Sanja JELISAVAC TROŠIĆ[1]

CHALLENGES TO ENSURE THAT THE REGULATORY FRAMEWORK KEEPS UP WITH CHANGES IN THE GLOBAL TRADE

Abstract: The World is rapidly changing. Global trade after the 2008 global financial crisis is entering into an era of new challenges and opportunities. Globalization, structural changes, emerging markets, regional blocs new patterns of international trade emerge and shift in trade are some of newer developments. All new developments are raising questions about the appropriateness and resilience of existing policy frameworks in the field of international trade. Especially deadlock in negotiating the World Trade Organization (WTO) Doha Development Agenda has brought many suspicions about the trade system's ability to respond to these challenges. In this paper we will tackle major changes in global trade, examine today's WTO and try to answer the dilemma will this world trade system survive, become stronger and overcome all the changes, adapt to modern conditions and establish new priorities and rules in international trade.

Key words: international trade, WTO, emerging economies, global value chains, Doha Round, Trade Facilitation Agreement, development.

Changes in the global trade

In the recent history we could witness the high growth rates of global trade relative to global income. Whereas international trade was 25% of

[1] Sanja Jelisavac Trošić, Ph.D., Institute of International Politics and Economics, Belgrade.
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world GDP in 1960, it exceeds 60% of world GDP today.[2] This unprecedented high growth rate of global trade has been driven by a number of factors and the mix of those factors led to that result. Among the most influential driving factors are constant technological change and innovation, policy reforms all around the globe, improvements in doing business and other business innovation, and the integration of China into the world economy and especially into the global trade. But during the past decade global trade expansion is lagging behind global economic growth, rather than leading and propelling it.

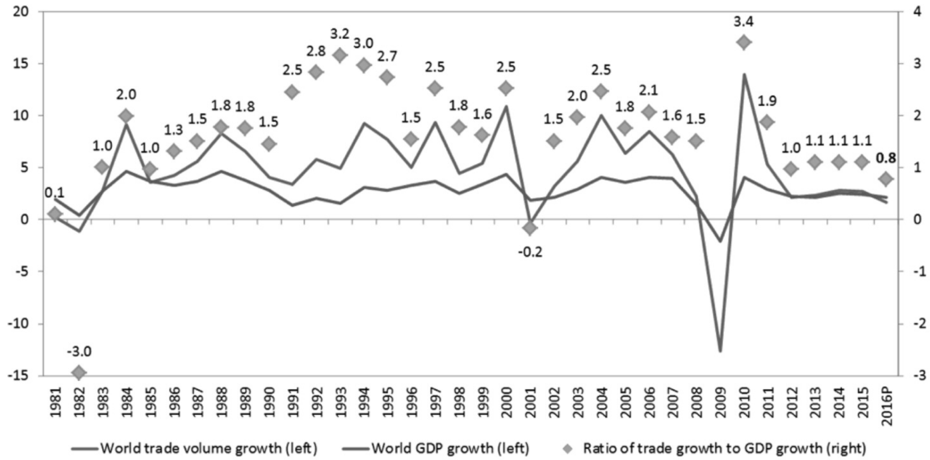
The global trade slowdown to GDP

Even before the 2008 Global Crisis, the rate of growth of the ratio of global trade to GDP had slowed considerably. According to the latest World Trade Organization (WTO) estimates world trade will grow more slowly than expected in 2016, expanding by just 1.7%, well below the April 2016 forecast of 2.8%. The forecast for 2017 has also been revised, with trade now expected to grow between 1.8% and 3.1%, down from 3.6% previously. With expected global GDP growth of 2.2% in 2016, this year would mark the slowest pace of trade and output growth since the financial crisis of 2009. Over the long term before, trade has typically grown at 1.5 times faster than GDP (see Chart 1). Though in the 1990s world merchandise trade volume grew about twice as fast as world real GDP at market exchange rates. In recent years however, the ratio has slipped towards 1:1, below both the peak of the 1990's and the long-term average. If this revised WTO projection holds, 2016 will be the first time in 15 years that the ratio between trade growth and world GDP has fallen below 1:1.[3]

[2] World Bank, 2015, www.worldbank.org, 11/09/2016.

[3] Trade Statistics and Outlook, WTO: 2016 press releases, https://www.wto.org/english/news_e/pres16_e/pr779_e.htm, 27 September 2016.

Chart 1: *Ratio of world merchandise trade volume growth to world real GDP growth, 1981-2016 (% change and ratio)*



Sources: WTO Secretariat for trade, concensus estimates for GDP.

This is a dramatic slowing of trade growth. That represents a serious tendency and is causing huge problems. Among consequences of this trend we can notice growing anti-globalization sentiment, slowing in trade job creation and slowing in the economic growth and other development which are closely linked to an open trading system. Slow trade growth has led to worries that the world economy has run into a 'peak trade' constraint, i.e. the ratio of global trade to GDP has reached a limit.[4] Global trade increased 27-fold between 1950 and 2008, three times more than the growth in global GDP. As a result, according to the World Bank's World Development Indicators database, the trade-to-GDP ratio for the world as a whole rose from roughly 25% in the 1960s to 60% today. The weakness in aggregate demand and within that, demand for durables and investment goods – played a major role in the recent trade slowdown and continues to do so. The slow or the absence of growth in trade since 2009 has meant no change in this ratio since 2008. If

[4] *The Economist* (2014), "International trade—A troubling trajectory", 13 December. From Bernard Hoekman, Trade and growth – end of an era?, in Bernard Hoekman (ed), The Global Trade Slowdown: A New Normal?, European University Institute, Robert Schuman Centre for Advanced Studies, CEPR Press, 2015, p. 5.

decline in recent years in trade is sustained, this 60% may turn out to be a peak for the world as a whole.[5]

The trade growth began to slow down even before the 2008 crisis hit. The very high growth of global trade relative to GDP before the crisis was in part a consequence of the re-integration of China and central and eastern European countries into the world economy. That movement in turn was facilitated by the rapid growth in global value chains (GVC) participation and associated FDI flows. This process by its nature was a transitional one, generating trade growth rates that inevitably had to slow down once the adjustment process associated with re-integration into the world economy and especially global trade had run its course.

The spreading of global value chains

In the past two decades production has become increasingly internationally fragmented. International fragmentation of production is indicated by rising shares of foreign value added in production. These trends fit a broad story in which firms in mature economies relocate their unskilled-labor intensive production activities to lower-wage countries, while keeping strategic and high value-added functions concentrated in a few urban regions where the high-skilled workers and intangible capital they need is available.[6] Advanced countries are increasingly specializing in global value chains tasks performed by high-skilled workers.[7] Nature, comprehensiveness and scope of global value chains have drastically changed over the last two decades.

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[5] Bernard Hoekman, Trade and growth – end of an era?, in Bernard Hoekman (ed), The Global Trade Slowdown: A New Normal?, European University Institute, Robert Schuman Centre for Advanced Studies, CEPR Press, 2015, p. 5, p. 15.

[6] Baldwin, Richard E. 2006. "Globalisation: The Great Unbundling(s)." In *Globalisation Challenges for Europe*, Helsinki: Office of the Prime Minister of Finland. From Marcel P. Timmer, Abdul Azeez Erumban, Bart Los, Robert Stehrer, Gaaitzen J. de Vries, Slicing Up Global Value Chains, Groningen Growth and Development Centre, Faculty of Economics and Business, University of Groningen, The Vienna Institute for International Economic Studies (WIIW), 2013, p. 23.

[7] Marcel P. Timmer, Abdul Azeez Erumban, Bart Los, Robert Stehrer, Gaaitzen J. de Vries, Slicing Up Global Value Chains, Groningen Growth and Development Centre, Faculty of Economics and Business, University of Groningen, The Vienna Institute for International Economic Studies (WIIW), 2013, p. 23.

Fragmentation of production, i.e. the emergence of global production chains is becoming increasingly widespread trend in the world. This trend occurs and persists as a result of continuous technological innovation, primarily in transport and communication. These technological innovations have contributed to reduce costs and allow countries to specialize in the production of specific components or performing specific tasks, not the whole finished product.

Today with increasing mobility of capital and labor, as seen through the movement of private capital (primarily through foreign direct investment) and labor migration, there was an increase in international trade in intermediate products. This phenomenon has occurred primarily because transnational companies are managed by private capital. These companies opened branch offices in other countries, investing capital abroad where the raw materials are cheaper. When one of the branch offices make semi-product, it sends it to be finished of to the other branch offices of the same company. This phenomenon is known as intra firm trade. That means that companies are vertically organized through vertical specialization of its branches, which are located in different countries of the world, from raw materials, semi-finished products coming through to the final product that they sell. In this way the global production chains are forming. This segmentation of production begins to apply also in the field of services, so this phenomenon is named global value chains. In global value chains each phase of the production and service delivery are located in different countries.[8]

Trade and competitiveness come together in global value chains. Trade no longer means merely goods crossing borders; rather it is the international, interconnected flow of goods, services, investment, people, and ideas along a value chain. Production stages that previously took place in a single factory, or in a single country, are now dispersed across many factories in many countries. GVC are the key drivers of employment, productivity, and growth in international trade. They create niches for developing countries to industrialize faster and better, and they enable developed countries to specialize in higher-value production in goods and services, thus improving wages and consumer choice. Taking advantage of global value chains demands more than keeping borders open to trade and

[8] Sanja Jelisavac Trošić, „Nove tendencije u međunarodnoj trgovini", Tematski zbornik Savremeni međunarodni ekonomski i pravni poredak, editor Sanja Jelisavac Trošić, Institut za međunarodnu politiku i privredu, Beograd, 2016, pp. 23-24.

investment. A whole host of domestic non-tariff and regulatory barriers also need to be removed as well as a welcoming business climate provided. Unilateral measures can help countries take advantage of GVC, but they work best when they are locked in by international agreements such as those negotiated by the World Trade Organization, bilateral investment treaties, and regional trade agreements.[9]

The goods and services we buy are made of inputs from various countries around the world. However, the flows of goods and services within these global production chains do not always show in the conventional means of measuring international trade.[10] The growth of this new form of trade has led to the need to statistically process each of value that is added at all stages of semi-finished to finished products. The cooperation of the Organization for Economic Cooperation and Development and the World Trade Organization created a method of monitoring international trade - the concept of value added (*trade in value-added,* TiVA). Trade in value-added does not calculate exports to its overall value, but only to the value that is added in the exporting country on imported raw materials or semi-finished product.

International supply chains despite the widespread opinion are mostly regional, not global phenomenon. Some of the authors claim that most supply chain trade happens within what have been called Factory Asia, Factory Europe, and Factory North America. Moreover, there are clear structures within the regions:

- The USA, Germany and China are the hubs in their respective regions; Japan's supply trade pattern is far more regionalized than the USA, German and Chinese patterns, but Japan is not a hub in Factory Asia. At the world level, China is the leader in terms of the export and import of intermediates. China is the biggest buyer and seller of intermediates measured as gross exports. There are important differences in the global patterns of intermediate industrial goods, raw materials and services.
- The global pattern for intermediate industrial goods is more regionalized than the pattern for intermediate services. The global pattern for raw materials is even less regionalized.[11]

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[9] Klaus Schwab, The Global Competitiveness Report 2015–2016, World Economic Forum, 2015, p. 15.

[10] OECD, http://www.oecd.org/sti/ind/global-value-chains.htm, 15/04/2015.

[11] Richard Baldwin and Javier Lopez-Gonzalez, Supply-Chain Trade: A Portrait of Global Patterns and Several Testable Hypotheses, NBER Working Paper No. 18957, April 2013, p. 56.

Looking at evolutions of the patterns between 1995 and 2009, some authors note that:

- Supply-chain trade has shifted heavily towards Factory Asia and away from Factory North America and Factory Europe;
- China's role increased enormously on the sales and source sides;

Inside Europe, the dominance of Germany faded between 1995 and 2009 both on the sales and sourcing sides while the centrality of China in Asia has increased.[12]

It is important to differentiate between the 'China factor' and 'diminishing returns to GVC strategies' explanations for slower trade, as global value chains growth has been a major feature of China's trade expansion (as it was for central and eastern Europe). The potential for greater use of the 'GVC technology' and further specialization and fragmentation of production remains very significant for many developing countries, arguing against the conclusion that the world has attained 'peak trade'. On balance, once the cyclical headwinds have abated, it is likely that trade growth will exceed GDP growth once again, albeit not as much as during the 1990s given the transitional nature of the trade growth attained by former centrally planned economies.[13]

The rise of supply chain trade was coincident with some of the most radical changes that the global economy has ever experienced.

Emerging economies in the global trade

After the Second World War trade was dominated by flows between high-income countries, the so called North-North trade. Those countries accounted for most of global GDP primarily because many developing countries maintained high barriers to imports. However, today we are moving toward a world in which South-South trade (trade between developing countries) and North-South trade (trade between developed and developing countries) are overtaking North-North trade flows. Once

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[12] Richard Baldwin and Javier Lopez-Gonzalez, Supply-Chain Trade: A Portrait of Global Patterns and Several Testable Hypotheses, NBER Working Paper No. 18957, April 2013, p. 57.

[13] Bernard Hoekman, Trade and growth – end of an era?, in Bernard Hoekman (ed), The Global Trade Slowdown: A New Normal?, European University Institute, Robert Schuman Centre for Advanced Studies, CEPR Press, 2015. p. 15-16.

where high-income economies accounted for four-fifths of global trade in 1985, by the middle of this decade they will account for less than half.

One of the most striking characteristic of the world economy in recent years is the increasing role and importance of developing countries. In the last decade many of those countries have recorded impressive growth rates and made a great effort towards reducing poverty. Some countries have become the leading manufacturers and exporters of goods, agricultural products and commercial services, and in some cases overshadowing industrialized countries. This is especially true for large developing countries that have taken important roles in the international arena, particularly in international forums such as the G-20.[14] In the field of international trade some countries have made progress as new global players. In some developing countries faster economic growth is credited, above all, to the growth of trade. This way, confirms the attitude that countries benefit from global economic integration.

The dramatic growth of China, India, and other middle-income nations is transforming the global economy today (see table 1). Above all it changes who trades with whom, how production is organized across borders, and how the global gains from trade are distributed. The gradual rebalancing of the Chinese economy away from an export-driven model towards greater reliance on domestic absorption is an additional factor that comes on top of the, on the other hand, weakness of the Euro zone, generating additional knock-on effects on other emerging economies.

[14] Sanja Jelisavac Trošić, „Nove tendencije u međunarodnoj trgovini" (New Trends in International Trade), Tematski zbornik Savremeni međunarodni ekonomski i pravni poredak, editor Sanja Jelisavac Trošić, Institut za međunarodnu politiku i privredu, Beograd, 2016, pp. 22.

Table 1: *Leading merchandise exporters and importers, 2014, in billion USD and percent*

Rank	Exporters	Value	Share	Annual percent change	Rank	Importers	Value	Share	Annual percent change
1	China	2,342	12.4	6	1	USA	2,413	12.7	4
2	USA	1,621	8.6	3	2	China	1,959	10.3	0
3	Germany	1,508	8.0	4	3	Germany	1,216	6.4	2
4	Japan	684	3.6	-4	4	Japan	822	4.3	-1
5	Netherlands	672	3.6	0	5	United Kingdom	684	3.6	4
6	France	583	3.1	0	6	France	678	3.6	-1
7	Korea, Republic of	573	3.0	2	7	Hong Kong, China	601	3.2	-3
8	Italy	529	2.8	2	- retained imports		151	0.8	6
9	Hong Kong, China	524	2.8	-2	8	Netherlands	588	3.1	0
- domestic exports		16	0.1	-20	9	Korea, Republic of	526	2.8	2
- re-export		508	2.7	-1	10	Canada [a]	475	2.5	0
10	United Kingdom	506	2.7	-7	11	Italy	472	2.5	-2
11	Russian Federation	498	2.6	-5	12	India	463	2.4	-1
12	Canada	475	2.5	4	13	Belgium	452	2.4	0
13	Belgium	471	2.5	1	14	Mexico	412	2.2	5
14	Singapore	410	2.2	0	15	Singapore[b]	366	1.9	-2
- domestic exports		216	1.1	-1	- retained imports		173	0.9	-5
- re-export		194	1.0	1					
15	Mexico	398	2.1	5					

a Imports are valued FOB.

b Singapore's retained imports are defined as imports less re-exports.

Source: World Trade Report 2015, Speeding up trade: benefits and challenges of implementing the WTO Trade Facilitation Agreement, World Trade Organization, 2015, p. 26.

The rise of low- and middle-income countries in global trade has been decades in the making. The result of China's and India's openings has been an immense global export supply shock. Between 1992 and 2008, average annual growth in exports was 18 percent in China and 14 percent in India. These two are not the only significant new players in global trade. Consider the next 15 middle-income countries, which (in order of market size) are Brazil, Korea, Mexico, Russia, Argentina, Turkey, Indonesia, Poland, South Africa, Thailand, Egypt, Colombia, Malaysia, the Philippines, and Chile. In 2008, they each had a GDP above $100 billion; as a group, their collective GDP is 1.4 times China and India's combined total. From 1992 to 2008, these 15 countries had average annual export growth of 8 percent. During this period, low- and middle-income countries overall saw their share of global exports more than double, from 21 to 43 percent.[15] These all are an unprecedented change in favor of the emerging economies.

According to the newest WTO data, the exports of developing and emerging economies grew faster than those of developed countries in 2014, 3.1 per cent in the former and 2.0 per cent in the latter. Meanwhile, imports of developing countries grew more slowly than those of developed economies, 1.8 per cent compared to 2.9 per cent.[16]

In the recent global financial crisis, there was a sharp divide in the economic performance of high-income and emerging-market nations. The United States, the countries of the European Union, and Japan suffered most. They have been slow to recover, first of all because of heavy debt burdens and weak reactions of banks towards solving accumulated problems in these countries. Many emerging economies, in contrast, hardly paused during 2008 and 2009. Led by China and India, their robust growth is now fueling the recovery of the global economy. The shift in economic power is visible. Brazilian, Chinese, and Indian multinational firms are eagerly acquiring assets abroad; U.S. and European leadership in the World Trade Organization, once unassailable, has failed to consummate the Doha round of global trade negotiations; and the IMF has been spending more time worrying about the balance sheets of high-income nations than of lower-

[15] Gordon H. Hanson, "The Rise of Middle Kingdoms: Emerging Economies in Global Trade", Journal of Economic Perspectives, American Economic Association Publications, Spring 2012, Vol. 26, No. 2., Pittsburgh, Pennsylvania, U.S.A. p. 41-2.

[16] World Trade Report 2015, Speeding up trade: benefits and challenges of implementing the WTO Trade Facilitation Agreement, World Trade Organization, 2015, p. 12.

income ones.[17] These all are a clear evidence of continual shift global environment towards strengthening the position of emerging economies.

Regulatory framework in the global trade

Doha Development Agenda deadlock

At the fourth meeting of the Ministerial Conference, held from 9 to 13 November 2001 in Doha (Qatar), the Ministerial Declaration was adopted, which launched the first round of multilateral trade negotiations in the World Trade Organization (WTO). This first WTO round was named the Doha Round. Since the main objective of this Round of multilateral trade negotiations was further liberalization of international trade system, taking into account the development needs of developing countries, it is also known as the Doha Development Round. At the beginning of the round, it was decided that the implementation and conclusion of negotiations on the Doha Round, as well as the implementation of harmonized agreement, will be in accordance with the method of a single undertaking. This means that it is considered that the negotiations are not successfully completed until agreement is reached on all issues of multilateral negotiations. The deadline for finishing of negotiations on all issues was scheduled for 1 January 2005.[18] However, the Doha Round is still going on.

Many participants and observers have speculated that the Doha deadlock means the WTO's negotiating power is not functioning and consequently the institution is destined to fade slowly into irrelevance as regional and plurilateral arrangements proliferate.[19] We all can conclude that WTO is in existential crisis as a result of the Doha Round's failure to end in success. Its aim is to achieve major reform of the international trading system through the introduction of lower trade barriers and revised trade

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[17] Gordon H. Hanson, "The Rise of Middle Kingdoms: Emerging Economies in Global Trade", Journal of Economic Perspectives, American Economic Association Publications, Spring 2012, Vol. 26, No. 2., Pittsburgh, Pennsylvania, U.S.A. p. 41.

[18] Sanja Jelisavac Trošić, Pregovori u okviru GATT i STO (Negotiations under GATT and WTO), Institute of International Politics and Economics, Belgrade, 2015, pp. 175-6.

[19] Ricardo Meléndez-Ortiz, Richard Samans, The E15 Initiative: Strengthening the Global Trade and Investment System in the 21st Century, International Centre for Trade and Sustainable Development (ICTSD), World Economic Forum, 2016. p. 140.

rules. The work program covers about 20 areas of trade. First success over many years of WTO negotiations to reach an agreement was made at the Ninth Ministerial Conference in Bali, Indonesia held on 3–7 December 2013. A trade agreement made as a part of the Bali Package is aimed at lowering global trade barriers.[20] It is the first agreement reached through the WTO that is approved by all its members. Trade Facilitation Agreement (TFA) – reaffirms that the non-discrimination principle of Article V of GATT 1994 remains valid. Agreement is aimed to reduce red-tape and streamline customs. It will be legally binding, require some expense and a certain level of technology. The least developed countries will be supported in building capacities to implement the changes. Some critics worry that the governments may have to prioritize funds for trade facilitation over other important areas, such as public health or education.

The WTO 10th Ministerial Conference was held in Nairobi, Kenya, from 15 to 19 December 2015. It culminated in the adoption of the Nairobi Package, a series of six Ministerial Decisions on agriculture, cotton and issues related to least-developed countries. In agreeing to disagree at the Nairobi ministerial meeting, member governments officially recognized the reality that the terms of reference of those negotiations, the particular combination of topics mandated by the Round, do not command a consensus.[21] Problem is the "single undertaking": "Nothing is agreed until everything is agreed". But participants reaffirmed that the various individual Doha Round issues will remain open for discussion and possible agreement in other ways and in possible combination with other issues.

WTO Director-General stressed that: "While the benefits of trade are clear, it is also clear that they need to be shared more widely. We should seek to build a more inclusive trading system that goes further to support poorer countries to take part and benefit, as well as entrepreneurs, small companies, and marginalized groups in all economies. This is a moment to heed the lessons of history and re-commit to openness in trade, which can help to spur economic growth."[22]

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[20] World Trade Organization, *Agreement on Trade Facilitation – Ministerial Decision of 7 December 2013,* WT/MIN(13)/36 - WT/L/911, 11 December 2013, pp. 29.

[21] Ricardo Meléndez-Ortiz, Richard Samans, The E15 Initiative: Strengthening the Global Trade and Investment System in the 21st Century, International Centre for Trade and Sustainable Development (ICTSD), World Economic Forum, 2016. p. 140.

[22] WTO Director-General Roberto Azevêdo, WTO: 2016 press releases, PRESS/779.

The trade negotiations in the Doha Round has been written off in various intervals, many bilateral and regional deals are struggling to conclude, spontaneous liberalization has slowed and is even being reversed in some countries, and global trade has decelerated sharply in the wake of the global financial crisis. It has become clear that as governments pursue trade facilitation, those that take a "horizontal" approach achieve the most success. This approach involves identifying industries with the highest potential for competitiveness, and then taking an end-to-end view of each industry's value chain. It locates the specific trade barriers that should be addressed to allow the industry to reach a "tipping point" where it becomes competitive, thus enabling the flow of goods.[23]

According to a recent paper published by the World Trade Organization and Organization for Economic Co-operation and Development (OECD) economists, 80% of developing countries' exports by volume now regularly enter advanced countries duty free, compared to 55% 20 years ago.[24] That is measurable outcome of multilateral trade negotiations. On the other had, we can notice in recent years a proliferation of non-tariff barriers. Even though the ratio between trade and income or output is not a constant, the latest figures are a disappointing development and underline a recent weakening in the relationship between trade and GDP growth.

The WTO institutional mandate and capacities are focused fairly narrowly on formal norms partly because of its origins in the GATT as a framework of negotiated concessions. By design, WTO institutional culture is inward looking – it is the custodian of multilateral rules arrived at through multilateral negotiations. This remains its critical function, but the international community requires more from the WTO in the 21st century given the transformation in the world economy and political economy of trade over the past years. With the growing fragmentation of the global trade, the WTO must see itself at least as much as the custodian of these underlying principles as it is of the multilateral norms for which it has formal negotiating and adjudicatory responsibility. Only if the institution's role is broadened from that of a framework for negotiations of reciprocal concessions and the settlement of disputes there under to an enabler of the wider system's contribution to cross-border trade related economic

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[23] Enabling Trade: Increasing the Potential of Trade Reforms, International Trade Centre, World Economic Forum, 2015, p. 5.

[24] WTO, 2014, www.wto.org, 25/10/2016.

development the fundamental legitimacy of the WTO multilateral system can then be assured.[25]

The main conclusion is that in the WTO framework reforms are slowly taking place and that the regulation, which has a decisive influence on the global trade, is changing very slowly. The decisions made during the multilateral negotiations in the WTO does not keep pace and are more and more of late to the needs of companies who appear on the international market. For a long time, concerns that the current trading system, which was under construction during the GATT negotiations and is currently regulated by the WTO, does not have an adequate response and a solution to the latest changes occurring in the international trade. Developed countries were already several years ago turned trade negotiations in the framework of regional initiatives, as are large developing countries doing in recent years, and also there has been an increase in protectionist measures in trade, so we can say that the WTO system is already partially collapsed and the question is whether this currently slow organization has enough power to survive on preserving its influence in international trade.

The WTO Trade Facilitation Agreement

On the WTO Ninth Ministerial Conference trade ministers adopted Bali Package, or a series of decisions aimed at streamlining trade, allowing developing countries more options for ensuring the stability of food supply, encouraging the trade of the least developed countries and development aid in general.[26] After 12 years of long and exhausting negotiations within the framework of the Doha Round final agreement has been reached at the WTO on the reduction of trade barriers in the world. Bali Package is a consensus of 159 member countries of the WTO. This was immediately from politicians and the media hailed the historic Agreement, because it is a first trade agreement that has been made since the establishment of the WTO in 1995. Trade Facilitation Agreement has been reached very difficult, on the one hand with the persistence of the Chairman, and on the other hand by agreeing to more compromises of all WTO members voted for its

[25] Ricardo Meléndez-Ortiz, Richard Samans, The E15 Initiative: Strengthening the Global Trade and Investment System in the 21st Century, International Centre for Trade and Sustainable Development (ICTSD), World Economic Forum, 2016. p. 140.

[26] World Trade Organization, Ninth WTO Ministerial Conference, Internet, https://mc9.wto.org/, 27/12/2013.

adoption. In recent years, the liberalization of world trade has stagnated since the beginning of the Doha Round negotiations have not brought any concrete result. In a way this agreement represents the last chance for the revival of trade negotiations within the framework of the WTO and the Doha Round. Agreement on global trade should return the trust and reputation of the World Trade Organization on multilateral and global playfield.[27]

Improving trade facilitation by implementing the Trade Facilitation Agreement can give a more powerful boost to developing countries exports because they have high trade costs, a large part of which are due to lack of trade facilitation. Delays at customs and cumbersome procedures are far more frequently encountered in developing countries and least developed countries.[28] Also, trade facilitation increases FDI in small economies – which are relatively more dependent than large ones on this channel for investment. Trade facilitation reforms can help to increase government revenues and to reduce customs fraud and corruption. This is important in those developing countries where customs revenues represent a relatively large fraction of government revenues. We know that uncertainty in delivery times, particularly in value chains, increases trade costs. Since uncertainty in delivery time tends to be higher in lower-income countries, especially transit countries, improvements in trade facilitation by implementing the Trade Facilitation Agreement may result in increased certainty of delivery time. Importantly, through this channel, many low-income countries are likely to see greater participation in global value chains.[29]

Several countries have recently enacted trade reforms, spurred by such global initiatives as the Trade Facilitation Agreement developed at the World Trade Organization Ministerial Conference in Bali in 2013, and various bilateral and plurilateral agreements. The stakes are high for improving trade among countries. Improving even a restricted set of supply chain barriers halfway to global best practices could expand trade.[30]

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[27] Sanja Jelisavac Trošić, Pregovori u okviru GATT i STO (Negotiations under GATT and WTO), Institute of International Politics and Economics, Belgrade, 2015, p. 223.

[28] World Trade Report 2015, Speeding up trade: benefits and challenges of implementing the WTO Trade Facilitation Agreement, World Trade Organization, 2015, p. 98.

[29] World Trade Report 2015, Speeding up trade: benefits and challenges of implementing the WTO Trade Facilitation Agreement, World Trade Organization, 2015, p. 99.

[30] Enabling Trade: Increasing the Potential of Trade Reforms, International Trade Centre, World Economic Forum, 2015, p. 4.

Many of the countries concerns about the uncertainty related to the benefits and costs associated with the implementation of the TFA. Measures related to border agency cooperation, trade-related formalities, and information publication and availability have been identified as the most challenging measures to implement. Trade facilitation measures related to transparency and the release and clearance of goods tend to entail lower implementation costs than those related to customs and border agency cooperation, customs automation, and formalities, which often rely on ICT infrastructure and equipment. Also, while financial resources availability and sustainability are essential, they do not constitute a sufficient condition to ensure that trade facilitation initiatives will be successful. Strong political commitment at the highest level appears to be the most important success factor in implementing trade facilitation measures. Other key factors include cooperation and coordination between ministries and government agencies, private sector participation, adequacy of human and material resources, adoption of a sequencing approach, and transparency and monitoring. Looking ahead, it is essential to monitor implementation of the TFA once it comes into force.[31]

There are multiple opportunities for the WTO to influence the course of national policy and even regional and plurilateral arrangements in this way. The Trade in Value Added project is a promising example on which to build. Research and informal dialogue on verification, the development impact of value chains and new issues raised by digital trade could help to build understanding and trust among member governments in ways that translate into better and more coherent policies even in the absence of these issues finding their way into formal WTO negotiating mandates. The integration of regional and plurilateral arrangement rules into an ever-expanding core of multilateral disciplines should be one of the most important future jobs for WTO. As the guardian of non-discrimination and the global trading system's fundamental character as a public good, the World Trade Organization must become more creative, pragmatic and proactive in advancing this aspect of its mission.[32]

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[31] World Trade Report 2015, Speeding up trade: benefits and challenges of implementing the WTO Trade Facilitation Agreement, World Trade Organization, 2015, p. 133.

[32] Ricardo Meléndez-Ortiz, Richard Samans, The E15 Initiative: Strengthening the Global Trade and Investment System in the 21st Century, International Centre for Trade and Sustainable Development (ICTSD), World Economic Forum, 2016. p. 141.

A number of studies show that fresh produce and perishable goods and also sectors characterized by rapid changes in taste (fashion), constant innovation (electronic products) and just-in-time production (intermediate goods in supply chains) tend to be more time-sensitive. This implies that countries that have a comparative advantage in those exports are likely to gain the most from implementing trade facilitation. Another channel through which trade facilitation may affect countries differently is the size distribution of their enterprises. Since small firms' exports tend to be more responsive to trade facilitation the countries that have a larger SME sector may gain relatively more from trade facilitation.[33] International trade is more open and predictable than ever before, but the cost and complexity of engaging in international trade remain far too high and often prohibitively so for small companies. There is a hope that implementing the Trade Facilitation Agreement may help with that issue.

Overall, the Trade Facilitation Agreement ensures momentum for future improvements in cross-border procedures. Countries are advised to take a systematic approach and follow specific steps in order to implement the Trade Facilitation Agreement measures successfully. This will lead to improvements in the end-to-end value chain for selected industries, and will help governments to formulate clear plans to make those industries globally competitive.[34]

Historically strong trade growth has been a sign of strong economic growth, as trade has provided a way for developing and emerging economies to grow quickly, and strong import growth has been associated with faster growth in developed countries. However the increase of the number of systematically important trading countries and the shift in the ratio of trade and GDP growth makes it more difficult to forecast future trade growth. Therefore, the WTO is for the first time providing a range of scenarios for its 2017 trade forecast rather than giving specific figures.[35] Improving even a restricted set of supply chain barriers halfway to global best practices could expand trade by 15% and increase global gross domestic product (GDP) by nearly 5%. By comparison, completely

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[33] World Trade Report 2015, Speeding up trade: benefits and challenges of implementing the WTO Trade Facilitation Agreement, World Trade Organization, 2015, p. 99.

[34] Enabling Trade: Increasing the Potential of Trade Reforms, International Trade Centre, World Economic Forum, 2015, p. 8.

[35] Trade Statistics and Outlook, WTO: 2016 press releases, https://www.wto.org/english/news_e/pres16_e/pr779_e.htm, 27 September 2016.

eliminating tariffs could have a much less significant effect in increasing global GDP by just 0.7% and exports by 10%.[36]

Countries are trying to create more efficient border administration processes across regions in varying stages of economic development. Developing and least-developed countries have implemented about 39% of the trade facilitation measures laid out in the Bali agreement. The rate among African countries is somewhat lower, at 35%. Developing countries in the Americas, such as Costa Rica and Brazil, are enhancing efficiency with new Single Window projects. Meanwhile, advanced economies, such as South Korea and Singapore, which already have effective trade processes, are looking to improve further to keep their competitive edge; they are connecting their systems with a broader set of stakeholders and countries.[37]

A better future for the WTO would be the one in which it plays a more strategic and vital role for the international economic order than ever. In this future, trade ministers and WTO ambassadors as well as the institution's formal organization embrace the wider global trade system of rules and institutions. Rather than seeing this complex and changing world as a threat or even rival, the WTO should fundamentally embedded in it rather than existing above, or apart from it. The WTO should be seen as the institution serving the wider system, assuming a greater sense of responsibility for its positive evolution through the execution of an expanded array of leadership functions.[38]

Conclusion

International trade is a variable category, has its ups and downs and a large number of factors affect it. In recent years there have been significant changes in the global trade, and some of them are gaining on importance. The trade growth began to slow down and this year will probably be the first one after 15 years that the ratio between trade growth and world GDP has fallen below 1:1. The world needs trade to drive growth and

[36] Enabling Trade: Increasing the Potential of Trade Reforms, International Trade Centre, World Economic Forum, 2015, p. 4.

[37] Enabling Trade: Increasing the Potential of Trade Reforms, International Trade Centre, World Economic Forum, 2015, p. 4.

[38] Ricardo Meléndez-Ortiz, Richard Samans, The E15 Initiative: Strengthening the Global Trade and Investment System in the 21st Century, International Centre for Trade and Sustainable Development (ICTSD), World Economic Forum, 2016. p. 140.

development. Countries are increasingly specializing in global value chains, where each phase of the production and service delivery are located in different countries. Global value chains are the drivers of productivity, employment and growth in global trade. The one of the biggest feature of global trade and the world economy in recent years is the increasing role and importance of emerging economies. Even in some developing countries faster economic growth is above all credited to the growth of trade.

Changes in the global trade are visible and powerful and they are forcing a lot of challenges to the regulatory framework of international trade. The deadline for finishing of negotiations in Doha Round was scheduled for 1 January 2005, but the Round is still going on. The work program is comprehensive, and the only tangible result is Bali package. International community needs more from WTO. WTO should seek to build a more inclusive trading system. By embracing and adapting itself to an ever changing world, the WTO could help to steer the evolution of trade liberalization, most of which now occurs outside the WTO. This multilateral organization should steer progress, back up liberalization and help development, and this should be done faster and with lasting effects. WTO regulatory framework will need more and faster reforms, the regulation should be changing according to the changes in the trading environment. This organization should have adequate response and solutions to the latest changes in the international trade. In order to survive in this challenging world it should once again take over leadership position.

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