Leave No One Behind](#). Increasing barriers to trade, especially by G20 nations, and the lack of progress in WTO initiatives is frustrating the efforts of developing nations to ensure that trade policy is a driver of positive progress in the fight against poverty and economic recovery post COVID.

Four problems with the world trade system

To foster economic recovery means fixing the world trade system. But what to fix and how? What are the right rules? For what purpose? There are some major misunderstandings here and gaps that CACCI draws attention to, along with the solutions.

Problem 1: International trade differs from domestic commercial transactions because we live in a world where sovereign nations interact

In a world of nation-states where cultures and domestic rules differ, the one over-arching principle is respect for the sovereignty of borders. Nations need to cooperate to agree on the rules governing commercial exchange across borders.

Problem 2: Overburdened WTO is moving away from its original mission

It is natural for politicians to want to address all the concerns of the public but you can't kill two birds with one stone. Asking the WTO to address things it cannot solve sets it up for failure.

Problem 3: Things have changed dramatically since the agreed rules of the WTO system under the Uruguay Round completed in 1994

A period of hyper-globalisation with more highly integrated supply chains, a stampede into discriminatory preferential trade agreements and, more recently, an explosion of the digitalisation of all aspects of interaction between people, business and nations has given rise to new issues.

Problem 4: The erosion of multilateralism

This is partly due to 'mission creep' (Problem 2). Multilateralism is strongest when there is global agreement around a unified goal, but it is partly due to the decline of the United States as a global hegemon to lead to a first best trading system.

Recommendations

To address these problems, CACCI makes 15 recommendations:

1. Adopt a common, simple purpose for the WTO system.
2. Adopt and apply a set of principles to achieve the WTO's objective.
3. Establish a domestic transparency institution in each domestic capital to assess national self-interest from trade policies.
4. Stop mission creep.
5. Multilateralise all preferential trade agreements.
6. Only permit subsidies that address market failures and externalities.
7. Assess anti-dumping on both a cost and benefit basis.
8. Reassess differential treatment for developing countries.
9. Assess best arrangement for digital economy rules.
10. Reassess intellectual property.
11. Redesign the dispute settlement system.
12. Allow plurilateral agreements only if they are open to all at a later stage.
13. Do not use climate change for protectionist purposes.
14. Adequately reflect the views and priorities of businesses and SMEs in trade agendas and the WTO.
15. Address shortcomings in the operation of the WTO.

The **bottom line** is that international trade is commercial business across borders. It differs from domestic transactions in that, in a world of sovereign nation-states, different rules and enforcement characteristics apply. But like all commerce, the aim is the same: to lift living standards. The fewer the barriers to commerce – whether technical or government-imposed – the more commerce there will be, lifting living standards directly and indirectly through enabling more resources for government to provide public goods and pursue sustainable development goals. An agreed simple clear purpose for the WTO system is necessary for countries to support multilateralism, which is CACCI's first recommendation.

CACCI believes these 15 recommendations will make a material improvement to the performance of the world trading system. There will not be an effective global recovery without the success of the SMEs who are members of CACCI. A good place to start is for governments to engage with CACCI and listen to what these SMEs are saying.

CACCI also supports calls for a new 'Bretton Woods' type conference. Whether the historic institutions created in 1944 are still fit for purpose needs to be re-examined in light of the problems that have arisen with new implications for global governance in a world where sovereign nation-states are still the only game in town. As we overcome the world's worst disaster since WWII, we need to ensure that contemporary global institutions are fit for purpose for the world's next century of growth and ensure that no one is left behind.

CACCI primary members

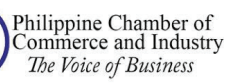
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