

## **INTAL Connection 254: October 2017**

# **The WTO and Governance of the International Trading System**

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What is the best way to reconcile flexibility and predictability within international trade agreements? Between October and November 2017, a series of sessions was held on the WTO and its role in the governance of the international trading system in the run-up to the 9th WTO Ministerial Conference (MC11), which will take place in December in Buenos Aires.

The sessions were organized by the Institute for the Integration of Latin America and the Caribbean (INTAL), part of the Inter-American Development Bank (IDB), in conjunction with CAF/Development Bank of Latin America, the ICBC Foundation Argentina's International Trade Institute, and the Argentine Council for International Relations (CARI). The aim was to contribute to the current agenda for international trade, which INTAL/IDB director Gustavo Beliz described as "attractive, complex, and challenging."

CARI president Adalberto Rodriguez Giavarini stressed the importance of these workshops in spreading the word about MC11 and the multilateral trading system (MLT). Argentina's representative at CAF, Andrés Rugeles, noted that there was a need to "raise awareness among the general public in Argentina about the topics on the agenda."

This first workshop was organized around presentations from three high-profile international experts on the matter, which were followed by a discussion in which major academics, policymakers, journalists, and members of the business community also took part. The main topic of discussion was the need to achieve a relative balance between flexibility in the rules (to allow countries to respond appropriately to unforeseen situation) while maintaining the predictability of the MLT, two aims that would at first glance seem to be in opposition to each other.

The director of the ICBC's International Trade Institute, Felix Peña, opened up the discussion with a series of questions that sought to spark debate: What is the practical significance of a rules-oriented MLT? How important is the principle of nondiscrimination? How important are safety valves? How can we achieve a system that strikes a balance between flexibility and predictability?

## **Diversification in Latin American Agricultural Trade**

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There is great potential for the volumes of intraregional agricultural flows to grow and for them to become more diversified. Following the global financial crisis, the volume of global trade experienced a marked downturn in comparison with the period that immediately preceded it: between 1995 and 2008, the annual growth rate for real global trade flows was 6.2%, while between 2011 and 2015, this only increased by 2.6% per year (figure 1). This downturn was primarily due to trade in manufactures growing at a slower pace than before—goods from these sectors had driven trade during the previous period, mainly due to the expansion of global value chains. Agricultural trade was not a major player during the boom years but it has not suffered such a marked postcrisis downturn, either: in 1995–2008, the average annual rate of growth was a cumulative average (c.a.) of 2.9% while in 2011–2015, it was 2.4% c.a.

## **The Fourth Industrial Revolution: Cutting-Edge Instruments**

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The Fourth Industrial Revolution, which is connected to the expansion and spread of technology, is bringing about drastic changes in the labor market and the ways goods are produced and traded.

Coordination, information, and cooperation

Singh (2016) highlights that policies to improve competitiveness must be understood not as a fixed set of policies but rather as a process or systematic, structured effort. The author draws a series of lessons from the new productive policy that has been applied over the last 20 years, focusing on “soft” instruments that are linked to strengthening the system and the coordination of it. These are:

1. the need for national coordination (between government agencies, firms, and other stakeholders), a complex factor in developing countries, where state capacity is more restricted;
2. to increase the effectiveness of policy options, it is essential for there to be cooperation mechanisms for sharing information within or between countries, with a particular emphasis on other nations’ experiences;
3. public-private cooperation may complement the efforts of these policies;
4. tools need to be developed to guide and monitor the process and the difficulties it may entail;
5. competitiveness policies need to focus on trade policy, logistics, trade facilitation, complying with global standards, and the ease of doing business;
6. the existence of policy extinction and the possibility of experimenting with and eventually changing the instruments in question;
7. the fact that new technologies have led to a pressing need to prioritize infrastructure and the new and emerging skills needed to develop this, which also implies having access to the necessary financial resources.

As was observed above, the current focus is on the so-called soft policies that are connected with instruments to improve the coordination and development of networks.

## **The IDB and the INECO Foundation Launch the First Latin American Network of Human Behavior and Public Policies**

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Over 130 experts from the fields of behavioral science, economics, psychology, sociology, education met at INTAL-LAB with representatives from non-governmental organizations and government officials for the launch of the first Latin American Network of Human Behavior in Public Policies.

Led by the INECO Foundation, this network is made up of Argentina's ministries of education, health, and social development; Uruguay's Secretariat of Care; and Chile's Ministry of Health.

Behavioral science is a set of disciplines that focus on understanding human behavior. The fields of study in question include anthropology, biology, political science, educational science, economics, philosophy, neuroscience, teaching, psychiatry, psychology, criminology, and sociology. This year, the Nobel Prize in Economic Sciences went to Richard Thaler, a professor at the University of Chicago's business school, for his research in this field. Thaler's work shows how human traits affect individual decisions and market outcomes.

## **Agua Negra Binational Tunnel: Argentina and Chile Examine the Scope of the Territorial Integration Program**

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The Regional Government of Coquimbo and the Institute for the Integration of Latin America and the Caribbean (INTAL) organized a three-day bilateral workshop to evaluate the impacts of the project and make headway on necessary measures that would benefit nearby territories and communities.

On October 27, 28, and 29, 2017, the 3rd Workshop on the Implementation Plan for the Agua Negra Binational Tunnel Territorial Integration Program took place

under the auspices of the UNASUR's South American Infrastructure and Planning Council (COSIPLAN). Teams from the central governments of Argentina and Chile, San Juan province, and the Coquimbo region worked together to define the scope of the program and move toward implementing initiatives that complement the construction of the Agua Negra Binational Tunnel. The aim of these initiatives is to strengthen the benefits and opportunities the project will bring to the community and identify any negative externalities associated with construction.

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