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Economic Policy Linkages

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Our received knowledge ... from theory and from practice

- International trade leads to increased efficiency, more consumer choice, generally lower prices, greater competition, as well as greater innovation.
- But not necessarily to higher growth or to better environmental or social outcomes.
- It is an enabler and a catalyst, not a complete recipe for good economic governance.

For good public policy outcomes, trade requires...

- A transparent and predictable legal and regulatory environment, including effective and enforceable trade rules.
- Sound underlying fiscal and monetary policies (price and exchange rate stability).
- Structural reform to further unlock such backbone sectors as telecommunications (including internet connectivity), transport (including physical infrastructure), energy, financial services, and data/artificial intelligence (AI).

The context for trade has changed as well

- The global value chain (GVC) era is now mature; trade is growing only in line with global GDP. Supply chain consolidation is as common as new GVC formation.
- Trade policies and rules are largely mature; except for many developing countries, modern trade agreements have little liberalizing impact.
- The next generation of trade issues relate to regulatory cooperation, environment, etc., but mainly to the digital transformation; the value proposition in the digital age is mostly in intellectual property (IP) and asset values.

What we don't yet know enough about

- Since trade agreements increasingly are taking on the character of protecting and restricting competition, especially intellectual property holders and digital providers, governments and analysts can't evaluate the gains/losses of new IP or new data clauses.
- The nature of job change and job losses (World Bank and WTO studies put more responsibility for job churn on automation than on globalization).
- The relationship between openness and inequality, including the effectiveness of adjustment assistance and job training.
- The nature and ways that services are defined. We don't yet fully know the value of services embedded in goods.

So...future work, consultation, and coordination now and beyond the NAFTA negotiations reflecting all these linkages

- Macro-economic policies and practices, including especially the impact on labour.
- Investment policies, including those that permit the taking out of potential upstart competitors and thus limiting/constraining innovation.
- Tax rules; can NAFTA/WTO maintain a level playing field, or do we need an International Tax Organization (ITO) to parallel the WTO?
- The rise of the digital economy, affecting the rule of disenfranchised groups, as well as influencing social choices on health and biology, for example.

Conclusion

- The trade system, based on the rule of law, transparency/notification, predictability/stability still key in this age increasingly of networks rather than of institutions.
- But it is clear that trade is an enabler and a catalyst, not a complete recipe for good, global economic governance ... its linkages to other sectors, policies are key.