25 Global Trade

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Introduction

This chapter examines both the concepts and the structures of the global trading **regime** before considering the ensuing debates. First, it explains the international **free trade** regime and the opportunities it affords. Second, it identifies some of the problems that have beset this system. Third, it notes the growth in preferential trade agreements. Fourth, it considers the prospects for reform of the global trading system; and fifth, it examines the impact of the Global Financial Crisis on global trade, before examining the prospects for recovery. Key terms relating to global trade are explained in Box 25.1.

The global trade regime has been variously praised as providing the engine for global growth and critiqued for exploiting weaker players in the international system. The intense protests at the **World Trade Organization (WTO)** Millennium Round's Third Ministerial Meeting in Seattle in November and December 1999 were a dramatic illustration of the disputes being fought over the operation of the world trading regime. These public battles reflected both intellectual and policy concerns surrounding the nature of global trade. In particular, this major dispute reveals a broad coalescence of dissatisfaction with the **liberal** international economic **order** that was established immediately after World War II. Born after a period of devastation wrought through

BOX 25.1: TERMINOLOGY

Key global trade terms

Economic liberalism: Perspective that favours free and open trade, separate from politics, believing that this approach maximises economic efficiency and thereby prosperity.

Economic nationalism: Government policies designed to protect local industries from foreign competition.

Embedded liberalism: Compromise struck between the free market and government control in managing the international economy.

Mercantilism: Trade policies designed to maximise state power/wealth, often at the expense of others.

*Most favoured **nation***: GATT Article I principle of non-discrimination between trading partners.

National treatment: The principle, enshrined in GATT Article III, that requires imports receive the same treatment as domestically produced goods.

Non-tariff barriers: Protection measures other than direct taxes designed to limit foreign competition. These may include quotas (or limits), sanitary regulation or import licensing.

Orderly market arrangements: Bilateral arrangements where the exporting country cooperates to limit exports. Voluntary Export Restraints (VER) and Voluntary Restraint Arrangements (VRA) are similar mechanisms.

Protection: Barriers designed to defend local producers from foreign competition.

Public goods: Goods that can continue to be enjoyed despite others' use. Benefits can extend across borders and generations; for example, a lighthouse.

Radicalism: Perspective that critiques a competitive and conflictual capitalist trading regime and argues for system change.

Rules of origin: These rules set the criteria for the assessment of the country of origin of a product.

Tariff: Customs duty on imported merchandise. Protects local goods from competition. Revenue raising for governments.

Terms of trade: Ratio of the price of export commodities against import commodities.

two world **wars** and the Great Depression, the new economic order attempted to remove barriers to trade, promote prosperity and thereby prevent a repeat of past tragedies. The emergent system sponsored by the US aimed to implement a liberal trading regime that both espoused and practised free and open trade. Part of the post-war reconstruction process involved countries profiting from access to markets and removal of barriers to capital movement. Towards the latter half of the twentieth century this process was given greater impetus through rapid developments in transportation and communication. Market internationalisation increased significantly and countries became increasingly **interdependent**. In short, international trade and prosperity expanded enormously during this period.

By 1999, however, opposition to the global trading regime had become widespread. Not only were there intellectual criticisms directed at the theoretical limitations of the free trade paradigm, but also practical concerns over the injustices of the trading regime. Criticisms mostly coalesced around the inability of the current arrangements to redress global inequities. Critics pointed to the inherent lack of distributive justice in the system (see Chapter 8). Some remonstrated that the trading regime was manipulated to advantage by a few industrialised, powerful **states**. Others protested the largesse of the profits taken from the system by **multinational corporations**. Labour groups in some industrialised countries protested the erosion of their wages as they competed with cheaper wage arrangements in developing countries, while environmentalists railed against the ever-increasing **capitalist** demands on resources.

Free trade and the international trading system

Prior to the Gobal Financial Crisis (GFC) in 2008, global trade peaked in 2004 with approximately US$8.9 trillion of merchandise goods and US$2.1 trillion in commercial services traded across national boundaries globally. In real terms export growth for 2004 was 9 per cent, which surpassed world gross domestic product (GDP) growth. The WTO documented that the dynamic traders of 2004 – and, indeed, the traders who would lead the return to global trade growth in 2010 with a 16 per cent rise in export trade through the first half of 2010 – were located in Asia, Central and South America, and the Commonwealth of Independent States (CIS, i.e. Russia and other republics of the former USSR). Some of this was fuelled by solid commodity prices and, as always, exchange rates exerted a significant influence on trade flows (World Trade Organization 2005; WTO 2010).

Trade has always been part of people's lives throughout the globe. With the extension of the Roman Empire in the West and that of the Chinese in the East, through the age of discovery to the peak of **colonial** rule in the nineteenth century, trade has been partner to the **security** agenda. It is, however, the nature of the current trading system and its origins that concern us most here. In the interwar period of the 1920s the major international economies increasingly employed protection to shield their domestic industries from imports from their international competitors. As a consequence world trade declined dramatically, with the end result being the Great Depression. With the Depression came the rise of militarism and **fascism**, culminating in World War II. Trade was perceived to be inextricably connected not only to prosperity but also to **peace**. As the US emerged from the war in a position to oversee any new international economic order and had drawn a line from economic ***nationalism*** to the devastation of war, it was intent on overseeing a post-war economic order based on principles of economic liberalism. Undoubtedly it was in the interests of the US to establish a system of free trade, as it would be a significant beneficiary of its ability to produce goods and services in demand by other countries. Nonetheless, the argument crafted affirmed the benefits that would be distributed to all traders in the international system. It was a positive-sum game.

These free trade arguments were derived from the work of both Adam Smith (1723–90) and David Ricardo (1772–1823), who argued that free trade, through the encouragement of competition, advanced economic efficiency and created better products and cheaper prices of goods for consumers. Smith attempted to demonstrate that 'the invisible hand' of the market, in allowing individuals to pursue private gains, would ultimately benefit the collective public interest (Adam Smith [1776] 1998: 292; see Box 3.1). Ricardo built upon this advocacy of free trade by developing the **theory** of comparative advantage. In the international economy, states received a net gain in welfare where they specialised in what they produced. This specialisation could result from their natural endowments or policy prescriptions and were those items they could produce more efficiently, relative to other countries. These products could then be traded for items produced by other states as a consequence of their comparative advantage (Ricardo [1817] 1973). For example, when we compare Australia's climate, space and topography with that of China's, we find that Australia has a comparative advantage vis-à-vis China in the production of wool versus clothing. (That is, Australia has one comparative advantage in the production of wool, whereas through the abundance of labour one of China's comparative advantages lies in the mass production of apparel.) Liberal economists argue that through this division of labour efficiencies are maximised and the international trading system can deliver benefits to all.

This theory of liberal economics was given material form in 1944 through the meeting of forty-four states at **Bretton Woods**, New Hampshire, where the new liberal economic order was constructed and the multilateral institutions of the **World Bank**, **International Monetary Fund (IMF)** and **General Agreement on Tariffs and Trade (GATT)** were established (see Chapters 24 and 26). Originally the Bretton Woods states had envisioned the International Trade Organization to establish and implement the new trading regime. However, US Senate opposition prevented its formation. Although at its formal instigation in 1947 the GATT was intended as a temporary institution, it oversaw the reduction of tariffs, particularly on manufactured goods, through multilateral trade negotiations rounds or talks until its transformation into the WTO in 1995. The driving tenet of the GATT was its category of most favoured nation (also now normal trading relations) status and national treatment rules based on principles of non-discrimination. These principles aimed to encourage trade on an open multilateral basis.

Yet, despite the intention that the GATT should be a vehicle for comprehensive trade liberalisation, there were some notable exceptions. These exemptions were granted as a consequence of the political nature of its inception and were testimony to the compromise wrought between *laissez-faire* economists and domestic interventionists, and later became known as 'embedded liberalism'. Keen to protect their farmers, the US and Western European countries exempted agricultural barriers from discussion. Discriminatory trading blocs such as the European Economic Community and the British Commonwealth, which conducted preferential trading within their membership group, were granted exemptions. Services trade, too, was initially outside the boundaries of the negotiations, principally because of its lesser import in the 1940s. Nonetheless, in much of the American literature at least, stability and maintenance of the system would be brokered by the US as a **hegemonic** power. Hegemonic stability theory posits that the dominant economy would ensure that in the liberal economic system free trade rules would be enforced (Gilpin 2001). In addition, the hegemon's responsibilities were to manage global macroeconomic policy. This included overseeing the international monetary system and acting as lender of last resort for those states in financial crisis. In the trading system the US provided the 'club good', the non-discriminatory access to US markets that underpinned the GATT (Kerr 2005). Control over production, markets and capital would not only provide collective or public goods for all but undoubtedly would benefit the hegemon.

Today, however, the US is fighting to maintain its preeminent position as production centres have moved to the East. Not only have trade 'miracles' been wrought in the East Asian environment over the past half century, but now China is increasingly asserting itself as a dominant trade partner to many states internationally. China's ascension to the WTO in 2001 and its twelve-year transition period from that point also signals the multilateral trade regime's increasingly comprehensive global nature. Moreover, that the US and China have instituted a Strategic and Economic Dialogue attests to the importance of smooth trading relations in the **bilateral** affairs between the hegemonic power and the rising power in the international system.

An imperfect system

Given that a system of autarky, a closed national trading system, is now neither efficient nor desirable, many states in the post-World War II environment sought a system where trade between countries could be conducted more freely, the barriers to trade could be reduced and as a result the prospects for prosperity and peace would be made more likely. Nevertheless, while the post-war liberal economic system was designed to remove obstacles to free trade, many still exist – and for an array of reasons. As tariffs were gradually reduced or removed an assortment of non-tariff barriers were deployed to serve the same function. In addition to both import and export quotas, financial subsidies exist to assist specific industries and producers. For example, the EU's Common Agricultural Policy (CAP) subsidies in 2008 were estimated to be worth €43 billion (although as a proportion of the EU budget this figure has been slowly declining), while in 2002 the US Farm Bill provided US$190 billion over ten years in assistance for its farmers. Some countries stringent quarantine regulations occasionally have been perceived as a vehicle for **protectionism** by stealth, by preventing the import of a range of foreign agricultural products. Furthermore, both countervailing duties (taxes on imported goods that are believed to have benefited from government subsidies) and antidumping duties (taxes designed to counteract markets being swamped by the sale of goods at below-cost prices) have been utilised to counter foreign governments' suspected use of subsidies.

These vehicles designed to promote and preserve a state's trading advantages are components of a government's strategic trade policy. In theoretical terms this is known as economic **mercantilism** and is derivative of **realist** politics. From the 1960s onwards the effects of foreign states' use of mercantilist policies were felt acutely in the US. This coincided with the threats felt by the US to its hegemonic position, arising as a consequence of the resurgence of the Japanese economy and the newly industrialising economies of Asia but also with the ongoing reconstruction of the European economies. Countries hitherto given concessions by the US as part of the **Cold War** were increasingly thought to be free riders on the US economy. That is, they were enjoying the benefits of the international system as sponsored by the US but their outlays were comparatively small. There was no question that many of the Asian states pursued a mercantilist model of economic development and that the Europeans had consistently managed a system of preferential trading.

US preparedness to underwrite the system snapped in 1971 when President Richard Nixon announced that the US would no longer guarantee fixed exchange rates, thus signalling that it was no longer prepared to underwrite the international financial system (see Chapter 26). Following this action, the **protectionist** ante was upped across the next two decades in the trade domain. The US implemented a plethora of orderly market arrangements, including voluntary export restraints to preserve domestic industries, and attempted to redress the proclivity for overextension. Consequently, by the end of the 1980s the politics of neo-mercantilism became more predominant and the international system was seen by some in increasingly **zero-sum** terms. Where possible the costs of structural adjustment would be transferred offshore through a trade policy of aggressive **unilateralism**. Competitor wheat growers were particularly affected in their third country markets by the US Export Enhancement Programme (EEP), implemented in May 1985, in which the US provided subsidies to farmers for the export of specific commodities to certain countries.

Nonetheless, the problems with the system were more widespread than those of competition between developed countries. While there were arguments, expressed particularly by the European Union and Japan, that in certain circumstances the state had a legitimate role in preserving food security in addition to sponsoring local and community interests, these multifunctionality arguments were exacerbated by the difficulties experienced by developing and least developed countries within the system. As Friedrich List (1798–1846) had theorised, government intervention was necessary to ensure the individual's interest in acquiring personal assets did not conflict with the interests of the nation. Yet, liberal economic theory remained dominant. And as Dani Rodrik has claimed, 'in many "emerging" economies traditional developmental concerns relating to industrialisation and poverty have been crowded out by the pursuit of "international competitiveness"' (Rodrik 1999: 1). Furthermore, it was argued that free trade of itself was not responsible for growth, but that macroeconomic stability and investment were more significant determinants (Rodrik 1999). Outside the mainstream discourses, radicalism developed in response to the dominance of the liberal economists. While **Marxism** informed the structure of the **communist** economies and trade between the central and Eastern European **Warsaw Pact** countries, through the 1960s and 1970s radical theorists posited that liberal economic policies and the international trading regime only exacerbated the problems of inequality. Dependency theorists argued that capitalism entrenched the wealth of the powerful states and left the developing countries in a fixed state of exploitation. **Feminists**, too, critiqued the trading regime for neglecting the effect of the system on women. The discourse of fair trade in this respect contested the ability of the existing system to provide for all in a just manner. Moreover, critics argued that instead of everyone benefiting from the rising tide of free trade, frequent storms often swamped the opportunities of some.

Currently the trading regime is beset by problems arising from these tensions. By November 1999 these critiques from both right and left coalesced around the impending WTO meeting in Seattle. The Seattle meeting was convened to establish a new round of multilateral trade negotiations. Although the critics succeeded eventually in altering the focus to one of development, by 2010 the 150 member participants in the Doha Development Round (as it came to be known) struggled to find agreement, particularly on the reduction of agricultural subsidies. If the Round collapses completely, questions will remain as to the possible marginalisation of the WTO itself and a return to a global trading system riven by competing preferential trade blocs.

Preferential trade arrangements

The inability of the current system to maintain the pace of multilateral liberalisation has provided some of the impetus for the recent spate of preferential trade arrangements. While states often refer to these arrangements as free trade agreements (FTA) or regional trade agreements (RTA), most are discriminatory in structure. Nevertheless, the WTO rules allow for these agreements as long as they incorporate substantially all sectors of trade and do not exclude others from trading. It is generally understood that the phase-in period for these arrangements should not exceed ten years. Midway through 2010 the WTO had been notified of 371 free trade agreements, of which 193 were currently in force. Not all of these agreements comply with WTO rules. For the US, the failure of the Fifth WTO Ministerial Conference in Cancun, in September 2003, to reach consensus – particularly over investment, competition, government procurement and trade facilitation measures – compounded the problems of the Seattle gridlock and drove it away from **multilateralism** and down the bilateral and regional track that led to its interest in a string of FTAs, including the Chile, Australia, Morocco, Bahrain, Peru, Oman, Singapore and Jordan FTAs. More widely it has signalled its interest in a Free Trade Agreement of the Americas.

Adding to the quest for greater access to partner country markets, there exist a number of other rationales for FTA negotiations. For those countries wishing to broaden inter-state relations FTAs can act positively to foster relations between states. As the consultations accompanying the Australia–US FTA negotiations evidenced, there is no doubt that the Congressional liaison and business links established by the Australian Embassy in Washington considerably raised Australia's profile in the US. Other factors stimulating negotiations include the weakness of existing regional institutions and attempts to hasten domestic reforms by coupling restructuring to international agreements. Some negotiations attempt to implement 'WTO plus' or 'third wave' considerations that reach beyond border constraints into areas traditionally regarded as public policy concerns. Related to this is the demonstration effect for other countries' consultations, as agreements incorporate attempts to write rules for new areas to be integrated into trade agreements. The strengthening of intellectual property rights in the US–Singapore FTA can be regarded as demonstrative of this modelling. And if the US–Israel FTA signed in 1985 was principally concerned with security objectives, arguably more of the recent FTAs are also motivated by geostrategic themes. If it can be contended that some of these contemporary FTAs demonstrate little economic benefit, then these alternate explanations such as the securitisation of trade must be considered. It should also be noted that some of these motives for bilateral or regional agreements have proved no less contentious in the public domain, as the opposition to the NAFTA (North American Free Trade Agreement) has testified.

It is also evident that the current US interest in a trans-Pacific partnership agreement (TPP) with Chile, Australia, New Zealand, Vietnam, Brunei, Singapore and Peru flags its interest in moving the trade liberalisation agenda forward after this process was stalled, not only in the Doha Round but also in the current trans-Pacific forum of **APEC**. What is more, this agreement also declares the US pursuit to maintain its trade presence in Asia and its concurrent interest in surmounting oppositional forces which may have designs in orchestrating more exclusivist Asian forums.

Reform of the trading system?

Clearly, world trade is affected by the expansion in the integration of economies internationally. As communications and transport technologies improve, so too does the opportunity for product supply chains to be internationalised, for more rapid and integrated financial coordination to occur, for multinational corporations to conduct business and for the movement of people to occur more freely. These changes, as part of the processes of **globalisation** (see Chapter 28), can increase the prospects for trade exchanges to occur. However, the trade consequences of globalisation remain hotly debated. Proponents argue that the global production and marketplace has resulted in increased opportunity and unprecedented prosperity, together with a consequent reduction in conflict. It is axiomatic, however, that those beneficiaries have most likely been the mature economies with strong governance structures.

Yet others have argued that prior to World War I, where significant tracts around the globe were integrated into the British Empire, the forces of globalisation were much more persuasive. Critics both then and now argue that these liberalising changes have only brought heightened prosperity to those best placed to maximise opportunities, and have magnified the North–South divide. Hence, they say, globalisation is not operating on a level playing field and has only exacerbated the disparity between rich and poor at both intra- and inter-state levels (see Box 25.2). Others argue that trade liberalisation as a consequence of globalisation also functions to dissipate the power of the state and corrode state sovereignty. The 'third wave' trade agreements that affect social policy would be cited as illustrative of this point.

BOX 25.2: DISCUSSION POINTS

Agricultural trading reform and the Cairns Group

In August 1986 a group of disparate agricultural 'fair traders', separate to the major players but producers of approximately 25 per cent of agricultural trade, met in Cairns, Australia, to plan a strategy for the GATT Punta del Este meeting to launch the Uruguay Round of trade negotiations. Their intent was to maximise their negotiating clout to liberalise the trade in agriculture (Snape et al. 1998). Ultimately the Cairns Group achieved some limited success in forcing agriculture onto the multilateral agenda, but nonetheless the intransigence of the major states to eliminate subsidies remained robust.

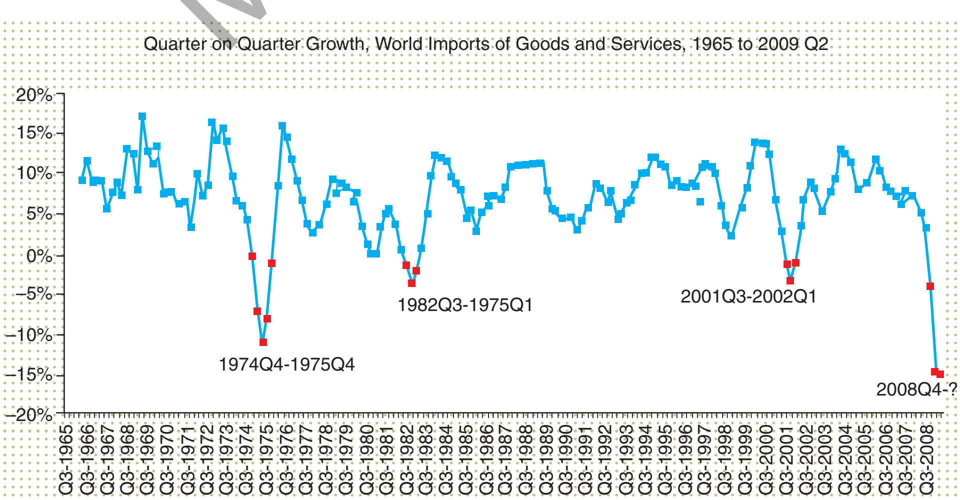
Overall it would seem that as the Bretton Woods agreement endeavoured to produce a mix of market forces and government control to manage the international economy some sixty-five years ago, the policies of embedded liberalism within the trade regime may be most appropriate to allow for both economic growth and development. Not only does the improvement of people's quality of life internationally require the conditions for peace and stability with strong governance structures at the intrastate level, but Joseph Stiglitz argues that reforms to the global trade regime are inherent in the process. He cites reforms which include: the granting of 'special and differentiated treatment' for least developed and developing countries in trade agreements; extended market access to poor countries (similar to the EU's 'Everything but Arms' policy decision to provide quota- and tariff-free access for all imports except armaments from the fifty least developed countries); the reduction of rich country agricultural subsidies, non-tariff and technical barriers to trade; and, the review of the rules of origin arrangements whereby poorer countries can be isolated from the profits of the production process (Stiglitz 2006). He also argues for greater scrutiny of preferential trade agreements and reform of the institutions governing the trade regime to counter the problems of unfair agenda setting, negotiations and enforcement (Stiglitz 2006). Ultimately, too, those interested in reform remain cognisant of the benefits that a fairer trading system will have in the promotion of international security.

The Global Financial Crisis and trade

World trade has experienced long periods of extended expansion and delivered some spectacular profits, but it has also suffered some severe recessionary setbacks. These were induced in 1974–75 by the oil price rise shocks, in 1982–83 by the combination of inflation and unemployment (i.e stagflation), and in 2001–02 by the 'techwreck' (Baldwin 2009). Trade volume contractions over these periods were 0.2 per cent, 2 per cent and 7 per cent respectively. Figure 25.1 reveals the extent to which world imports of goods and services were affected by these crises.

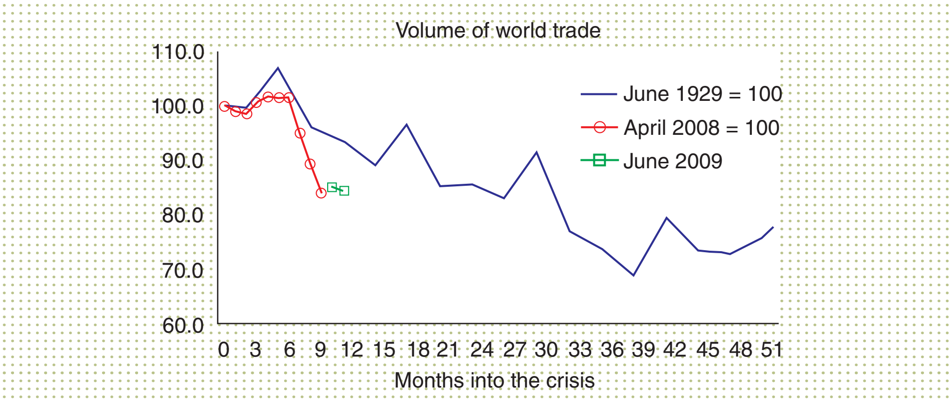
However, the most significant contraction in world trade began in late 2008 as a consequence of a financial crisis emanating out of the US housing market and banking system, where the shock of the Lehman Brothers merchant bankruptcy induced a consumption and lending crisis that spread globally and dramatically (see Chapter 26). Not since the Great Depression had world trade suffered such a significant setback (see Figure 25.1). And as Figure 25.2 demonstrates, the Global Financial Crisis (GFC) was more precipitious in its immediate effect than even the Great Depression.

Figure 25.1 The great trade collapses in historical perspective, 1965–2009



Source: OECD Quarterly real trade data.

Figure 25.2 The volume of world trade, now vs then



Source: Barry Eichengreen and Kevin O'Rourke, 'What do the new data tell us' *Vox*, 8 March 2010, and 'A tale of two depressions: now and then', *Vox*, 6 April 2009, www.voxeu.org/index.php?q=node/3421#jun09.

By 2009 world trade had contracted by 12.2 per cent (WTO 2010a: 18). So why the fall in trade of such magnitude and also immediacy? Economists have agreed on a few key explanations. Principally, the real estate crisis and attendant banking crisis precipitated a collapse in demand initially in the US and then elsewhere in the globe. It also limited the availability of credit in the international system. The extent to which the banking sector but also global supply chains are interconnected is explanatory of the synchronised effects of the crisis. In short, people delayed purchases of consumer goods, such as cars, as they carefully weighed up their financial future. For businesses, the lack of credit in some cases delayed investment decisions, and in others foreclosed factories. The flow-on effect of an employment crisis further reduced demand. In industry too, the iron and steel producers were intimately affected by factory shutdowns and the shrinking purchase of machinery together with the collapse of construction in the real estate sector. Moreover, both the global and 'just in time' production features of the supply chain not only sensitise the system to downturns in other geographic regions but also ensure that it is immediately responsive (Baldwin 2009). An additional statistical effect of the global supply chain is to skew the impact on trade results. On each occasion where a good in the production process transits a national boundary it is recorded in the trade data. Although ultimately only one product may be manufactured, its component parts may all have been recorded in the trade statistics. Hence, the double counting factor may exacerbate the picture of the dramatic decline in trade as partner to the contemporary recession.

Prospects for recovery

The drive to recovery from the GFC included the restoration of global trade, in part fuelled by government stimulus packages. As a result, employment opportunities were undergoing a revival in most countries. In the first half of 2010 world trade expanded almost as dramatically as it had contracted in the previous year. So quick was this year-on-year expansion that it was the fastest recorded since 1950. Albeit off this low base, the WTO economists predicted that in 2010 trade growth would reach 13.5 per cent (WTO 2010b), with the developing countries recording a higher level of growth than the advanced economies. However, as the government assistance measures conclude the pace of growth is unlikely to be maintained. Two of the dangers here are that the structural adjustment that has occurred as a consequence of the recession will have enduring effects in the form of political pressures to pursue neomercantilist protectionist trade policies, and that the prospects for reform of the trading system which will require the rich countries to offer concessions to the least developed countries will be less likely. Given the unmet expectations in the mature economies that the crisis has wrought, the polity may be less able but also less inclined to assist those outside their immediate national concern. The test for the newly constituted **G20**, which attempts to reflect the new exigencies of power in the international system, will be to address these problems in an equitable fashion and by doing so confirm its legitimacy as a preeminent global institution.

One particular trade aspect of any recovery is the need to manage the likely revitalisation of the trade in, and the volatility of prices of, natural resources: namely, the trade in mining and energy resources, fish stocks and forestry products. Water may also eventually be considered in this group. History is replete with examples of conflict emanating from the limitations of resource availability. One only need look to the restrictions on Japanese access to resources in the 1930s to realise how the road to conflict is exacerbated by the uneven distribution of resources. Thus, specific problems to be managed that are associated with this resource group include its uneven availability to countries intent on industrialisation and the converse problem of 'the Dutch disease' for those countries whose abundant natural resource stocks delay the development of a manufacturing, technological or service base. These concerns, together with the problem of global resource exhaustion and the environmental impact of resource misuse, will mandate greater international cooperation and regulation (WTO 2010a).

Conclusion: systemic recovery and reform

There is no question that trade has contributed significantly to many people's quality of life globally. The current test for governments and the international trading regime, however, is to ensure that a durable recovery occurs after the worst financial crisis in eighty years and that the gains derived from international trade can be sustained and are more equitably distributed. By doing so they will act to reduce the likelihood of conflict both at the local and international level. The challenge also falls to the G20 and the WTO to assist in coordinating efforts to do so and to sponsor the openness of the trading regime. By fostering a prosperous trading regime the G20 will also ensure its prospects for legitimacy. No doubt, however, trading tensions between countries will persist and the battles over the nature of the trading regime will continue. Current questions also remain as to whether the attention that states have devoted to bilateral and regional trade agreements have detracted from their capacity to focus resources on the WTO regime, or whether they will spur the resolution of the multilateral negotiations. Although the Doha Round of talks have stalled for some years, the WTO is well aware that if a complete collapse or an eventual hollow finale is agreed upon it is likely that damage will be inflicted on the legitimacy of the WTO itself. If it survives – and it is improbable that a wholesale dismantling of the current regime will occur – it is reasonable to insist that the system be modified to incorporate greater attention to issues of distributive justice and resource management.

QUESTIONS

1. Is economic efficiency the only consideration in determining the nature of the trading regime?
2. Is trade fair? If not, how can this be resolved? Should this be resolved?
3. How does domestic politics affect trade?
4. To what extent should domestic policy be influenced by trade policy and 'third wave' trade agreements?
5. Does trade reduce poverty?
6. How has the Global Financial Crisis affected trade? How can the system recover?

FURTHER READING

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