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INTRODUCTION

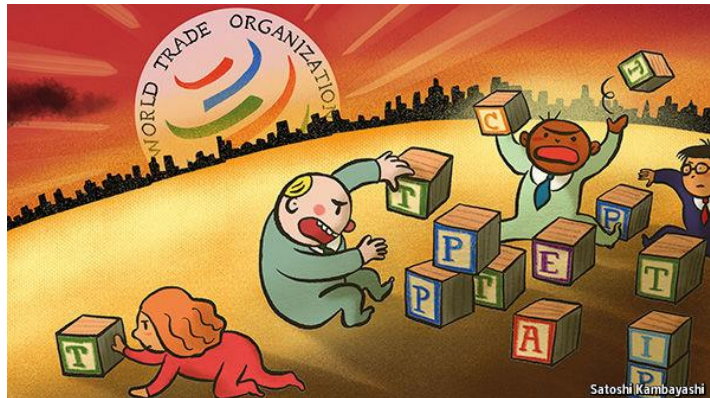
Trade agreements and trade negotiations continue to be under attack, particularly in industrialized countries.

As pointed out by Kimberly Anne Elliot in a comprehensive analysis published in the World Trade Review, although trade is essential to every economy in the world, [policies to further liberalize it are increasingly being questioned](#).

In the US, both presidential candidates oppose regional trade agreements, such as [the Trans-Pacific Partnership \(TPP\) agreement](#), and in June a majority in the United Kingdom—albeit a slim one—voted for their country to leave the European Union, the world's largest trade bloc.

The Transatlantic Trade and Investment Partnership (TTIP) negotiations to more closely bind the U.S. and European economies seem to be making little progress in the face of stiff resistance from civil society groups in major EU countries.

As pointed out by The Economist recently, the head of the WTO is the first to recognize that "anti-trade rhetoric is catchy". So catchy that [it has infected deals beyond the WTO](#). The world's most trumpeted regional trade deals are drifting out of grasp just when pep is most needed.



Source - The Economist

RTAs ENTER POLITICS

As discussed in [a recent analysis by the Peterson Institute for International Economics \(PIIE\)](#) international trade is a more prominent issue in this year's US presidential campaign than it has been in decades, if ever.

According to PIIE, the proposed trade policies of both Hillary Clinton and Donald Trump would deeply harm the American economy. Furthermore, they would primarily hurt average American households on modest incomes, and especially many of the individuals and communities that were already hard hit by the crisis.

Backing out of the TPP agreement, as both candidates currently promise to do, would weaken US alliances in Asia, and embolden US rivals, thus eroding American national security. The PIIE evaluates [Clinton's and Trump's trade proposals at face value](#). According to PIIE, the two candidates' proposed policies are not equivalent in the harm they would do to the US economy if implemented.

Clinton's proposed trade and international economic policies would damage American well-being, primarily but not solely due to her stated opposition to TPP and to further economic integration.

The policies proposed by Donald Trump could potentially overturn the existing US-led rules-based international trade system and place at risk the livelihoods of millions of Americans, most of whom probably do not think of [their jobs as tied to international trade](#).

The reasons for the entrance of trade into the political sphere in the US and elsewhere, even if expected, is new. For Anabel Gonzalez¹, there is a backlash in some advanced countries against trade agreements and more broadly, globalization. Opposition may be rooted in different grounds. Some of the opposition may relate to certain contentious provisions within agreements; and part of it [may be associated with a misunderstanding of the content of the agreements](#). Also, says Mrs. Gonzalez, there are concerns that the mega-regional agreements could undermine the relevance of the multilateral trading system.

The fact is that trade liberalisation is increasingly resisted, and that the frontier of trade negotiations has moved away from the borders deep into the arena of national politics. As discussed in [a piece by Hubert René Schillinger published by the Ebert Foundation](#), attempts to use trade negotiations to modify regulations that express societal preferences and had been established for reasons that are unrelated to international trade have largely eroded the confidence in trade negotiations and trade negotiators.

[The World Trade Organization](#) said on 26 September that growth in global trade would fall to 1.7 percent this year, the slowest pace since the 2009 financial crisis and part of a vicious cycle that has dragged down broader economic growth. [The WTO report](#) comes on the heels of the first presidential debate, in which Donald Trump and Hillary Clinton showed [unusual agreement in sharply criticizing past trade deals](#).

At the same time, [the International Monetary Fund](#) warned that free trade is increasingly seen as benefiting only the well-off and that help is needed for those whose job prospects have been damaged by globalisation in order to put fresh momentum behind removing barriers to international commerce. The IMF said the weakness of the global economy, rather than a wave of protectionism, had been largely responsible for the sharp slowdown in trade growth over the past four years.

But the uptick in protectionist measures since the financial crisis had "not been innocuous" and stressed that anti-trade sentiment could harden. "An increasingly popular narrative that sees the benefits of globalisation and trade accrue only to a fortunate few is also gaining traction," the IMF study said.

THE AFTER BREXIT ENVIRONMENT

More than two months after Britain's [vote to quit the European Union](#), its government has not yet said how it would do it, and advocates of the EU withdrawal seem to have discovered that four decades of European integration have left Britain so deeply embedded in the 28-nation bloc that there is no easy escape route. British officials currently have neither the expertise nor the staff for the tortuous exit negotiations, which are likely to last at least three years and possibly much longer. But perhaps what they lack most of all is a game plan, as indicated in a piece by [The New York Times](#). "At the moment, they haven't got a clue," said Charles Grant, director of the [Centre for European Reform](#), a London-based research institute. "It is such a difficult challenge with such disparate

¹ World Bank Group Senior Director for Trade and Competitiveness

leaders at the top of government, with such different views, that they are trying to work out how to respond.”

Presiding over this is Theresa May, who argued against the withdrawal before the referendum (albeit tepidly), and who [succeeded David Cameron](#) in the political meltdown after the June 23 vote. Perhaps to compensate for her support of European Union membership, Mrs. May installed supporters of leaving the bloc in critical, rival positions: [Boris Johnson as foreign secretary](#); David Davis at a ministry created to oversee the withdrawal from the EU; and a former defence secretary, Liam Fox, at international trade.

Because Britain’s trade deals are currently negotiated by European Union officials, the British government is chronically short on expertise and has had to call in expensive external consultants while starting to recruit its own specialists. Mrs. May has said that she will not start formal negotiations on the exit before the end of the year.

Once she does so — by invoking [Article 50 of the European Union’s Lisbon Treaty](#) — a two-year deadline will loom, putting Britain under pressure to cut a deal or risk finding itself with no foreign trade agreements and, perhaps, tariffs on its exports to Europe.

Although Mr. Fox is exploring possible trade deals with non-EU countries, legally no global deals can be struck until Britain leaves the European Union, a process that will create economic losers at home. As a member of the bloc, Britain has access to Europe’s \$19 trillion integrated economy of more than 500 million citizens. To obtain access to that market, Britain currently accepts free movement of workers across European frontiers. The opportunity to regain control of immigration, however, was [perhaps the most fundamental issue](#) championed by the campaign to leave.



Source - The Center for European Reform

Peter Sutherland, who was the WTO’s founding director general, has indicated that until the UK government gave clear answers on whether it wanted to remain a member of the European single market and the customs union, it would be condemned to a “dialogue of the deaf” in its negotiations with foreign partners.

“The government has to come clean on what the realistic negotiating posture is for the UK and that requires [answering those two fundamental questions](#) — “Do you want to be part of the single market?” and “Do you want to be part of the Customs Union?”” he told an audience at [the Centre for European Reform in London](#), on 8 September.

As reported by The Economist, the case for staying in the single market is simple: economists say this will minimise the economic damage from Brexit. A “hard” Brexit that involves leaving the single market without [comprehensive free-trade deals with the EU and third countries](#) would mean a bigger drop in investment and output.

In parallel developments, Guy Verhofstadt – a liberal MEP and a former Belgian Prime Minister – was named as the European Parliament’s lead negotiator in the upcoming exit talks between the UK and

the EU, while [the European Commission appointed a working group](#) in charge of the Brexit negotiations headed by Michael Barnier from France and Sabine Weyand from Germany.

Alan Winters of the UK Trade Policy Observatory at Sussex University suggests agreeing informally to keep current trade arrangements until an FTA is in force. But that would in effect prolong EU membership, which Brexiteers would hate. It may also be impossible for Britain [to keep in place the EU's 53-odd free-trade deals with third countries](#). Roderick Abbott, a former deputy director-general of the WTO, says these cannot simply be inherited after Brexit.

As reported by the Independent Online, the UK could begin the formal process of leaving the European Union early next year, [the European Council President Donald Tusk said at an informal EU summit in Bratislava on 16 September](#).

European Commission president Jean-Claude Juncker also set out his position on the forthcoming Brexit talks at the Bratislava summit. He said there was no possibility of the UK gaining access to the single market without accepting the free movement of people.

Trade Secretary Liam Fox took advantage of his participation at a WTO meeting in Geneva to stress that the U.K. will “continue to uphold” its commitments to the WTO even after it leaves the European Union, drawing praise from pro-Brexit economists and alarm from those seeking a softer withdrawal from the bloc.

“The U.K. is a full and founding member of the WTO,” Fox told a conference of the organization in Geneva on Tuesday. “We have our own schedules that we currently share with the rest of the EU. [These set out our national commitments in the international trading system.](#)”

Why Britain Voted to Quit the EU?

Voters supported the split by 52 per cent to 48 per cent after a rancorous 10-week campaign that exposed anxieties about globalization and raised questions about the consequences for a united Europe.

Prime Minister David Cameron had agreed to hold the ballot after rising *Euroscepticism* fed support for the anti-EU UK Independence Party, which won 13 per cent of the vote in the 2015 general election. Cameron had pushed for the UK to remain in the 28-nation bloc, resigned and was replaced by fellow Conservative Theresa May.

Britain will have two years to negotiate the terms of its separation once it takes the legal steps to leave the bloc, with talks to unwind agreements in areas as diverse as fishing quotas, financial services and safety standards. May said she will trigger the start of the negotiation period before the end of March 2017.

Younger voters and residents of cosmopolitan London voted overwhelmingly to remain in the EU. So did voters in Scotland, which is paving the way for a second referendum on breaking away from the UK.²

² <https://www.bloomberg.com/quicktake/will-uk-leave-eu>

TTIP

It was supposed to be the biggest deal of its kind. The [Transatlantic Trade and Investment Partnership – or TTIP](#) – would create the world’s largest free trade area, and with it bring rising exports, lower prices and more jobs. In 2013, US President [Barack Obama used his state of the union address](#) to announce that formal talks would begin that summer. As he indicated, “Trade that is fair and free across the Atlantic supports millions of good-paying American jobs.”



Source - Cinco Días

On paper, everyone is a winner with TTIP. An [independent study published by the European Commission](#) estimates that a deal will boost the EU economy by €119bn (£100bn) a year, while the US stands to gain an estimated €95bn a year.

But the message hasn’t got through to everyone. As reported by The Telegraph, the British newspaper, instead of delivering

prosperity, TTIP is perceived by many as a deal that will open the floodgates to cheap, pesticide-pumped foreign produce, usher in lower standards and destroy jobs rather than create them.

And on mid-September, tens of thousands of people have protested in cities across many European capitals against the TTIP. [Protesters say the TTIP will lower European standards on food and environmental protection](#), and could lead to outsourcing and job-losses. The demonstrators were also protesting against a similar deal, the Comprehensive Economic and Trade Agreement (CETA) struck between the EU and Canada and awaiting ratification.



Source - Euroaktiv

As part of the protests, two large inflatable horses had been placed outside the Commission headquarters, one labelled TTIP, the other CETA, to signal what protesters believe that the treaty could become [a Trojan horse watering down EU rules on issues like food safety and health](#).

Also, a number of politicians have called for current talks to be scrapped. Matthias Fekl, France’s Trade Minister, described in mid-September the TTIP deal “dead”, while Sigmar Gabriel, Germany’s vice-chancellor, said [talks had failed because of US demands](#). For his part, [Francois Hollande, the French president, was more diplomatic](#), but described an accord by the end of the year as impossible. Also, Belgian Prime Minister Charles Michel called for the free-trade talks between the EU and the US to be suspended. "For the moment, I prefer to say that it's not right and that [perhaps we will resume negotiations later.](#)"

But not everybody agrees. The European Commissioner for Economic and Financial Affairs, Pierre Moscovici, has indicated that calls to suspend the negotiations between the EU and the US over the TTIP were “not appropriate”. [“I think it would be much more sensible to pursue the talks,](#) but to raise the level of our demands,” he added. “Increased demands, yes, suspension of talks, no,” Moscovici said.

What’s the TTIP?

The Transatlantic Trade and Investment Partnership - or TTIP - is a proposed trade deal being thrashed out between the US and EU. The first official round of talks began in 2013.

TTIP is intended to bring about lower trade tariffs, and to reduce regulatory barriers that make trade between the US and the EU more costly than it need be. If approved by US and EU politicians, TTIP would be the biggest agreement of its kind.

Lower barriers to trade should mean that more of it takes place, and the ensuing competition should result in better and cheaper goods and services, making all sides better off.

TTIP is also supposed to tackle so-called “non-tariff barriers”, or NTBs. Many similar rules and regulations exist in the EU and US to serve practically the same purpose. A trade agreement might lead to “harmonisation” of these rules, bringing them into line so that the same hurdles need not be jumped twice.

One estimate used by the UK Government suggests that the UK’s economic output, its GDP, could be up to 0.35pc higher by 2027 as a result of a deal that count reduce both tariff and non-tariff barriers. That would equate to around £10bn for the UK, while the whole of the EU might benefit by as much as £100bn.

Those claims come with some hefty caveats. The Centre for Economic Policy Research, which came up with the figures, assumes that in some sectors – IT, chemicals and cars – some 37.5pc of regulations can be brought into line. Cynics believe that such a goal is implausibly lofty. Vince Cable, the former business secretary, has defended the aspiration as “not unreasonable”.³

Much of the opposition to TTIP in the UK and other EU countries including Germany, is focused on its provisions for "investor-state dispute settlement". This procedure would allow companies to sue foreign governments over claims of unfair treatment and to be entitled to compensation. Critics say the measures undermine the power of national governments to act in the interests of their citizens.⁴

Although EU governments are increasingly sceptical about the TTIP as voters step up protests, trade ministers decided at their meeting in Bratislava, Slovakia, to push for the deal. The two sides will almost certainly miss [their unofficial target completion date of the end of 2016](#) and the accord will need support from the next U.S. president.

Without a deal before Barack Obama leaves office, the speed of negotiations on the proposed pact “very much depends on who will be the next US president and how he or she will see TTIP in his or her priorities,” EU Trade Commissioner Cecilia Maelstrom said after the meeting in Bratislava. “We need to get it right, but it makes all the sense in the world -- still -- to have an agreement with the US”

³ <http://www.telegraph.co.uk/business/2016/09/03/new-trade-war-threatens-global-order-as-ttip-talks-stall/>

⁴ <http://www.bbc.com/news/uk-politics-30493297>

TPP

Although the TPP negotiations are already completed, ratification of the agreement continues to face difficulties.

US Secretary of State, John F. Kerry has warned of 'serious consequences' if Congress votes down TPP accord. On September 29, The Washington Post reported that Kerry sought to raise the stakes in the debates over the TPP, warning that US leadership and credibility in Asia would be severely damaged if Congress fails to approve the largest regional trade accord in history.

The fate of the 12-nation pact, the TPP, will go a long way toward determining "whether the United States of America is an Asia-Pacific power or whether we are not - and the 'not' carries with it serious consequences," [Kerry said in a speech at the Wilson Center](#).

Kerry's impassioned defense of the agreement came two days after the two major-party nominees for president, Republican Donald Trump and Democrat Hillary Clinton, criticized the impact of multilateral trade pacts on American workers and denounced the TPP in a nationally televised debate.

Nearly a year after the TPP negotiations ended, the pact is very little known by Americans, despite the beating it's taking from Donald Trump and Hillary Clinton in their race for the White House, a first-ever POLITICO-Harvard [poll](#) suggests.

Seventy per cent of those polled in the survey said they hadn't heard or read anything about the TPP, and among the 29 per cent who had, views of the agreement were mainly negative: 63 per cent of those respondents were against it, and 68 per cent [opposed a vote on its ratification](#) in the lame-duck session of Congress.

Vice President Joe Biden said on 21 September that he sees a "less than even chance" that the US Congress approves the TPP trade pact [before the next administration takes office in January](#). Biden, speaking to the Council on Foreign Relations in New York, said that the brief "lame duck" session of Congress after the 8 November presidential election was "our only real shot" for approving the TPP.



Source - Getty Images

The US President Barack Obama who was touring around China and Laos and trying to reassure anxious foreign partners that even if he waits till after the election to make a big push for his sweeping Pacific Rim trade deal, US politics won't jeopardize its passage: "As difficult as the politics are back home, I will continue to push hard on the US Congress to approve TPP before I leave office because I think [it is important for this entire region and it is important for the United States](#)," he said here as he prepared to meet on 7 September with Southeast-Asian leaders, including three of 11 also party to the deal.

CETA

As reported by the Wall Street Journal, the EU trade ministers decided at an informal meeting in Bratislava on 16 September to reiterate their strong backing for [the Canada-EU Comprehensive Economic and Trade Agreement](#), or CETA. This deal, which took seven years to hammer out, has been hailed by negotiators on both sides as a new kind of trade agreement, packed with safeguards for workers' rights and the environment and respect for national sovereignty.

Yet the deal still ran into opposition from some member states, amid concerns that the proposed investor protections and dispute-resolution mechanism would hand too much power to corporate interests. Trade ministers decided against reopening the talks, hoping instead to assuage those concerns via a legally binding joint declaration and by carving out the most contentious issues for separate ratification by national parliaments. This should allow [the EU leaders to ratify the bulk of CETA at an October summit](#), paving the way for its provisional application in early 2017.

JAPAN AND THE EU

Japan and the European Union reaffirmed on September 20 their commitment to reach a basic framework for an economic partnership agreement by the end of the year. "Japan is strongly prepared to conclude negotiations with the EU by the end of this year," said Japanese Economy Minister Hiroshige Seko after a meeting with European Commission Vice President Jyrki Katainen. Japan and the EU have held [16 rounds of negotiations](#) so far and have unofficially held field-specific talks as well, but still have some differences to work out: for example, Japan is pushing for the immediate elimination of tariffs on industrial goods, such as cars, while the EU is pressing for European companies to be given more access to public procurement projects in Japan.

MERCOSUR

While some transatlantic trade negotiations remain under question, others seem to be more welcomed.

At his speech at the UN General Assembly in New York, Brazil president Michael Temer stated that the governments of Mercosur's founding countries - Brazil, Argentina, Uruguay and Paraguay - [agreed to continue negotiations with Brussels starting from October](#). Negotiations between the two blocs began in 2000; however, after an unsuccessful exchange of market offers in 2004, talks were stalled until 2010.

The Mercosur trade bloc also includes Venezuela, but all Mercosur members, except Uruguay, blocked Venezuela from assuming the rotating presidency in June 2016, accusing it of failing to incorporate a joint economic accord and a commitment to protect human rights.

The bickering over leadership has stalled Mercosur's everyday operations and trade negotiations with other countries, ultimately forcing Uruguay to accept a tougher stance against Venezuela. Facing food shortages and political turmoil, Venezuelan President Nicolas Maduro has come under greater international pressure to cede to opposition calls for a recall vote on his leadership this year.

The founding members of Mercosur decided on 13 September to give Venezuela until 1 December 2016 to meet its membership requirements or be suspended from the trade bloc. Meanwhile, the presidency [will be filled by an interim team from the other Member States](#), the four countries said in a statement.