

Trump effect on international trade

Mercosur optimism overcomes WTO missteps

by David Smith in Buenos Aires

Fri 15 Dec 2017

In the age of Donald Trump and policy-making via Twitter, one moment at this week's World Trade Organisation ministerial summit in Argentina stood out for its declaration of non-diplomatic exasperation which the US president might himself applaud.

'Members cannot even agree to stop subsidising illegal fishing. Horrendous,' Cecilia Malmström, the European commissioner for trade, tweeted on Wednesday. 'The European Union tried really hard, but destructive behaviour by several large countries made results impossible. How did we end up here?'

Given the scope of the agenda, covering everything from fishing to food security and ecommerce, and the debate over whether the semi-redundant Doha round of trade talks should proceed to yet another biennial gathering in 2019, the probability of consensus was always low. But lead players drew some comfort in that the WTO survived its first conclave in South America.

'We never said we would have a revolution this week in Buenos Aires. The WTO is at such a deep crossroads,' concluded conference chair Susana Malcorra of Argentina. 'But those who saw the WTO imploding here were wrong. The conversation going forward has started, specifically on the interconnection between public and private, and especially in the realm of ecommerce, a defining issue in this century.'

The debate over ecommerce speaks volumes about the state of the WTO. India and a group of developing countries blocked an initiative that would have ushered in a 20-year moratorium on levying duties on electronic transmissions – think Spotify, Netflix, Amazon, Google. In response a cluster of major economies, including the EU and the US, served notice that they would work towards a deal among themselves. This, they said, would happen outside the WTO, to facilitate what UK Trade Minister Liam Fox termed 'the export of digital services without costly customs duties'.

According to one lead European trade minister, 'This plays straight into the hands of Trump's "America first" agenda. Even if we disparage such protectionism, we end up bypassing a WTO regime that demands consensus from all, because there can be no consensus in the WTO.'

Robert Lighthizer, the US trade representative, made plain his boss's belief that the WTO works only for others, especially China. He returned to Washington a day early, declaring, 'We have a new direction coming out of this WTO conference, sectoral agreements set by like-minded countries.'

In Lighthizer's absence and with the summit sputtering to a close, the EU and Mercosur, the Latin American trading bloc, conducted bilateral negotiations on the sidelines. Both sides report that some progress has been made on a long-awaited trade pact that would see tariffs slashed on everything from Argentine beef to German cars.

Even Malmström, in contrast to her tweet on fisheries, sounded optimistic about the deal, despite French and Irish concerns about agricultural imports. 'We have advanced here, and we can see an end to this deal in the new year.'

Brazilian Foreign Minister Aloysio Nunes, speaking for the chair of Mercosur, divulged some details. He said that 90% of trade with the EU would be tariff-free if the Europeans accept what's on offer, adding, 'There's been real give from our side here on the toughest part of this accord, market access.'

One of his aides lingered as the minister hurried to catch a plane home, confiding with a broad smile, 'Call it the Trump effect. It's time for others, like the EU and us here in Latin America, to show we believe in free trade. And it's time for us to lead, where others only undermine.'

David Smith is a Member of the OMFIF Advisory Board and represented the United Nations Secretary-General in the Americas between 2004-14.