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Comment Rufus Yerxa

I found Irwin and O'Rourke's chapter extremely interesting as an assessment of where we were, where we are, and where we are going from here. In my response, I would like to address some of the broader conclusions that the chapter put forward. Of course, it is hard to disagree with the importance of multilateralism as the ultimate shock absorber. More specifically, the WTO should be seen as the fundamental and ultimate stabilizer in the global system.

Instead, I would point to the notion of belief in free trade and multilateralism; what is happening to it and how broadly is it still shared? Also, what dangers could arise from its erosion?

As for the time frame being covered, the chapter obviously makes a valuable contribution for its depth in going back before what most trade policymakers usually have in mind. They tend to start their analysis at the Great Depression and the Smoot-Hawley tariff. Also, I found the parallel of the nineteenth-century "spaghetti bowl" with today's free trade agreements highly illuminating. Yet, I would still propose a closer look at postwar trade history. In particular, I would divide up this period into three subperiods and offer a brief discussion on each.

The first of these subperiods, the immediate postwar period, was characterized by the dominance of the United States in the world economy and world trade. Other economies were just about to recover from the ruins of war, so the United States could enjoy unparalleled dominance.

The second subperiod was one of rapid globalization. The trading system saw the resurgence of European economies as well as the emergence of Japan and the Asian tigers as new important players. This is also the time when the first signs of tensions and pressures began to emerge, testing the system's resilience. I personally remember the growing disillusionment with the GATT in the United States in response to a growing perception that it had become more advantageous for emerging export-oriented countries vis-à-vis the United States. On both sides of the Atlantic, the same question was voiced over and over again: Is our commitment to free global trade still in our best interest?

That said, despite all these tensions the system had been strengthened by the end of the second subperiod, perhaps best epitomized by the birth of the WTO itself. Hardly coincidentally, this period saw a relatively stable pattern of growing prosperity, only occasionally interrupted by regional crises in Latin American and East Asia.

That brings us to our final subperiod, the one following the 2008–2009 downturn. There are new, dominant players in the world economy—namely,

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China. We are also experiencing the relative decline of the United States and other industrialized economies with significant consequences for support of multilateralism. High unemployment and the decline of manufacturing are hardly propitious developments for maintaining such support. A common complaint I hear all the time in the West is that the Doha Round was supposed to be a development round, but the designated beneficiaries are already doing much better than we are. Why then—the skeptics tend to ask—would we agree to asymmetrical terms benefiting the fast growers?

These symptoms underscore a broader problem of multilateral trade: what arguments will be advanced in favor of the next stage of liberalization and rules? We used to think that agriculture would be the main offer on the table from the developed nations, with a commitment to make it look more like industry in terms of tariff levels and subsidies. However, the rationale for this has become less compelling over time, not least because of high commodity prices. Agriculture has thus become less of a driving force to bring people to the negotiation table together. The EU and the United States, in turn, do not see potential gains to achieve on the industry side. The question is thus what will get participants excited about the next stage, what arguments will suggest benefits that they can hope to achieve?

Differently put, I see the Doha Round extremely hard to sell in terms of political constituencies. Academics tend to refer to the “bicycle theory,” whereby forward momentum is needed to maintain belief in the system. However, right now, it does not seem to be sufficient to generate further liberalization. I have ample experience—just like my colleague from the United States, Charlene Barshefsky does—in selling the Uruguay round before. Now, however, I just do not see the same degree of belief that would be necessary in going forward.

To conclude, I think it is important to ask the obvious question: which of the four periods described in the chapter we would like to live in, if not in the last fifty years strengthened by rule-based multilateralism. However, if the erosion of confidence continues, it will be increasingly difficult to generate support for multilateral trade policy. Reintroducing full-fledged protectionism is definitely not a viable option. Yet if one looks at the trends emerging in many countries it is clear that there is less of a commitment to broad-based liberalization and more of a temptation to think that nationalist economic policies or regional trading blocs may be an alternative to the GATT/WTO model. The ultimate question, I suppose, is whether this is a temporary phenomenon or a more irrevocable erosion of support for the system that served so well for more than sixty years. Those who forget the lessons of history are doomed to repeat them, so it is worth asking this final question: What will it take to reinforce belief in the ultimate shock absorber of the multilateral trading regime?