

THE GOVERNANCE OF TRADE AND INVESTMENT IN A NEW ERA OF GLOBALISATION

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Course Description

This course is an advanced seminar to examine some of the most significant contemporary issues facing the global regime for trade and investment. Its purpose is to provide participants with an understanding of the main theories, policies and principles underpinning the multilateral and regional economic policy governance, as well as key rule-making dynamics and challenges in negotiations and institutions. It will start with an exploration of relevant theories that explain the genesis and evolution of trade institutions, and review the principles, scope, functions, and structure of the GATT and the World Trade Organisation (WTO). The course will address the challenges presented by deeper economic integration, notably with respect to services and investment. We will examine the evolving landscape of regional trade agreements (RTAs), including recent mega-regional negotiations, and consider the implications for the multilateral regime. Using case studies and a trade negotiation simulation exercise, participants will explore current controversies in international trade policy-making processes.

Participation

This course is designed for graduate students in economics and assumes an understanding of international economics, but no specific background in trade theory is required. The course should be particularly useful for students who want to do graduate work in international economic policy, or who want to pursue a career in international organisations. It is also of interest to practitioners from international organisations and NGOs, officials from governmental institutions, and researchers.

This is a seminar and as such, it depends on participants' contributions, insightful comments and probing questions that help develop critical understanding and perspectives. The instructor will not be "teaching," but jointly analyzing the subject with students and guest participants. In order to advance a deeper reflection of the issues covered in class, participants will be given study questions at the end of each day and will be expected to prepare a blog post that critically analyses one of the issues. Our emphasis is not to search for the right answers—usually there are conflicting views and opinions—, but rather to develop a thoughtful engagement, analysis and effective communication around those conflicts and choices. The blog posts should be 500-2000 words long, and should be submitted to the instructor (iza.lejarraga@oecd.org) by 10 pm; students will be invited to share their insights in class on the following day. In addition, students will participate in a simulation exercise of the negotiation of a deep trade agreement; instructions will be given at the beginning of the course.

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Outline and Readings

The section below provides an indicative outline for the course, with corresponding study questions and recommended readings and references for each session. Participants will be expected to do the starred (*) readings before each class session to contribute to the discussions. The course is endogenous, so there may be changes in the outline to adapt to class discussions and dynamics.

TUESDAY, 26 SEPTEMBER

THE MULTILATERAL TRADING SYSTEM: WHERE HAS IT BEEN, AND WHY IS IT STUCK?

- I. Theories of international trade and economic integration
- II. Genesis of the world trading system: role, principles and scope
- III. Overview and structure of the main agreements of the GATT/WTO
- IV. Functions and institutional arrangements: Negotiation, Dispute Settlement, Transparency
- V. The Doha Development Round: A true development round?
- VI. The Future of the Multilateral Trading System

READINGS:

*The WTO in Brief at: https://www.wto.org/english/thewto_e/whatis_e/inbrief_e/inbr00_e.htm

* Understanding the WTO at: https://www.wto.org/english/thewto_e/whatis_e/tif_e/tif_e.htm

* 10 things the WTO can do at: https://www.wto.org/english/thewto_e/whatis_e/10thi_e/10thi00_e.htm

*“The Doha Agenda” chapter 5 in “Understanding the WTO” available at:

https://www.wto.org/english/thewto_e/whatis_e/tif_e/utw_chap5_e.pdf

Douglas A. Irwin. 1995. “The GATT in Historical Perspective.” *American Economic Review* 85 (2):323-28.

Kyle Bagwell and Robert W. Staiger, "The Economics of the World Trading System," MIT Press, 2004.

Bernard Hoekman and Michel M. Kostecki, *The Political Economy of the World Trading System*, 3rd Edition, Oxford University Press, 2009.

Robert Z. Lawrence, “A True Development Round? A Review of Joseph E. Stiglitz and Andrew Charlton’s Fair Trade for All: How Trade Can Promote Development”, *Journal of Economic Literature*, 45(4): 1001-1010 (December 2007)

Rodrik, Dani (2007), “The Global Governance of Trade as if Development Really Mattered,” in Rodrik, Dani (ed), *One Economics, Many Recipes: Globalization, Institutions, and Economic Growth*. Princeton, NJ: Princeton University Press, p. 213-36.

Carolyn and Botwright, Kimberley (2015), «The Future of the Global Trade and Investment Architecture: Pursuing Sustainable Development in the Global Economy,» E15 Conversations on the Global Trade & Investment Architecture, November 2015. <http://e15initiative.org/wp-content/uploads/2015/09/E15-GTIA-Overview-Final1.pdf>

Faizel Ismail, “Towards an alternative narrative for the multilateral trading system”, Bridges Africa 2 (2), May 15, 2013, available at: <http://www.ictsd.org/bridges-news/bridges-africa/news/towards-an-alternativenarrative-for-the-multilateral-trading>

Gary Clyde Hufbauer and Jeffrey Schott, "Will the WTO Enjoy a Bright Future?", Peterson Institute, May 2012, available at: <http://www.iie.com/publications/pb/pb12-11.pdf>

Richard Baldwin, Masahiro Kawai, and Ganeshan Wignaraja, «Future of the world trading system: Asian perspectives», VOX, June 12, 2013, available at: <http://www.voxeu.org/article/future-world-trading-system-asian-perspectives>

STUDY QUESTIONS:

What are the achievements and shortcoming of multilateral trade negotiations, including decision-making by consensus and the single undertaking? Is most-favoured-nation (MFN) a suitable basis for trade agreements? What are the costs and benefits of national treatment?

Has the Doha Round been a real development agenda? How would you define the term "development agenda" in the context of a trade agreement? Should trade agreements try to ensure that the gains from globalization are shared more evenly, across and within countries? Why or why not--and how?

What are the challenges facing the multilateral trading system in the long run? To what extent is the WTO keeping pace of 21st century trade patterns and paradigms, including global value chains, the digital economy, and populism? What can it do to remain an effective institution?

WEDNESDAY, 27 SEPTEMBER

THE CHALLENGES OF 'DEEP' INTEGRATION: HOW TO COMPLETE THE SERVICES AND INVESTMENT REGIME?

- I. Global Value Chains and the trade-investment-services nexus
- II. Economics of trade in services and measurement issues
- III. GATS and Trade in Services Agreement (TiSA) negotiations
- IV. Theories of FDI: explaining firms' internationalisation
- V. International investment agreements and instruments
- VI. Case Study: The Multilateral Agreement on Investment

READINGS:

* Devereaux, C. et al., "The Multilateral Agreement on Investment", in *Case Studies in US Trade Negotiations*, Vol. 1, *Making the Rules*, Washington, D.C.: Institute for International Economics, 2006, pp. 135-186 (Chapter 4).

Services: rules for growth and investment" chapter in "Understanding the WTO" available at: http://www.wto.org/english/thewto_e/whatis_e/tif_e/agrm6_e.htm

Robert M. Stern. "Quantifying Barriers to Trade in Services." *Development Trade and the WTO: A Handbook*, Hoekman, Aaditya and English (eds.), Chapter 26, Washington, D.C. : World Bank, 2002.

Stephenson, Sherry, Ragoussis, Alexandros and Jimena Sotelo *Implications of the Trade in Services Agreement (TiSA) for developing countries*, German Development Institute, Discussion Paper 10/2016

González, Anabel et. al. (2013) Foreign Direct Investment as a Key Driver for Trade, Growth and Prosperity: The Case for a Multilateral Agreement on Investment, World Economic Forum 2013.

UNCTAD, Reform of the IIA Regime: Four Paths of Action and a Way Forward (2014), http://unctad.org/en/PublicationsLibrary/webdiaepcb2014d6_en.pdf

UNCTAD International Policy Framework for Sustainable Development (IPFSD) (2012) available at http://unctad.org/en/PublicationsLibrary/diaepcb2012d5_en.pdf

Sauvant K. & Ortino F. (2013), "Improving the international investment law and policy regime: Options for the future" pp. 10-25 available at <http://ccsi.columbia.edu/files/2014/03/Improving-The-International-Investment-Law-and-Policy-Regime-Options-for-the-Future-Sept-2013.pdf>

Letto-Gillies, Grazia (2012) *Transnational Corporations and International Production: Concepts, Theories and Effects* (Edward Elgar)

Dunning John & Lundan Sariana, *Multinational Enterprises and the Global Economy*, 2nd edition (Edward Elgar, 2008).

STUDY QUESTIONS:

Should services and goods be treated separately in the global trade and investment architecture? Why or why not? To what extent can and should barriers to trade and services be liberalized in the same way that barriers to trade in goods? Should trade rules cover domestic regulations as well—and should they be limited to trade aspects, or go beyond?

Why do governments negotiate agreements to protect and promote foreign investment (consider both economic and political factors)? Is an international framework necessary to promote capital flows, or would the money go where it was needed or most useful in the absence of such an infrastructure?

What is the scope for a multilateral agreement? Where should it be negotiated? If you were advising countries in the WTO Friends of Investment Facilitation for Development, what elements do you think should be included in an investment facilitation agreement? How could the regime better take into account the trade-investment-services nexus in Global Value Chains (GVCs)?

THURSDAY, 28 SEPTEMBER

THE RISE AND CHANGING LANDSCAPE OF REGIONALISM: IS THIS THE ANSWER?

- I. Regionalism theory and empirical issues
- II. Relationship between RTAs and the WTO system
- III. New generation and next-generation disciplines in RTAs
- IV. Building blocks, stumbling block, and crumbling block dynamics
- V. Mega-regionalism versus bilateralism; implications for non-participants
- VI. Case study: Transatlantic Trade and Investment Partnership

READINGS:

* Lawrence, Robert (2015), *Setting the Standard in Free Trade: The Making of the Transatlantic Trade and Investment Partnership*, Harvard Kennedy School Case Study No.

Heydon, Kenneth (2014) *Plurilateral agreements and global trade governance: a lesson from the OECD*. *Journal of World Trade*, 48 (5). pp. 1039-1055.

Lejarraga, Iza (2014) *Deep Provisions in Regional Trade Agreements: How Multilateral-friendly?*, OECD Trade Policy Paper No. 168. Paris: OECD Publishing.

Lejarraga, Iza (2017) "Regional Trade Agreements *and International Production Networks*," in Velut et al. (eds.) *Understanding Mega-free trade Agreements*.

Ash, Ken and Iza Lejarraga (2014), «Can We Have Regionalism and Multilateralism? In Melendez-Ortiz et al (eds), *Tackling Agriculture in the Post-Bali Context: A Collection of Short Essays*)

The World Trade Organisation, "The WTO and preferential trade agreements: From co-existence to coherence," World Trade Report, 2011.

"Regionalism: friends or rivals?" chapter in "Understanding the WTO" available at: http://www.wto.org/english/thewto_e/whatis_e/tif_e/bey1_e.htm

Robert Z. Lawrence, "Competing with Regionalism by Revitalizing the WTO" pp.38-41 in "The Future and the WTO: Confronting the Challenges", July 2012, available at: <http://ictsd.org/downloads/2012/07/the-future-and-the-wtoconfronting-the-challenges.pdf>

Richard Baldwin, "21st Century Regionalism: Filling the gap between 21st century trade and 20th century trade rules", available at http://wto.org/english/res_e/reser_e/ersd201108_e.pdf

STUDY QUESTIONS:

Would you say that recent regional trade agreements are building blocks, stumbling blocks, or crumbling blocks? Are the WTO rules for regional arrangements appropriate? If not, how should they be changed? What could be done to provide the private sector with coherence and consistency?

What are some of the pros and cons of such a comprehensive 12 party trade agreement like TPP? Would you advise a government to push for a deal with fewer countries and greater depth? Is the TTIP a better model for achieving a deep regional trade agreement? What are the implications for the WTO and for developing countries?

Recent negotiations such as TPP and CETA have been widely criticized for lack of transparency, even though all major international agreements are negotiated privately. Should future international trade negotiations be made public? What are the arguments both for and against? If the turf of trade policy is so broad, what implications does it have for standards of transparency and accountability?

FRIDAY, 29 SEPTEMBER

TRADE NEGOTIATION SIMULATION EXERCISE: WHERE TO FROM HERE?

- I. Foundations of negotiation analysis and processes for trade policy making
- II. Future scenario setting: forces of change and implications for 21st century agreements
- III. Simulation exercise: negotiating a 'next-generation' deep integration agreement
- IV. Debriefing and closure: Where to from here?

READINGS:

Paul R. Krugman, "What Should Trade Negotiators Negotiate About?" *Journal of Economic Literature* Vol. XXXV (March 1997) pp. 113-120.

Steinberg, Richard H. 2003. "In the Shadow of Law or Power? Consensus-Based Bargaining and Outcomes in the GATT/WTO." *International Organization* 56 (2):339-74.

Robert D. Putnam, "Diplomacy and Domestic Politics: The Logic of Two-Level Games," *International Organization* 42 (1988), pp. 427-460.

Moravcsik, Andrew (1993). "Introduction: Integrating International and Domestic Theories of International Bargaining," in Evans, et al. *Double-Edged Diplomacy: International Bargaining and Domestic Politics*. Berkeley: University of California Press (pp. 3-42).

Dixit and Nalebuff, *Thinking Strategically*. 1991. New York: W. W. Norton

<http://terpconnect.umd.edu/~pswistak/GVPT%20100/Dixit%20and%20Nalebuff.pdf>

Dixit, Avinash and Susan Skeath. 1999. *Games of Strategy*. New York: W. W. Norton.

Odell, John S. 2000. *Negotiating the World Economy*. Ithaca, NY: Cornell University Press: 24-69.

Good, Walter (2005). *Negotiating free trade agreements: a guide*. Commonwealth of Australia. Department of Foreign Affairs and Trade.

Asian Development Bank (2008). *How to Negotiate, Implement and Evaluate a Free Trade Agreement in Asia*. https://aric.adb.org/pdf/fta_manual.pdf

European Commission (2013). *Trade Negotiations Step by Step*
http://trade.ec.europa.eu/doclib/docs/2012/june/tradoc_149616.pdf

Deepak, Malholtra (2016). *A Definitive Guide to the Brexit Negotiations*, Harvard Business Review.