Making Trade Work for All

Trade is in trouble. Since the crisis, trade growth has slowed, while public scepticism about trade in some countries has grown. What can we do?

We need to acknowledge that public anger – going beyond trade to broader globalisation and loss of faith in national governments – has its roots in genuine problems: prolonged low growth in many advanced economies; rapid technological change; rising inequalities; widening productivity gaps among firms; and stagnant wages for many workers.

We also need to recall the facts: trade has helped lift more than a billion people out of poverty. Trade lowers prices, helping low-income households who spend more of their income on tradables, such as food and clothing. Trade can help growth: full implementation of the WTO Trade Facilitation Agreement could boost global GDP by 1.5%. Trade is not about imports vs exports: in global value chains, imports are ingredients for domestic production and exports, sustaining jobs at home -- and can contain your own previous exports. Open economies with higher growth and innovation create more and better jobs; closing markets to protect jobs is a costly way of helping relatively few people at the expense of others.

Trade did not create many of the problems behind public anger, and trade alone cannot solve them. We need a much more integrated policy approach to make the whole system work better for more people. We need to do three things:

Create the environments at home where benefits can materialise through policies that encourage opportunity, innovation and competition

This means reducing the unnecessary costs that policies can impose on traders, especially MSMEs and young firms. Streamlining trade procedures and tackling restrictions on services offer significant, economy-wide benefits – including for manufacturers.

It also means investing more in people, in the education and training that equip women and men with the skills to adapt to changing economies. It means connecting people to jobs and markets through investments in physical and digital infrastructure. And it means transparent regulations that enable competition, underpinned by the rule of law.

Do more to bring everyone along

This goes beyond adjustment assistance to investments for inclusive growth, from health and education to activation frameworks that make work pay; from labour market inclusion to promoting mobility by linking entitlements to people, not jobs; and from well-designed income support and counter-cyclical social spending and targeted measures to revitalise regional economies, where trade shocks can be concentrated. It means looking to future challenges, and looking again at our toolkit.

Make the international system work better, harnessing the full range of international economic co-operation tools

Trade is also shaped by other ways that countries interact with each other in the global economy, such as co-operation on competition policy, taxation, anti-corruption, responsible business conduct, labour standards, and environmental protection. The international economic co-operation toolkit includes legally binding rules, voluntary guidelines and codes, and transparency and dialogue.

We need to do more to level the international playing field, addressing gaps in the rules, and doing more to ensure that everyone, from companies to countries, plays by the rules.

How we do trade also matters. Trade policy-making needs to become a more open conversation, where more people can inform and be informed by the debate, and feel more confident that the trade-offs inherent in reaching agreements make sense.

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The world is more integrated than ever before; policy needs to catch up. We need an integrated approach, nationally and internationally across silos, to make the system more free, fair and open; to make trade work better for all.

Further reading

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  http://oe.cd/mtw