

# World trade: Why ministers must act

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Creeping protectionism is alive and well. Last year's monitoring report on trade for the G20 reminded us that of the nearly 1,500 trade-restrictive measures imposed by G20 countries since 2008, fewer than 400 have been removed. The stock of these barriers continues to grow, despite a pledge by the G20 to reduce protectionism. Not surprisingly, given this context, a recent World Trade Organisation (WTO) report concludes that the risks to the international trading system and to trade flows more generally "are tilted to the downside."

**Todd McClay, Minister of Trade, New Zealand**



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These troubling assessments are reinforced by growing unease in our communities about the impact of globalisation in general and trade agreements in particular. As ministers, we are all under increasing pressure to better explain the benefits of trade. The proliferation of bilateral and regional trade agreements has also made our task more complicated, while simultaneously posing a serious risk of fragmentation of the multilateral trading system. The challenge we face is a profound one.

It is therefore difficult, not least in the context of the risks we now face, to overstate the importance of the WTO and the rules-based multilateral trading system which it embodies. The WTO is an essential piece of the global architecture ensuring that all countries—big or small—can compete fairly, transparently, with certainty and on the basis of the same set of rules. It played a vital role in keeping the worst excesses of protectionism at bay during the global financial crisis.

The WTO can still surprise us. The achievement of the 10th WTO Ministerial Conference in Nairobi, Kenya, in eliminating agricultural export subsidies and imposing disciplines on measures with equivalent effect was truly historic. This is the first legally binding outcome in agriculture since the end of the Uruguay Round in 1994, and reminds us that no matter how prolonged and difficult the process may be, multilateralism can still deliver. The recourse to export subsidies increased the risk of price volatility, import surges and unfair competition. Eliminating those risks at Nairobi therefore mattered, for our rural communities, for agricultural markets and for development.

Success at Nairobi has breathed new life into the WTO's negotiating function. OECD ministers have a responsibility to harness this new momentum in the effort to deal with the remaining unresolved Doha issues, as well as to address new issues. The 11th WTO Ministerial Conference (MC11) is now less than 18 months away. As ministers we need to agree now on how we can ensure that this too delivers a successful outcome. A good starting point would be to agree to develop enhanced disciplines on agricultural domestic support—something that is only possible multilaterally. Other issues need attention too. Reducing barriers to services trade is one area where we have yet to achieve the type of success that has been possible in other areas of the WTO's work.

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Trade ministers must ensure that we do not repeat situations where negotiations drift on for years. It is obvious that enhanced transparency and inclusivity must also inform the negotiations. Our domestic constituencies want to understand why trade matters—and on this the OECD's work has been crucial. Increasingly, civil society also wants to hear about how trade can contribute to addressing global challenges. A good starting point is to consider how trade can help us achieve the UN Sustainable Development Goals (SDGs) agreed by world leaders in September 2015. The WTO could help deliver on SDG 2 which seeks to “correct and prevent trade restrictions and distortions in world agricultural markets”. SDG 14 is about protecting the oceans and global fish stocks, including through the development of disciplines on fish subsidies. Again, the WTO is already contributing with ongoing negotiations on this issue.

Can trade do more? Take the historic agreement in Paris on climate change in December 2015. Thanks to the OECD, we know that fossil fuel subsidies are huge—

literally hundreds of billions of dollars are spent on such measures a year. These subsidies are a major contributor to climate change while unfairly distorting trade. Can we convert the political commitment made by the G20, APEC\* and through SDG 12 to reform fossil fuel subsidies into legally enforceable disciplines? Again, the only way to do that effectively is on a multilateral basis, and the only place to do it is in the WTO. In practical terms, is it worth us starting to think seriously about how the WTO might successfully discipline fossil fuel subsidies? Something like this could demonstrate that, as with efforts to save global fish stocks, enhance agricultural food security and now mitigate the worst effects of climate change, trade agreements can contribute to solutions to the most pressing global problems of our times.

OECD, WTO and UNCTAD\* (2015) "Reports on G20 trade and investment measures", October, see <http://oe.cd/G20-investment>

Visit <http://www.oecd.org/investment/investment-policy/g20.htm>

Visit <http://www.oecd.org/trade>

\*APEC: Asia-Pacific Economic Co-operation; UNCTAD: United Nations Conference on Trade and Development