International trading system: Up the down staircase?*

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The future of the international trading system under modern challenges is uncertain. The surge of protectionism, the re-balancing of power between nations, and a recent pandemic along with expanding digitalization demonstrate the necessity of rethinking global trade governance. The paper aims to reveal the key challenges of modern international trading system and provide possible ways to address them. Participants in the debate indicated that protectionism inevitably remains in modern trade policy, although liberalization and multilateral trade talks could provide incentives for more fair trade. The global interconnectivity in the framework of global value chains requires a new trade agenda. It is clear that states, especially in modern circumstances, primarily defend their national interests. However, strategically all WTO members will benefit from the development of multilateral cooperation. The responsibility of national policy makers and companies, especially those most powerful, is to maintain sustainable economic development. COVID-19 made more evident the core problems of the development of the international trading system. It has also provoked “pandemic-specific” protectionism, which should be taken into account in future developments of global governance. Digital technologies will certainly re-shape the modern structure of international trade, regardless of whether it happens in a revolutionary or evolutionary manner. The globalization leads to the digital divide among nations and the necessity to adjust the national policies. The World Trade Organization is not obliged to cope with all these issues, but its members are.

Keywords: international trading system, trade policy, economic development, pandemic, digitalization.

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Opening discussion

On April 15, 2021, the panel “International Trading System: Up the Down Staircase?” opened the 18th International conference on Evolution of International Trading System: Prospects and Challenges, dedicated to the 120th anniversary of Professor Sergei I. Tulpanov, at the International Economic Symposium in St Petersburg State University. “Up the Down Staircase” was a famous American novel written by Bel Kaufman in 1964 [Kaufman, 1964]. The main idea of the novel was to highlight the worsening situation in the educational system and nonetheless the author believed that the teacher could supervise the pupils to climbing up. In the same way, the international trading system seems to be going through hard times and societies search for a way towards a prosperous future.

The international trading system today faces fundamental problems. The foundation of the GATT in 1947 and establishment of the WTO was to maintain the economic development of all its members through elimination of trade barriers and discriminatory treatment. The surge of protectionism after the world economic crisis 2008–2009 has been undermining the concept of trade liberalization and poses questions for the future of trade policy. The political declarations for liberalization less and less lead to actual measures. The WTO in its present form does not match expectations of its members [Sutyryn et al., 2020]. The increased number of regional and plurilateral trade talks demonstrates the institutional and systematic crisis of multilateralism [Evenett, Baldwin, 2020].

Moreover, the perception of trade as a “win — win” game for all participants of the international trading system seems to crumble under increasing trade conflicts and inward-focused national policies. The gap between developed and developing countries has experienced rather few changes. Are we going back to protectionism and the concept of trade as a zero-sum game? This is not an easy question to answer, and the pandemic has revealed urgent needs to find a route for transforming the international trading system. COVID-19 has become an “unprecedented wake-up call”\(^1\).

A last, but not least, point that we should take into account is the strengthening of digitalization and the effect of the Fourth Industrial Revolution. One may argue that we don’t need to focus on our old staircase, and we could reconstruct it or even replace with an elevator by applying “new technologies.” Do these new technologies provide new opportunities or create threats for the international trading system? Whom to blame for all these changes? So far, this panel has initiated the debate of Russian and foreign experts about the future steps for the international trading system. The paper presents the discussion results and inspires the reader to “do some real soul searching” [Azevêdo, 2017].

Alexandra G. Koval

Question 1. What will be the future of the international trade policy: liberalization or protectionism?

The main idea of the GATT/WTO was to support trade liberalization in order to prevent the protective policies of states that had divided them into competing blocks in the 1930s and contributed to the expansion of hostility. Today we again see an escalation of

protective measures, trade wars, and imbalances in international trade. Trump's policy has forced a rethinking the current trade agenda. Does this mean that in spite of everything, the international community needs to maintain liberalization initiatives? Or do we need to reconsider radically the theoretical background and policy-making for international trade policy?

Alejandro Gamboa-Alder: The question about trade liberalization or protectionism is not that simple to respond to, and in doing so we have to consider and address various aspects. Indeed, if we look first at the work done by the multilateral trading system (MTS) when the GATT was established, and then its successor the WTO, one can see that it has been working properly and fulfilling its task, as the average of tariff duties, initially at an average of 35% (in the case of the industrial goods, as the agricultural ones were waived from negotiations), has been reduced to an average of almost 8%.

Despite some protectionist trends that have always existed in countries, due to national policies aimed at protecting national industries or employment, or to develop certain sectors, normally the WTO membership has always used tariffs to protect national interests, as this is the only mechanism allowed by the principles of the MTS. This has always been part of the multilateral trade negotiations, known as rounds of negotiations.

Another aspect to be considered is the case of agricultural goods, which were “waived” during the GATT times from the rounds of negotiations, and only came to the MTS with the WTO. However, for their inclusion into Member’s Schedules of Concessions, the subsidies and internal supports were converted into tariffs, the so-called “tarification.” Therefore, when someone not aware of this looks at members’ tariff profiles, they will see that there are some traces of protectionism regarding agricultural goods. The Doha Round intended to reduce both, and various members pushed for a more substantive reduction in the latter. This is seen by some as a source of protectionism.

The system also allows members to establish so-called non-tariff barriers to protect legitimate interests and policies, such as to protect human health or life, the environment, animals and plants’ health and life, and non-renewable resources, among others. But these must be developed and applied in line with the WTO principles and shall not constitute disguised barriers to trade. However, many attempts exist to use these to deviate from commitments, and in such cases the system provides the necessary tools and mechanisms to compel members to align their non-tariff barriers with the general principles. All the above non-tariff barriers are sometimes considered as indicators of a surge of protectionism.

Another issue that some consider a surge of protectionism are the increased number of regional and free trade agreements that have been signed since the establishment of the WTO. Only in the case of industrial goods, under Article XXIV of the GATT, there have been more than 230 regional trade agreements signed among the WTO members in the goods area and 180 on goods and services. These contain tariff preferences applied only to the parties in such agreements but at the same time these have included issues that the GATT itself, nor the WTO could or were in a position to address in 1947 or even in 1995. Thus, such agreements have also opened a possibility for future multilateral negotiations, such as competition, e-commerce, the micro and small and medium size enterprises, and that are now part of discussion within the WTO, particularly after the 11th Ministerial Conference in Buenos Aires, where many members signed and launched the so-called Joint Statement Initiatives.
In sum, we can say that the MTS has been working properly, that the WTO has done its job, and its members are now discussing “multilateralization” of all these new issues in order to respond to new challenges and the new trade trends and to align them with its principles that have demonstrated and continue to demonstrate their validity. At least this is members’ will and intention.

Coming to some statistics, the downturn for world trade that the WTO economists feared for 2020 was not as sharp as originally forecast. Indeed, trade in goods declined by 5.3% last year when compared to the 9.2% drop projected in the WTO revised forecast for October 2020. And this is during the pandemic. In addition, the trade forecast for 2021 foresees an 8% increase in trade in goods; and this is being fueled with a strong rebound in many parts of the world. To cite just one case, the fiscal injections made by the United States to its economy should also stimulate other economies like Asia whose exports are expected to expand thanks to these injections.

All of these issues, including the “black swan” that is the pandemic because nobody was expecting it, are interconnected. We will explain later how the WTO has been reacting to the pandemic and the role it has been playing, for instance in the case of notifications submitted by members relating to trade measures they have applied to face difficulties of the pandemic such as restrictions to medical devices, or some trade facilitating measures, including the exemption of import and internal duties and taxes applied to face masks, ventilators, and other medical materials. So members, even during these difficult times, continued to use and recognize the important role of the WTO in providing predictability and thorough transparency to international trade.

In parallel, there has been important liberalization on trade in services and some proposals under the TRIPS agreement. Therefore, the MTS has played and continues to play its important role in responding to those challenges. A clear example of this is the Trade Facilitation Agreement whose provisions encourage the use of such “disruptive technologies” on many fields in international trade; such is the case of the import and export procedures.

Therefore, the MTS and in particular the WTO cannot be seen as a “goofus Bird,” the mythological animal describes by Jorge Luis Borges, who flies backward because he is more interested on from where he comes from rather than on where it is going to. That would be a very narrow perception of the MTS. So, the question cannot only be framed between liberalization and protectionism alone.

In responding to the questions, in addition to the above-mentioned issues and challenges, other considerations must be taken into account: the increased number of WTO membership that today represents more or less 98.2% of world trade. There are 164 members with different participation in world trade, different sizes in terms of production and economic development. And among them are new actors taking an important part of the world production and participation in international trade and constituting a challenge to the “old” and customary big players in the MTS and also to the developing world. This has not only led to the adoption of some protective policies considered in violation of the main WTO principles, and which not only affect the new players to which they have been addressed, but also have important consequences as regards trade worldwide. Thus, as part of the WTO reform, some members have even indicated that the issue of “categoriza-

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tion” of its membership would an important element to be addressed: whether a Member has to be considered as a developed or as a developing country.

In conclusion the MTS continues to be valid, interdependency among countries will continue, perhaps some activities will be re-allocated, but of these not all could be totally reallocated. And the interest of the membership in addressing the new trends and the current challenges indicates that liberalization continues to be the best way to achieve growth, prosperity and more importantly peace.

**Désirée M. van Gorp:** In my opinion we need to continue focusing on liberalization initiatives.

I may of course be biased as I come from a country, the Netherlands, that has greatly benefited from global trade and, given the size of its home market, is dependent on its strong position in the international playing field. However, I think it is not only important for a country like the Netherlands to maintain a focus on liberalization of markets. Due to liberalization, developing countries have made a big leap forward to engage in international trade. To a certain extent it has enhanced much needed change in their trade structure meaning they moved up the value chain through a rise of being more engaged in medium high skilled and technology based products.

If we want this development to continue and build sustainable value chains with inclusive growth not just for the US, Russia, China, and Europe, liberalization is in my view crucial. Next to that we need to focus on getting especially the category of least developed countries moving up the global value chain so they too get involved in higher value add activities in the chain.

We should realize that value does not only have a financial and economic dimension, but also a social and climatic dimension. These dimensions are important for making value chains sustainable, which I see as a joint responsibility and action by all stakeholders. We should acknowledge the interdependencies between all stakeholders and can’t treat them in silos. The global interconnection and interdependence of value chains is such that when we take one domino from the chain, there is a chance that the entire structure will fall and that the poorest countries will suffer most.

Hence in my view, we should take global interconnectivity and liberalization as a starting point when thinking about sustainable value chains and making new trade policies. This is in contrast with the developed world focusing only on their own sustainability issues and exercising protectionism often coming from fear of losing jobs, or the wish to gain geo-competitive advantage and buying time to bridge the technology gap when other countries are ahead of the technology curve. In this time and age, an important driver for protectionism is the desire to have the technological superiority to dominate the international market.

Building sustainable value chains requires that developed countries and companies originating in them increase their share of responsibility instead of focusing only on their own goals and using protectionist measures whenever it suits their situation best. The COVID-19 pandemic shows how important liberalization is to enhance equal distribution of essential goods such as vaccines and medical devices that are critical to treat people. It seems the developed world is not realizing that the unequal distribution of vaccines is not only unfair, but due to economic interdependencies, there will also be significant damage
that puts decades of economic progress at risk for developed and least developed countries alike [van Gorp, 2021].

And we all know that when economic progress is put on hold, social progress is in decline. This is something we cannot afford to let happen. We cannot call ourselves successful and triumph over our economic recovery after this crisis in a world that fails with rising inequality between countries.

Liberalization resulted in new connections to global value chains of countries that needed it most and as a result some of the world’s population has risen above the poverty line. Least developed countries have becoming producers and having expanded roles in the playing field of international trade, versus being only consumers. It is our responsibility to take this progress to the next level.

Above all, we should be aware that this is not an academic discussion, the consequences of our actions or the lack of it, is felt by people who either have no access to vaccines or lose their jobs when companies reshore their activities to their home country after years of benefitting from the labor in more vulnerable countries. In that sense liberalization or protectionism are not just two words, not just two scenarios, whatever choice we make, it is impacting people in different countries in a big way.

**Sergei F. Sutyrin:** For me the main idea of our panel as formulated in the second part of the title — up the down staircase (borrowed from the title of the novel by American writer Bel Kaufman; the book was extremely popular in the Soviet Union when your humble servant was a teenager) — is to invite the participants to reassess our attitudes to certain processes and policies that we used to perceive as something generally positive on balance (in spite of possible or even inevitable negative repercussions of a relative minor scale). This type of reconsideration at least from time to time looks necessary. That appears to be twice as relevant to the periods of serious disturbances resulting from various reasons or their combination.

With respect to trade policy for about two centuries it has been a kind of academic mainstream to treat free trade as clearly preferable modus operandi in comparison with protectionism. Choices in favor of the former fundamentally originate from a variety of economic gains from trade. In addition to that, trade is perceived as a powerful instrument to harmonize the interests of different nations, hence substantially reducing the risks of international conflicts. The Great Depression of 1929–1932 is frequently taken as the most convincing evidence of both an economic failure of protectionism and a serious threat that beggar-your-neighbor policy presents to the international security. One could hardly deny that the whole architecture of the contemporary international trading system with the GATT/WTO as its institutional core has been based upon these ideas.

Now for about a decade international community has experienced an escalation of protective measures. The initial stage of this escalation could be explained and largely justified by the Great Recession of 2008–2009. But afterwards the global economy as a whole managed to recover at least up to the level of a positive GDP growth rate. The 2020 pandemic is an obvious exception as well as a very special case. So why moderate global economic growth did not result in trade liberalization? With all due respect to the international significance of US economy, I can’t agree with those who tend to put the most of the blame (if not all the blame) on Donald Trump. At maximum he could be portrayed as a symbol or rather a tip of the iceberg.
I might be wrong but still would call your attention to what from my perspective — in addition to other important factors — also matters. Namely, this is a well-known fact that merchandise trade and GDP have grown in tandem for about the last ten years. Previously, for a relatively long period of time between dynamics of these indicators, there was roughly a two-fold gap in favor of trade. The gap resulted in a gradually increasing share of products being consumed in countries other than the countries of manufacturing. According to some estimates, this share by the end of the first decade of 21st century equaled at least 70%\(^3\). Could it expand still further? Most probably not. If this 70% constitutes some kind of “upper limit,” then there is no alternative to the above-mentioned “grown in tandem”. In my opinion national decision makers did not pay enough attention to this constraint, expecting foreign trade of their countries to regain previous dynamics. And not just expecting, but also trying to bring it back by various protectionist measures. This means that as long as unrealistic hopes regarding possible trade growth rate do not vanish, there are extra incentives to rely on protectionism. Meanwhile, according to new estimates from the WTO, the volume of world merchandise trade is expected to increase by 7.2% in 2021\(^4\). At the same time, the April edition of the International Monetary Fund’s World Economic Outlook sees the global economy growing by 6% this year\(^5\). By the way, instead of comparing growth rate of merchandise trade with that of GDP (more than 60% of which consist of services), one probably should look at industrial and agricultural products.

And the last comment, some experts sensibly claim that President Joe Biden’s administration has repudiated much of its predecessor’s policies — except in the arena of trade. Biden is facing no pressure from the left wing of the Democratic party to revert to the status quo on free trade, and he could open himself to criticism from critical Rust Belt voters if he reverses Trump’s trade agenda.

Carlos Uriarte Sánchez: In general, developing countries apply protectionism to develop their own industries, while developed countries with institutional structures and high competitive economies want to maintain their superiority over other economies thanks to free trade. However, today, considering the Trade Wars, China, whose economy is highly developed, supports free trade, while the USA, another developed country, tries to limit trade and protectionism policies. One of the most important reasons for the USA to turn to protectionism is that it can be a self-sufficient country in terms of foreign trade. Protectionism is not just the international trade practice resorted to by the United States. Developed countries have applied to protectionism after the 2008 crisis. The main reasons for this application are unemployment and economic stagnation, which started with the crisis.

Developed countries have chosen the path of introversion in terms of international trade after the crisis. However, at the same time, China started to give importance to glo-
balization and free trade. The main reason why China attaches more importance to glo-
balization than Western states is that it wants to connect the countries of the region to
itself by making infrastructure investments in countries in Asia and the Middle East and
to make use of this excess capital. However, China is one of the countries with the high-
est customs barriers for imports and easy capital inflows, but the largest barriers to exit.
Therefore, it is one of the most accused countries in the world for preventing free trade
and not complying with the rules. After the 2008 financial crisis, protectionism started to
be visible again in world trade cyclically. While many countries, not only the USA, took
protective measures, they also continued their free trade discourse at full speed.

**Question 2. Is international trade nowadays closer to “win — win” pattern
than it was 10–15 years ago?**

The international trading system demonstrates a re-balancing of power. The emerg-
ing economies, especially China, are substantially increasing their roles in the internation-
al trade and competing with the Western powers. At the same time, the least developed
countries and most of the developing ones remain on the margins of the international
trading system. There is still a gap between rich and poor nations. In global value chains,
the key hubs are more or less constant and account for a large share of value creation. The
achievements in sustainable development goals seem partly elusive. Is it possible to dis-
tribute gains from trade more widely and equally?

**Alejandro Gamboa-Alder:** Undoubtedly the MTS is a capital for growth and devel-
opment and is also a capital for an increasingly interconnected economy. As to a “win —
win” situation for trade, again, the MTS, as stated before, has helped expand more market
access opportunities, not only for developed countries but particularly for the developing
world. The tariff liberalization, the disciplines applied to the non-tariff barriers, the rul-
ings of the different panels in favor of the developing world and to abide by and respect
the WTO principles are just some examples. The possibility for the developing and least
developed members to benefit from special and differential treatment, as well technical
assistance provided to them, are clear examples of this “win — win” situation.

In addition, negotiations on the expansion of the Information and Technology Agree-
ment (the ITA), and more importantly the first multilateral trade agreement adopted by
the WTO, the Trade Facilitation Agreement (TFA), show members’ trust and efforts to
reach concrete actions that favor the entire membership. Looking only at the TFA, the pro-
visions therein allow developing countries to implement different measures in accordance
with their level of development, structural and financial situations, and to obtain techni-
cal assistance when required. It will also boost administrative reforms in both developed
and developing countries that will ease the customs and other administrative procedures
regarding the import, export, and transit of goods, while encouraging the use of new IT
tools. As a result of the implementation of the TFA, there will be a better coordination and
coherence among the different administrations that intervene at the border, a key element
that favors international trade.

Among the TFA provisions the landlocked countries, the most vulnerable in the de-
veloping world in particular, will have the opportunity to see their goods transiting with
less stringent conditions, and with better infrastructure at the borders, while allowing
negotiations of bilateral and regional agreements to standardize such procedures. This will boost not only their international and inter-regional trade, but also their cooperation and integration. Additionally, and thanks to the TFA, administrations will go towards paperless procedures, therefore creating a sustainable modus operandi and easing the loading and unloading for trucks, trains, containers, with benefits to the environment. By the same token the expanded ITA will allow the IT goods to enter at zero tariffs to the signatories of the ITA, whether a country is one of its members or not. This will be very important, particularly to close the so-called "technological gap" between the developed and the developing world.

In addition to the above, within the WTO there are currently discussions about the MSMEs, that will provide an opportunity for these to join the and benefit from international trade. In this regard, there will also be a tremendous impact in job and poverty alleviation with new entrepreneurial activities for women to be incorporated in international trade.

However, when addressing this question we have to make it clear that liberalization and multilateral negotiations and agreements as such and per se, do not grant immediate access to different markets. This is also the case of the regional and free trade agreements. In order to benefit from those advantages and new market opportunities, countries have to make several structural arrangements and also fulfil certain characteristics as regards their products: technical regulations, conformity assessment procedures, sanitary and phyto-sanitary conditions, to develop new designs and products, to improve the quality of their products, and more importantly to prepare the private sector to better negotiate the sales conditions of their products while protecting their intangibles: models, designs, trademarks, patents and utility models.

Désirée M. van Gorp: Important milestones are indeed achieved with the leap forward of developing countries into being engaged in international trade, but if we talk about re-balancing power, there remains a situation that is out of balance. Your question is, can we distribute gains from trade more widely and equally? Going back to my answer to the previous question, I think liberalization is an important ingredient to continue building a more balanced distribution of power.

Now the leap forward of being engaged in international trade for developing countries is largely dependend on the progress countries in Asia have made, and within that group it is the trade performance of China that stands out. Engagement in international trade is an important indicator for countries' development levels. Overall, we can say that developing countries have made a leap forward. But that is only part of the story as that picture is largely dependent on one region whereas other parts of the world are left behind.

If we want a truly re-balancing of power, we need to see this as a first phase and move on to a next phase where we zoom in on those parts of the world such as Oceania and Africa that are left behind. If we want in this part of the world improvement of the international trade landscape, we need to focus more on differentiated treatment and provisions for them. At the same time, we need to focus more on letting these countries, often the least developed ones, move up the value chain. It means a reset of international trade policy where there is more solidarity from those ahead of the curve, to support them. I believe technology and digital trade can be enablers to enhance the position in international trade for these countries.
Sergei F. Sutyrin: From my perspective this question is so deeply connected with the first one that both could be perceived as another good example of the famous “chicken and egg” problem. Indeed, it could quite sensibly be argued that whatever deviations of the international trade pattern between alternative options of “win — win” and “zero — sum” game took place during last decade, to a very large extent they resulted from developments in trade policies implemented by national regulators both independently and within the framework of international settings. On a flip side, one has enough solid reasons to claim that national regulators did whatever they did being encouraged or even forced to make respective decisions in order either to support and facilitate or to stop and reverse certain trends in distribution of gains from trade.

If we would agree with the claim that the GATT/WTO system (as well as the whole post-World War II international architecture) was designed to promote “win — win” types of international cooperation in general and international trade in particular, then we have to take under consideration some important and unfortunately often neglected points. I mean that among its implicit origins and pillars the system had: a) fresh memory of tragic repercussions of global military conflict; b) competitive interaction between alternative social-economic systems, namely so-called socialism and capitalism constantly challenging and threatening each other. Both of these pillars are largely absent today. Largely, but not entirely. In particular, World Politics Review recently argued that the Chinese threat to the USA has the ideological component of competing for global influence not with China, but with the Chinese Communist Party [Grunstein, 2021]. Meanwhile, under the circumstances of the latter, both systems in particular tried their best to arrange trade relations with their economic, political, and ideological allies (both real and potential) and within their spheres of influence in as much as possible mutually beneficial way.

Thinking about possibilities to distribute gains from trade more widely and equally, I would like to start with the fact that there are national states that constitute the international community. Their leaders, national regulators first and foremost, have to protect and promote the national interests of their respective countries, haven’t they? From this perspective I always wonder what was wrong with Donald Trump’s slogan “America First”? What could be the alternatives? Global prosperity? Democracy? Transatlantic Partnership? Of course not. Equally, for President Putin Russia is and should be first, for Chairman Xi it is China. From this perspective — regardless of internationalization, globalization, etc. — foreign trade (as well as any other form of international economic cooperation) is by the end of the day just one of the tools to secure sustainable growth of national economic welfare. The way foreign trade is organized — especially in case of large economies — largely depends upon internal or domestic priorities, concerns, constrains, etc. Here I can’t avoid the temptation to refer to the ideas of John Maynard Keynes. Let me remind you that he defined international trade in the period of 1920–1930s as — I quote — “a desperate expedient to maintain employment at home by forcing sales on foreign markets and restricting purchases” [Keynes, 1936]. At the same time, this was by all means not a fateful verdict. Keynes argued: “But if nations can learn to provide themselves with full employment by their domestic policy… there need be no important economic forces calculated to set the interest of one country against that of its neighbors,” international trade tends to become “a willing and unimpeded exchange of goods and services in conditions of mutual advantage” [Keynes, 1936]. It goes without saying that today we do not emphasize unemployment in the same manner as Keynes did. Nevertheless, for me the parallel in general is quite relevant.
And yet another aspect of the problem. I already said that international trade has been traditionally perceived in mainstream theory as a powerful instrument to harmonize the interests of different nations, hence substantially reducing the risks of international conflicts. This perception strongly correlates with the idea of “win — win” trade. Unfortunately, reality — at least in the short and medium run — is not that straightforward. Indeed, trade between China and US in this case nowadays looks like an obvious example. Obvious, but far from being the only. Look at relations between the Russian Federation and Baltic states. On the one hand, for all three of them Russia is the number 2 or number 3 trading partner after the EU; the US in this field lags substantially behind. On the other hand, in the political sphere the situation is quite the reverse. Similarly, despite the fact that at least during last two years Russian-American trade performed better than Russian trade in general, political relations between these two countries dramatically deteriorated with no serious connection to any real or potential trade conflict.

To conclude, taking under consideration above-mentioned economic and geopolitical aspects, I tend to be rather skeptical regarding expansion of “win — win” trade at least in the nearest future.

Carlos Uriarte Sánchez: When we discuss globalization, we often consider the fact that both countries that are partners in trade benefit from the exchange. What this means is that country A that specializes in a particular good or service can trade with country B that specializes in another good or service. In this way, both countries stand to gain as they import the goods that are cheaper to make in the other country and export the goods that are cheaper to make in their countries. This is the classic version of the “win — win” situation that globalization and free trade bring to the table.

Globalization is advancing rapidly. With the advent of information technology and seamless communication, any country with the world’s pool of trained workers may wish to jump on the caravan of globalization and benefit from the removal of barriers to entry. The point here is that countries like India and China have successfully leveraged the power of IT and communications to leapfrog the intermediate stage of productive power required for economies to become full-fledged powerhouses.

It goes without saying that the benefits of globalization, if a little skewed, still reach a large part of humanity. So, in this context, it is fair to say that globalization is more a win-win game than a “zero — sum” game.

Finally, it should be noted that globalization also needs a push and push from governments to ensure that there is a level playing field, and therefore the process can yield more benefits if the world’s governments decide to expand. It lends a helping hand to the less privileged so that they can climb the ladder to participate in the process.

Question 3. Does COVID-19 represent a circumstantial or turning point for the international trade developments?

The current pandemic challenges the transformation of the international trading system from various perspectives. There is not only the issue of increasing e-commerce or an ethical context of trade in medical products. COVID-19 changes the philosophy of economics focused on the human well-being more than before. COVID-economics — is it a
temporary context or our new reality? Will post-pandemic environment generate certain changes in the international trading system or rebuild entire trade networks?

**Alejandro Gamboa-Alder**: The “black swan” of the pandemic boosted the new trend of trade, both at the national and international levels: e-commerce transactions. However, this poses various challenges to both, the administrations and the private, that have to be appropriately faced: where to find the goods and what is their origin, how fair the prices are, the negotiating capacity according to size and amount of the order or purchase, if the sales will or not affect the national supply of the goods, and, particularly under the pandemic conditions, whether or not the logistic chains would be able to appropriately distribute the goods and raw materials on time.

We are of the view that these new trends and challenges will remain, not only if the pandemic will also remain. People, or customers, at all ages, have now become familiar with such kind of transactions, where you order by any electronic means, whether a computer, a laptop or simply a smart phone, goods and services whose seller could be abroad but where their provision will only be a matter of a few minutes, or a few days.

But here again, there are many issues that need to be addressed. The quality of the goods, the quantity of the goods, secure transactions and payments to avoid fraud or illicit trade of licit or illicit goods, protection to the consumers under various important aspects: the quality of the goods, their conformity with the offer, the post-sale service, as well as the treatment of the data provided: name and number of credit cards, localization, magnitude and origin of the goods and/or raw materials being purchased, indication about the suppliers and providers, all these important data that can be used illegally or that, if disclosed could affect the production conditions as the suppliers of the competitors and the volumes they use, as well as the prices they get could easily be used without permission. There are ongoing discussions on these issues in the WTO on which the signatories of Joint Statement Initiatives on e-commerce expect to get the main basis of a plurilateral agreement on e-commerce during MC-12 in December 2021 in Geneva.

As regards the pandemic and developments regarding the changes to the multilateral trading system, the notifications submitted by members to the WTO panoply the type and nature of the measures that have been adopted to face the different challenges posed to public health and security in response to COVID-19. As up to June 2021 the WTO had recorded over 350 such trade and trade-related measures in the goods area adopted by some 100 members. These include restricting but also trade facilitating policies. Most of the restrictive measures refer to bans on exports to address the national supply of medical devices. The trade facilitating measures refer to lowering down or temporarily eliminating the tariff duties and internal taxes, or to facilitate or simplify some customs procedures for the importation of certain goods necessary to combat COVID-19.

Among the facilitating measures notified up to June 2021, of a total of 225 there were 127 measures referring to imports (temporary elimination of tariff and duties simplified procedures, possibilities to lodge in advance the import documentation, etc.), 81 referring to exports, and some 17 referring to others type of measures such as quantitative restrictions or temporary elimination of import licensing procedures. As regards the restrictive ones, 109 concerned exports, 6 — imports and 10 — some others⁶.

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In the area of services there were also 124 notifications that have been submitted to face the pandemic up to May 2021. These are aimed at ensuring more telecommunications capacity to the operators, measures facilitating access by the population to telecommunications and online education and health services, measures to provide flexibility to the suppliers of transport services and facilitate the continued operations as regards cross-border transportation freight, and lighter requirements imposed by banks to facilitate liquidity for the economic operators. In the area of TRIPS some other important measures are being discussed such as the waiver concerning the production of vaccines, and some import talks have taken place between the WTO Director General and the Pharmaceutical companies to produce some of the vaccines in the African continent.

Also related to the pandemic, some discussions have started related to enhance the Pharma agreement and reduce the restrictions for medical devices. However, in the WTO context there is no specific definition of a medical good and these refer to many chapters of the Harmonized System, including not only chemicals and other components but also syringes, hospital beds, scanners, crutches, prosthesis, etc.7

But the pandemic also raised challenges that countries have been compelled to face, such as the delays in customs procedures, the non-compliance with the technical regulations and bad quality of the products, frauds in online operations, sales that did not take place, counterfeited goods, etc. Most of these since the international operations took place through electronic means. To solve all of these the customs administration as well as the health, sanitary and trade authorities, have adopted measures that will certainly remain in place after the pandemic as many international operations and transactions will take place through electronic means.

Désirée M. van Gorp: COVID-19 can be a game changer but not without effort from all of us. It shows how vulnerable global value chains are and how hard they were hit with the shutdown of the world economy. The more complex value chains are, the more they were hit by the pandemic. It affected, and still is affecting, many countries and companies hard since it involved essential products such as medical devices and vaccines needed to fight the pandemic on a local, national and international level. It resulted in a battle of the strongest where solidarity became a second handed principle. It lasted on paper and in words but lacked meaningful actions in a timely manner.

Both at the national and company level, there are policies in the developed world aimed at mitigating the risks of vulnerable global value chains. Company responses to overcoming value chain vulnerability include robotization and re-shoring of activities that were previously located in developing countries and least developed countries [Bárcia de Mattos et al., 2020]. No solidarity here either, because solving one’s own vulnerability may have a substantial negative impact on the economies of those countries that are most vulnerable. Hence, I see it as a responsibility of all stakeholders involved to make sure that the years of benefit Western companies have had to operate in developing countries and especially least developed countries, is now translated in solidarity in keeping the most vulnerable linked to their global value chains. Instead of only focusing on costs and their

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own vulnerability, governments with advanced economies should look at ways of how the trading system can be adjusted such that despite crisis, solidarity comes first.

If COVID-19 shows anything, it is that regional and bilateral deals are not sufficient. It underlines the need for a multilateral trading system. But a system that should be modernized. The question is why modernization is so difficult to the extent that the WTO is already on a burning platform for a long time and still not made fit for the future. Expectations are high with the WTO’s new Director General Ngozi Okonjo but it is ultimately the member states that need to take steps in supporting a multilateral trading system and secure that the assets such as the Dispute Settlement Body can be used again to the benefit of international trade.

Is it possible to modernize the existing system or do we need to start from scratch? What do we need to create a system that is fit for the future? Should we learn from the past that aiming for universally binding deals is not realistic and that we have no other choice than to focus on issue specific deals? Is plurilateralism with a coalition of the like-minded countries the most we can achieve?

Sergei F. Sutyrin: Let me start by saying that I have serious doubts about attempts to treat the pandemic as the only culprit of all the problems and negative developments (including substantial contraction) experienced by the international trading system in 2020. This type of interpretation, making the pandemic a scapegoat, might be attractive either for mass media or for those who need some kind of excuse to justify their own inefficiencies or failures. From my perspective (which could be wrong), we should not exaggerate the anti-trade destructive power of COVID-19. This not just because it directly generated extra trade flows in medical equipment and pharmaceuticals. From a bit broader perspective, one might argue that 7.3% decline in value of merchandise trade last year in a way continued the negative trend of 2019 (when the indicator also contracted, albeit less dramatic — 3.0%)8. More than that, according to the above-mentioned latest WTO estimates, in 2021 merchandise trade will grow by 7.2% in volume terms9. Meanwhile, the latest statistics on COVID-19 does not provide much ground for optimism with respect to the completion of pandemic. Of course, we can’t totally ignore positive impact of learning by doing (or, if you wish, gradual adjustment in performance of various economic agents to changing environment). Nevertheless, many non-pandemic factors also matter.

I am also a bit skeptical with respect to focusing more on human well-being generated by COVID-19. According to existing estimates in 2020 — despite of contraction of the global GDP — the number of USD billionaires around the globe, as well as their cumulative share in global wealth, increased. So, nothing new, business as usual.

And the last point about the repercussions of COVID-19 for international trading system. Are they temporary or long-term? Probably, the correct answer is “both.” Temporary because talking about trade policy response to COVID-19 is really what I would call “pandemic-specific” type of protectionism. One could hardly deny that for at least during last almost 100 years profound economic shocks — first and foremost crises — in
most cases have been accompanied by rising waves of protectionism. To secure domestic employment national regulators introduced import restrictive measures in combination with export promoting ones. What do we have today? The WTO data base tells us that as of April 7, 2021, WTO members had submitted a total of 348 notifications related to COVID-19\textsuperscript{10}. What are the measures? For example, prohibitions of exportation. Thus, from February 4, 2021 the EU is notifying an urgency measure of temporary application in relation to the COVID-19 pandemic. The export authorization requirement for COVID-19 vaccines applies to exports of vaccines produced by companies with whom the EU has Advance Purchase Agreements. It has a duration of six weeks but could be extended until March 31, 2021. Based on the principle of international solidarity, exports to several destinations are exempted from the measure, such as, in particular, exports related to the initiative of international organizations for COVID-19 Vaccines Global Access (COVAX), in the context of a humanitarian emergency response as well as to European Free Trade Association, the Western Balkans and the EU neighborhood\textsuperscript{11}.

In addition to that, national regulators tend to introduce import liberalization measures. For example, Brazil suspended for twelve months the previously established compulsory certification of surgical gloves and non-surgical procedure of natural rubber, synthetic rubber, and synthetic rubber mixtures\textsuperscript{12}. Hopefully, the pandemic will not last forever. So, this type of protectionism will disappear.

At the same time, one should anticipate some long-term repercussions. First of all, many experts predict emergence of new pandemics in a foreseeable future. And in general, with respect to global economic, political, social development new types of large-scale risks tend to emerge, level of uncertainty tends to grow. We have to prepare ourselves to meet a whole flock of Black Swans. Mankind has learnt certain lessons during COVID-19. Let’s hope respective know-how and competences will stay long enough.

\textbf{Carlos Uriarte Sánchez:} In the first months of the pandemic, countries around the world took measures that are illegal under normal circumstances or highly questionable in terms of international rules. Considering the disciplines of international trade alone, border closures, export restrictions and large subsidies to domestic would not have been possible in normal times. Even the European Union, the world’s most integrated trade region, has failed to coordinate its actions in these exceptional times. Instead, EU member states have adopted their own individual responses. These include closing borders between Schengen countries and mask and drug export bans put forward by some EU countries.

At its most difficult time, Italy had to turn to China instead of its European partners to access protective gear. Since then, the European Commission has done its best to bring member states into line, but must work largely by persuasion, because EU member states hold sovereignty in public emergencies. EU and international trade rules allow for such extraordinary measures as long as they are taken in the name of public health or public safety and are strictly necessary to achieve these objectives. At the same time, multilateral and regional trade rules prohibit practices with protectionist aims.

\textsuperscript{10} World Trade Organization. (2021) \textit{COVID-19 and world trade}.

\textsuperscript{11} Ibid.

\textsuperscript{12} Ibid.
The next few years are likely to bring various uncertainties and disagreements, resulting from the limitation of government savings aimed at protecting public health from those aimed at isolating domestic industries from foreign competition. The deteriorating economic situation will undoubtedly make it attractive for some exceptional measures to continue even after the public health crisis is over. For the time being, countries and businesses seem somewhat willing to turn a blind eye to increased subsidies and other deviations from international trade rules — but their patience definitely has limits.

The multilateral trading system responded well during the financial crisis in 2008, holding the line against protectionist measures. It is unclear whether the same thing will happen this time. The COVID-19 pandemic represents an unprecedented disruption to the global economy and world trade as production and consumption rescaling across the globe. Some smaller countries have joined forces, promising to keep their supply chains open and lift trade-restrictive measures on essential goods, especially medical supplies.

On March 30, the G20 trade ministers came out with a commitment to keep any emergency measures targeted, proportionate, transparent and temporary and not create unnecessary barriers to trade or disruption to global supply chains. The situation could change if the pandemic lasts longer, or if governments begin to take more and more protectionist measures, placing tariffs and other market access barriers, thus forcing companies to buy from local sources. And in any case, the predictability of the international business environment and the legal certainty of the rules of the game will suffer. This also concerns the demise of the World Trade Organization, the main guarantor of these global public goods.

**Question 4. Does the Fourth Industrial Revolution influence the International Trading System in the evolutionary or revolutionary manner?**

Digital technologies and increases in digital trade have obviously changed international trade in the 21st century, but to what extent? The growth of trade in services and high-tech goods, the strengthening of e-commerce, digitalization in business, customs regulation, etc. facilitate structural changes in international trade. Does this mean that traditional norms of international trading system are no longer valid and new ones need to be created?

**Alejandro Gamboa-Alder:** Human activities are always influenced by the surge of new technological developments even before the invention of the wheel. Thus, the Fourth Industrial Revolution will influence and has already influenced the MTS. When electricity was invented, the industry adapted itself to it, the same happened with the communications and with the invention of the computing machines, starting by the typewriter, a sophistication of Gutenberg's printing press.

The issue here is not if the latest IT developments will revolutionize the MTS. IT developments as such are revolutionary and in the case of the so-called disruptive technologies, they have already started to oblige the policy makers to introduce changes in the procedures, in particular in the customs and other trade related processes.

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We have already mentioned the case of e-commerce, the new trend to trade at the national and international level, which has introduced revolutionary patterns into logistic chains and payment modalities while broadening the scope of the offer and the possibilities for the buyers and customers, whether enterprises or natural persons, to compare designs, quality, and prices of the same good or service. These operations, as already mentioned, were boosted by the pandemic, and carried out several challenges particularly at the international level. The customs are being flooded with a tsunami of parcels coming from many parts of the world and have difficulties to inspect all of them and to determine their origin as well as their transaction value in order to fix customs duties or any other duty (antidumping, safeguards, etc.) to be applied. As regards customers, there has been much fraud in transactions and other deceptive practices, such as bad quality of products, fake sales, lack of efficient guarantees, and misuse of customer data.

But the new technologies are also providing the responses and solutions to these difficulties and challenges: customs authorities are using scanners that can detect the content of a container in a lorry running at 80 km/h, or using drones to survey the customs area, including underwater drones and robots to inspect the keels of the vessels, and other technologies. In addition, they are using artificial intelligence to determine the risk of the products being imported and obtain results in very short delays, an operation that could take days or even weeks for a customs inspector.

So, new technologies, and in particular so-called disruptive technologies, that are changing human habits, are also pushing an evolution in procedures in the import, export, and transit of goods, and the challenges that these put to international trade are also being faced and solved thanks to these technologies. In addition to the use of artificial intelligence in the procedures, other technologies such as the blockchain are securing the data and allowing the traceability of the different products in a speedy manner.

Therefore, and to conclude, the issue is not whether the international trading system will be affected in an evolutionary or revolutionary manner. The issue is that the new technologies will always be revolutionary and it is up to the trading system rules and principles to evolve towards their application and implementation of its procedures. But certainly the way in which we trade has changes and will continue to change, particularly as regard the possibilities offered by the 3D printers which will make the physical goods “digitizable.”

Désirée M. van Gorp: The Fourth Industrial Revolution influenced the international trading system in a revolutionary manner and institutions such as the WTO were unable to adequately respond to that change. And when I say the WTO, I mean the member states who knew the WTO is standing on a burning platform and have not joined forces to prevent the institution from ending up in a crisis. It is useless to point fingers to a particular government; it is collective inertia that has prevented the institution from adapting much needed change.

Instead of joining forces for new trade policies focusing on innovation and technological development, the focus has been on mitigating the effects of a trade war, which has led to a divide and more protectionism with each country having its own geo strategic competition policy in place to fight for technological dominance and protecting own markets.

COVID-19 has only accelerated digital trade, yet we are way behind in capturing the level of trade attributed to digital transactions. Recently published International Monetary
A recent publication that came out of the WTO Chairs programme with the title “Adapting to the digital trade era: challenges and opportunities” [Smeets, 2021] is I think a must read for looking ahead of how we can respond to challenges and importantly, how we can grasp opportunities and make sure we design policies that are in line with the development of digital technologies benefiting all and ensuring inclusive growth. Again, ultimately it is not about policies, it is about the people who suffer if we don't take action and live up to the responsibility of making international trade the basis for inclusive growth.

Technology related trade issues are in my view leading for looking at future trade policies; it will further increase the trade in services and it will determine which countries are leading the way.

**Sergei F. Sutyrin:** From my perspective in relation to many developments, it is not easy to make a clear cut distinction between evolution and revolution. Due to largely psychological reasons, we often tend to call specific processes revolutions, trying to highlight their significance, to emphasize new elements they bring, especially at the initial stage of the process. Probably we also want to add some extra flavor of excitement to our day-to-day life. But as times goes by, our attitude could change. What was initially an extraordinary peculiarity gradually becomes a routine. After the publication of General Theory, notion of a Keynesian revolution has been widely used to describe the way the book influenced Western economic thought. It didn't take too long to incorporate new ideas into the core of economics and to provide enough reasons for Milton Friedman to claim “we all are Keynesians now.” Who knows, maybe in the not-to-distant future a common perception of a leap from “Gutenberg Galaxy to Zuckerberg Galaxy” will experience similar transformation? As they sang in one Soviet song, “Revolution has a start, revolution has no end.”

Now, two comments on the impact of digitalization could have on international trading system. First, we used to think that digital technologies provide new opportunities for trade to expand both in scope and scale. But, as they say, there is a skeleton in every closet. In ours it is 3D printing or additive manufacturing. According to some estimates, the industry is expected to grow dramatically, from $ 9.9 billion in 2018 to $ 42.9 billion by 2025 [Khanna, 2020]. Very good, isn’t it? To be frank, I was surprised to read that this impressive expansion in a bit longer time-frame is a serious threat, since it may wipe out as much as 40 % of world trade by 2040. And this is an obvious challenge for national and international regulators.

Second, from my point of view there is a group of serious concerns related to digitalization, starting from the so-called digital divide (with an enormous risk for a large share for national and international entities to lag dramatically behind) and ending with the cyber-dimension of national security. It is taken seriously enough not only by the leading economies of the globe. Here all members of international community are currently involved. It is not by chance that in March 2021, a working group within the United Nations, comprising all 193 of its member states, adopted a consensus report on norms for responsible state behavior in cyberspace. Further negotiations are doomed to be very difficult and lengthy. Meanwhile, possible escalation of the tension in this field could substantially

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14 United Nations General Assembly. (2021) Open-ended working group on developments in the field of information and telecommunications in the context of international security Final Substantive Report. URL:
threaten overall system of international relations. In this case trade would also suffer. Of course, let’s hope for the better, but by all means it will not happen automatically. There is only one way to succeed — to be persistent and industrious, or in the words of famous Latin saying, “Labor omnia vincit.”

Carlos Uriarte Sánchez: The rapid adoption of technologies such as 5G, cloud technology, and 3D is pushing the global economy into the Fourth Industrial Revolution and further globalization. As new global supply chains are being constructed, this time for services, tasks are being divided more finely, opening new entry points for poorer countries’ services exports. Digitally enabled services stabilize global production networks and stimulate traditional exports across agriculture, fisheries, crafts, and tourism, including better matching of sellers and buyers and access to finance. There are trade opportunities for both developing and developed countries.

Trade in digitally enabled services, in turn, depends crucially on cross-border data flows, which are growing exponentially and now contribute more to global GDP growth than trade in goods and services. These developments have major new challenges for trade in terms of investment, innovation and industry policy settings in the digital age. The G20 must address these challenges and enable potential growth in international trade flows, thereby facilitating global gains in economic growth and development. The COVID-19 pandemic has affected local economic activity and global value chains in both the goods and services sectors. Its most significant short-term impact has been an intense push towards digitization. Managing this transition to digital commerce and fully realizing its benefits in a mutually beneficial way requires policy decisions that allow trade to flourish. G20 members should implement best practice policy and create interoperable regulatory environments.

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Международная торговая система: вверх по лестнице, ведущей вниз?*

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Международная торговая система столкнулась с новыми вызовами современности, которые приводят к еще большей неопределенности дальнейшей ее траектории развития. Усиление протекционизма, изменение баланса сил между странами, влияние пандемии и ускорение процессов цифровизации демонстрируют важность переосмысления глобального управления торговлей. Цель статьи — выявить ключевые проблемы развития современной международной торговой системы и определить возможные пути их решения. Участники дискуссии отмечают, что протекционизм явно будет присутствовать в современной торговой политике, однако направленность на либерализацию и многосторонние торговые переговоры смогут создать необходимые стимулы для более справедливой торговли. Глобальная взаимозависимость в рамках глобальных цепочек добавленной стоимости требует новой повестки для торговых переговоров стран. Очевидно, что страны, особенно в современных условиях, направлены в первую очередь на защиту своих национальных интересов. Однако стратегически все члены...
ВТО выиграют от развития многостороннего сотрудничества. Ответственность правительств и компаний, особенно наиболее влиятельных, заключается в поддержании устойчивого экономического развития. COVID-19 помог выявить основные проблемы в развитии международной торговой системы. Он также привел к формированию специфического типа связанного с пандемией протекционизма, который необходимо принимать во внимание в дальнейшем развитии глобального управления. Значимым вызовом стали цифровые технологии, которые, безусловно, изменят современную структуру международной торговли, и неважно, произойдет ли это революционным или эволюционным образом. Глобализация приводит к цифровому разрыву между странами и необходимости пересмотра национальной торговой политики. При этом нельзя перекладывать ответственность за решение возникающих проблем на ВТО как таковую: ее страны-члены отвечают за те изменения, которые происходят в международной торговой системе.

Ключевые слова: международная торговая система, торговая политика, экономическое развитие, пандемия, цифровизация.

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