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The Future of
Globalization
under New
Political Realities

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Background
Paper

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During the run-up to the 10th WTO Ministerial Conference held in Nairobi in December 2015, something quite unusual took place. Brazil and the European Union (EU) presented a joint proposal aimed at terminating agriculture export subsidies in the multilateral trading system. Two leaders from opposite sides—the EU traditionally defending agriculture export subsidies and domestic support, and Brazil spearheading countries wanting to level the agriculture playing field. Such initiatives are only valuable to the extent they lead to concrete results. Much to the surprise of most delegations, observers, the press, and other stakeholders, Nairobi delivered a decision to put an end to agriculture export subsidies and most other forms of export assistance.

At a time when many state that globalization is stalled, if not suffering reversals, the above example is a powerful indication that international cooperation on trade issues is alive and can deliver results, provided adequate and timely leadership is exercised. Foreign investment continues to flow, capital markets continue to be global, and trade liberalization continues to take place (not always multilaterally but certainly on a bilateral or plurilateral basis). At the same time, processes of national integration—a sort of national globalization—continue to take place as measures such as the recent national sales tax reform in India, to say nothing of several policies applied in China and elsewhere, all reflect the robust growth of the middle class in emerging economies.

Globalization is an endless process which has accelerated and deepened in the last decades, and presumably will continue to do so. This implies that the forms and processes of globalization also change. It is therefore very important to have in mind what the drivers of these changes are in order to better understand the necessary adjustments and adaptions. Many approaches can be used to describe such drivers. This paper has chosen to rely “heavily” on the conclusions of a Panel on Defining the Future of Trade that former WTO Director General Pascal

Lamy convened in 2012-2013¹. While the focus is on international trade, the conclusions are generally applicable to other areas of national and international economics and politics, including climate change.

Drivers of change

The world economy is changing

Globalization has changed our world in ways scarcely imaginable by bygone generations. A combination of new technologies, social adaptation, policy openness, and innovative business models has led to intensified economic, social, and political interdependence among nations. At the same time, the center of economic and political gravity is shifting. The rise of Asia and emerging economies in other parts of the world is ushering in a new configuration of economic power and influence. This is a continuing process, and we are now beginning to see the emergence of Africa. Globalization has made for a much richer world, but ensuring a better distribution of opportunity and inclusive growth remain key challenges, as does the imperative of environmental sustainability. Globalization has made our world more robust in some ways and more fragile in others. Globalization can only be reversed at prohibitive cost. The question is how to best manage and direct this rich source of opportunity, and what is needed by way of more and better international cooperation.

Expanding trade and investment reflect globalization

On the economic front, the internationalization of society is reflected in the explosion of international trade, investment, and capital markets. World trade growth has outstripped production growth by a significant margin every year in the post-Second World War period, except for the relatively few occasions when output growth has dipped and turned negative.

1. To rely “heavily” means that the structure and much of the language of the relevant part of the report has been maintained, of course with the necessary adjustments. See https://www.wto.org/english/thewto_e/dg_e/dft_panel_e/future_of_trade_report_e.pdf

Only recently have we begun to realize more fully the growing importance of services to the world economy. Recent statistical work by the OECD and WTO shows that when services are measured in terms of their real contribution to trade – that is in terms of value-added rather than gross flows – the share of services in global trade is about half, as opposed to less than one-quarter using the old measure.

For its part, world foreign direct investment (FDI) inflows increased by an average of some 12 percent per year since 1991. That rate of growth implies that the volume of FDI almost doubled every six years. However, the growth of FDI has been far from steady, experiencing successive peaks and troughs.

Geographical shifts in trade and investment reflect changing power relationships

In recent years, the rising shares of international trade and investment accounted for by emerging and developing economies have been a striking feature of the overall growth in international product and factor movements. Without trade and foreign investment, it is difficult to imagine the attainment of the high growth that we have witnessed from a range of emerging economies.

According to the Growth Commission,² 13 economies managed to average GDP growth of 7 percent (or higher) for a period of 30 years (or more) between the second half of the 20th century and the early 21st century. Ten of these economies were in Asia, one in Africa, one in Europe and one in Latin America. The list has a few surprises—Botswana; Brazil; China; Hong Kong, China; Indonesia; Japan; Republic of Korea; Malaysia; Malta; Oman; Singapore; Chinese Taipei; and Thailand.

These and similar economies have not grown merely as suppliers of commodities, as would have been the pattern in the past, but as producers of manufactured goods and increasingly sophisticated services. Measured in purchasing power parity terms, the economies of emerging and developing countries now constitute about half of world GDP. They have also become more important destinations and sources of FDI.

The share of North-North trade has shrunk in the last 20 years, while those of North-South and South-South trade have expanded. If the trends observed in the last few years were to persist, by 2020 the share of South-South

trade would have increased to 34 percent (compared to 24 percent in 2011).

As emerging and developing economies attract proportionately more inward investment and account for a growing share of outward investment, these new patterns are transforming national attitudes towards foreign direct investment.

The global shift in economic power offers many new opportunities, and has been influential in pulling millions out of abject poverty. But this also brings about power shifts that pose a challenge for international cooperation. Those countries whose share diminishes may feel threatened, possibly because their capacity to influence outcomes in emerging and increasingly self-confident economies is reduced, though in absolute terms their welfare has increased. Emerging economies on the other hand claim a greater share of their decision-making power, although are not always willing to assume greater responsibilities or obligations. This partly explains the difficulties encountered in managing international relations in such diverse areas as trade, climate change, and the international financial and monetary architecture.

Changes of this magnitude are also disrupting and threatening to the employment and social security of many. The necessary statesmanship and vision by leaders is only possible and sustainable if the appropriate balance is achieved, a balance that is different in every jurisdiction and time. In other words, to be politically sustainable, globalization needs to be harnessed by appropriate public policies and international cooperation, what the former Director General of the WTO, Pascal Lamy, has called the “Geneva Consensus.”³

Technology is the engine of globalization

The influence of technology as a driver of change would be difficult to overstate. New technologies have shrunk the cost of distance and fostered new, instantaneous, and inexpensive means of communication. In reducing the cost of distance, technology has placed a premium on efficiency. These changes have nurtured the internationalization of production and contributed greatly to the construction of value chains. The development of the jet aircraft – a faster and lower cost option than piston-driven planes– has reduced transportation costs more than ten-fold over the last 50 years. Sea transport has also evolved in significant ways. The arrival of the container, an otherwise nondescript metal box of standardized dimensions,

2. Commission on Growth and Development, The Growth Report: Strategies for Sustained Growth and Inclusive Development, World Bank on behalf of the Commission on Growth and Development, 2008.

3. Lamy, Pascal, “The Geneva Consensus. Making Trade Work for All”, Cambridge, 2013.

resulted in an entire industry (the logistics industry) being built around it and dedicated to the speedy, predictable, safe, and low-cost delivery and handling of traded goods.

Advances in information and communication technology and the development of the personal computer, smart phones, and the internet have revolutionized industries of all kinds. A wide variety of commerce and trade now takes place on the internet, and this will grow further as more of the world's people gain access. Business is being re-configured by new and innovative ways of harnessing electronic communication in production, consumption, buying, and selling. Together these innovations have made possible today's highly integrated world, just-in-time production, value chains, and offshoring of many tasks, all adding to the reliance of the global economy on trade and foreign investment for income, growth, and jobs. Moreover, technology will not stand still. Robotics and 3D printing will further transform the way we produce and consume.

Joined-up production—the rise of international value chains

The embrace of globalization is starkly reflected in the rise of international value chains. Gone are the days when production was largely about fabricating products from beginning to end in single countries, either for domestic sale or export. Whether within large multinational corporations (MNCs) or through networks of small and medium-sized enterprises (SMEs), the production process today often involves several countries, each specializing in different tasks along the supply chain, from the earliest production stages to final consumption. Because components are produced in multiple locations it is no longer possible to attribute final products to a single origin without creating a misleading impression. To illustrate this, several years ago the WTO Secretariat coined the term "made in the world." To have a more accurate picture, trade needs to be measured in terms of value-added, which transforms the way in which trade relations are perceived.

The value-added trade picture underlines the extent and nature of interdependence among nations. It emphasizes the organic relationship between imports and exports, reflected in the growing share of intermediate goods in trade. Today, this share is, on average, anywhere between 50 percent to 60 percent of total merchandise trade. Similarly, these trade relationships are reflected in the import content of exports, which has risen from around 20 percent in the 1970s to some 40 percent today. This increasingly makes protectionism meaningless. Value-added measurement also imparts important information about the origins

of the technological content of trade, instead of merely attributing it to the last producer along the supply chain.

This more realistic view of trade also emphasizes key complementarities between trade and investment. These are no longer just alternative means of accessing markets, they are essential partners in supply chain production. But it is not only a matter of a close nexus between trade and investment—the fusion of the goods and services markets is a fundamental part of this story. The role of services in virtually all economies has been under-estimated. Using a value-added metric for measuring trade reveals that services are almost half of total trade, rather than less than one-quarter as estimated in gross numbers. In short, markets are deeply integrated today, both nationally and internationally. Treating them separately in policy terms is likely to result in missed opportunities.

Policy is an important determinant of effective supply chain participation

It is a fact that international value chains have regional hubs—North America, Europe and Southeast and Eastern Asia. Other regions have little participation in such chains. Successful participation depends crucially on a range of policies. As a mechanism for economic diversification, value chains allow countries to insert themselves into international production processes through component production, rather than having to dominate entire production lines. The services-intensity of many value chains also offers diversification opportunities that do not necessarily entail manufacturing. While international value chains have led to increased competitive pressure on costs and prices, they have also created jobs and moved increasingly towards improved standards of production, partly in response to greater consumer transparency. From a developmental perspective, governments often seek ways to add more value domestically along value chains. Different forms of support can help this process along, although the quest for deeper involvement must also be balanced by competitiveness considerations. Adequate infrastructure, policy design, predictability, and proper administration are all crucial in this regard. These realities make a strong case for a more holistic approach to barriers affecting trade and investment along with greater and better international cooperation.

International cooperation in trade and investment has become increasingly preferential

The GATT/WTO's traditional mainstay of non-discriminatory trade has increasingly yielded ground to preferential

arrangements. This has occurred for a complex array of reasons. It has increased trading opportunities but also raised challenges for the core principle of non-discrimination enshrined in multilateralism. In conceptual terms, preferential arrangements can focus on countries or on specific policy areas. Preferential arrangements established geographically (among countries) will by definition embody some elements of discrimination. Agreements focusing on specific issues may or may not be discriminatory. This will depend on their design. They may simply implicate a sub-group of countries which establishes a balance of rights and obligations in a particular policy area, implying a discriminatory outcome for third parties. Or they may entail obligations for signatories with benefits extended to all countries on a non-discriminatory basis. Some policy areas, whether the subject of specific agreements or folded into geographically-based arrangements, will by their very nature tend towards non-discriminatory outcomes, even of a *de facto* basis. Trade facilitation measures are a good example of what could be a *de facto* or a *de jure* non-discriminatory outcome.

Notwithstanding the multiple ways in which globalization has taken hold, beginning in the 1980s, a rapid multiplication of Preferential Trade Agreements (PTAs) and Bilateral Investment Treaties (BITs) has taken place. Over 300 PTAs are currently in operation and many more under negotiation. On average, each WTO member belongs to 13 separate PTAs. Every WTO member belongs to, or at least is negotiating, at least one PTA. Similarly, over 6,000 BITs regulate international investment, though most deal not with access to capital but with the investor-State dispute settlement.

PTAs are not new to the GATT/WTO, but they show every sign of continuing to increase in number. Half of them are bilateral, and almost two-thirds are between developed and developing countries. Around half of the PTAs in force are cross-regional.

In many PTAs, it has proven no easier to eliminate high tariffs. Despite the persistence of high tariffs in key product areas, including agricultural and labor-intensive manufactured products, the overwhelming impression of modern PTAs is that they are not primarily about tariffs. Indeed, more than four-fifths of trade flows take place on a non-discriminatory basis, and less than 2 percent of world trade is eligible for preference margins above 10 percentage points. This means that regulations are far more important as potential trade barriers and sources of discrimination.

While PTAs liberalize trade, they can also add to trade costs, not least because traders may often need to

negotiate numerous crisscrossing regimes of origin rules. PTAs can be exclusionary, leaving smaller countries outside their purview. They may also lead to regulatory divergence, intentional or otherwise, resulting in segmentation of the world economy. On the other hand, some regulatory reform under PTAs may be intrinsically non-discriminatory, leading to a *de facto* Most Favored Nation (MFN) dividend.

The rise of regionalism raises important questions both as to the role and the relevance of the WTO. The expansion of preferential trade opening among subsets of countries may be easier or politically more attractive, but the economic benefits from such an opening may be less. Governments need to ask themselves if there are good reasons why the fundamental logic of non-discrimination—a cornerstone of post-war trade governance—no longer serves a useful purpose.

To a large extent, PTAs represent a struggle against discrimination that compels a country to seek such arrangements to avoid being discriminated by partners who conclude PTAs with third parties. The inspiration is therefore not altogether negative. As more agreements are concluded the degree of liberalization increases for a particular jurisdiction, but it does not necessarily reduce the level of discrimination worldwide. Similarly, governments seek PTAs presumably because they perceive more liberalization and better rules are to their benefit. In other words, these governments are actively pursuing more globalization.

The increasing role of non-tariff measures (NTMs)

Although tariffs remain an instrument of trade policy, they have progressively become less significant as a result of unilateral, bilateral, plurilateral, and multilateral trade opening. As most tariffs have tumbled, however, some high tariff peaks remain. International value chains for some labor-intensive manufactured and agricultural products, where developing countries have comparative advantage, are also afflicted by tariffs that escalate with the degree of processing. This escalation can reduce opportunities for developing countries to acquire additional value-added along the affected international value chains.

The term non-tariff measures (NTMs) only tells us what these measures are by indicating the one thing that they are not. They can take many forms and serve a wide array of purposes, with varying implications for trade. They are regulatory in nature. They may be designed to limit trade or they may have that effect because of the way they are implemented, either with a lack of transparency, inefficiency, or corruption.

Increasingly, NTMs are associated with public policy objectives and raise issues of far greater complexity than tariffs, and they merit closer attention than ever before. The world has been moving from producer-protecting policies to consumer-protection policies. Where public policy informs NTMs, a level playing field is not attained through reduction or elimination, like with tariffs. Public policy motivations for intervening have become more commonplace on grounds such as health, safety, and environmental quality. The pursuit of these objectives grows as the world becomes more interdependent, and rising incomes also increase concerns of this nature. Information and communications technologies have helped raise awareness and empower consumers.

NTMs motivated by public policy considerations may well restrict trade, such as in the case of the prohibition of trade in harmful products. But they may also limit trade even when this is not their explicit intention. In such cases, trade as a means appropriately yields to public policy as an end. The trade policy challenge in this context, however, is to ensure that NTMs do not unnecessarily truncate the benefits of trade. Both the design and the implementation of measures can lead to dual-purpose policy, unwittingly or otherwise. An intervention could both meet a public policy imperative and impart an additional advantage to domestic producer interests. While NTMs may reduce trade, the point to guard against is if they do so excessively or with unjustifiable discrimination.

Divergent public policy design is likely to carry trade costs. But divergence can occur for different reasons. It may be a reflection of different social preferences and values. In this case, the notion of “leveling the playing field” in trade relations takes on an additional layer of complexity – the search cannot be for uniformity in cases where an attempt to homogenize societal preferences would be an intrusive step too far. Cooperation in this case can only be about avoiding unnecessary friction or unwarranted discrimination.

The Flattening Demographic Curves⁴

Another element of change is the flattening of demographic curves in high and upper middle-income countries. In China, the curve also flattens as a consequence of the one-child policy. The demand for skills will not be able to be met from local resources. The EU has seen considerable migrations, particularly from Eastern European member countries to wealthier jurisdictions, made possible by its internal freedom of movement. However, this

contrasts with strong reactions against immigration and the strong political impact it has had, compounded by important influx of refugees in many countries. These shifts and movements of people are also perceived as a consequence of globalization. Africa, like India, on the other hand are in the position to take advantage of the demographic dividend.

Why the backlash against globalization?

The backlash against globalization is strong and undeniable. One does not need to go too far to see the political consequences. Different surveys confirm a decline in the support of globalization. The reasons for this are many, but I will concentrate on a few.

Changes accelerated by globalization do have benefits, but also costs. Instabilities and crises in some markets will often have global impact, bringing about a sense of fragility and insecurity. The financial crisis of 2008-09 brutally reduced the value of houses and savings for thousands of people in many high-income countries. This crisis was a stark reminder of one of the dilemmas of an interdependent world—regulations are local but markets are global.

In the post-crisis years, trade slowed considerably, below global GDP growth, reversing a long-term trend. Whether this will revert to pre-crisis numbers or is a “new normal,” is something economists are debating. The latest numbers released by WTO revised upwards the estimate for growth in world trade in goods in 2017 to 3.6 percent, whereas global GDP growth is being estimated at 2.8 percent.

Protectionism has increased, including through WTO-consistent measures. Both WTO and the Global Trade Alert⁵ have documented this reality, the latter having a more comprehensive approach not being constrained by the multilateral legal framework. Even by the conservative standards of WTO the stock of trade restrictive measures is at least over 5 percent of world trade. The whole of trade of Africa is about 3 percent; trade of India and Brazil amounts to about 3 percent. Many of the measures that discriminate against foreign products or service suppliers have come in the form of subsidies, such as bail-outs. The fact that many trade-restrictive measures are plainly consistent with WTO (or at least foreseen in WTO but nevertheless challengeable) shows that the multilateral trading system while being able to prevent many forms of protectionism, still has room to improve rules or establish new disciplines, such as in the fields of subsidies and investment.

4. This factor is not mentioned in the Panel on Defining the Future of Trade.

5. See <http://www.globaltradealert.org>.

The disruption of jobs brought about by technology and innovation is important and bound to increase. Trade acts like a conveyor belt. People who are threatened do not see or cannot see the rise in opportunities, possibly due to lack of skills. Immigration is depicted as stealing jobs or lowering wages. Global value chains, and foreign investment as a result, are perceived as ways to export jobs to jurisdictions with cheaper wages to the benefit of big multinationals.

Social safety nets provide some protection and relief. But in some jurisdictions the social security system is weak, while in others public finances place limits on such policies.

After decades of dominance, industrialized economies are seeing their relative share of benefits reduced at the expense of emerging economies. Their leadership is challenged as others pursue their interests through other cooperative arrangements. Those who perceive their relative power has diminished are reluctant to see further erosion of "sovereignty" in the altar of international organizations or regional arrangements. Many emerging powers are seeking changes to multilateral arrangements to better reflect the new realities, but often shield themselves behind "developing countries" labels to justify their resistance to undertake more obligations.

Consumers demand greater protection in areas such as food safety, financial stability, culture, and environment. The levels of protection many times respond to "collective preferences," in other words values that differ in each country. The cooperation necessary to "level the playing field" becomes more difficult, to the extent such values are threatened.

Political institutions in many countries do not respond with the speed and depth of reforms required to address the problems of those in greater need. Examples abound everywhere.⁶

Trust is a key component that binds societies to cooperate and be solidary. Such trust has been severely eroded. People perceive that markets are no longer working properly and equitably; that the political parties are no longer providing responses to their problems; that institutions are weak shields to economic crises and capacity building is scant; and that others (foreigners) are the big beneficiaries at their expense.

Only too frequently the benefits of globalization have been proclaimed without acknowledging the costs. When the latter arise, the discourse of the benefits loses credibility.

In addition, such benefits are usually explained in abstract terms to describe economic growth, more employment, etc. In contrast, the losers will express the emotions of unemployment or loss of income. In the battlefield of public opinion, guess who prevails!

Finally, while many of the problems require more multilateral cooperation, governments have been reluctant to move forward. As in any political system, the balances of the past –created in the aftermath of the Second World War- no longer work. A broad new understanding is necessary to reflect a new equilibrium. For example, how to further integrate China into WTO and other international for a—the developed-developing country dichotomy is no longer relevant.

What can and should be done?

What should be done at the local, national, and international level by public, private, and civil society stakeholders must be the outcome of the discussions at the EMF. What follow are some elements to help move the exchange of views, which should be directed at how best to counter the backlash to globalization and to identify the necessary political support.

Transparency and enhancement of analytical capacity. Information is abundant like never before, but not always organized in a way to make it accessible and understandable to all people or countries. This is a serious problem of transparency which should be overcome by a greater degree of international cooperation, to generate the appropriate formats of information that can freely and speedily be made available. No person or government should be asked to make decisions without adequate, accessible, and understandable information. Less information and analysis compels actors to play it safe by not accepting negotiations and eventual obligations because they cannot assess the probable impact and costs to their economies. Present disciplines to enhance transparency should be adhered to more rigorously. But governments are notoriously reluctant to provide information that signals possible costs to voters and taxpayers. On the other hand, international organizations have a wealth of information and expertise. They can surely do better at collecting, organizing, and analyzing information to empower the weak and build a trustworthy basis for politicians to use in their decision-making and communications to the public. OECD and World Bank are ahead of other organizations, and while the WTO has done much progress, a lot more can be done without requiring the consent of the members.

6. As the distinguished President of the Central Bank of a South American country said at a meeting of the EMF some years ago: "I am persuaded that politicians always take the right decision. But the markets don't wait for them!"

Accountability. In addition, the establishment of processes and methodologies whereby independent reviews of proposed measures and post-implementation takes place and is made available to all. Without the independence of review the risk is that “peer review” becomes “peer protection” in international organizations, which according to a presentation made years ago in a session of the EMF, is what happened at the IMF, and to a large extent is what happens at the Trade Policy Review mechanism of the WTO.

A different view of the world. The failure of the Doha Development Agenda (DDA) trade negotiations is very much a failure of a process organized to reflect in a balanced manner the world segmented by categories of countries—the developed countries who should make the greatest efforts at liberalization and better disciplines; the developing countries who cannot fully reciprocate in view of their development shortcomings; and the least developed countries who would not be required to contribute and would be given extra benefits. The spectacular performance of the “emergent” economies, lead by China, made such balance quickly untenable. That China would pay nothing or very little, in view of its extensive commitments in the accession to the WTO in 2001, by 2008 had become a political non-starter in the domestic debate taking place in industrialized countries that were being required to substantially liberalize agriculture and non-agriculture goods. That Brazil would contribute at the same level as Egypt or Sri Lanka, was no longer considered to be a “balanced” outcome. Examples abound. In short, while “one size doesn’t fit all” was quite apparent by 2001, failure to organize the negotiations along more flexible lines led to a progress that made the political economy much more difficult.

The trading system reacted in a limited way. The best example was the establishment of a new Special and Differential Treatment (SDT) for developing countries—“a la carte”—enshrined in the Trade Facilitation Agreement approved in the Bali (2014) WTO Ministerial Conference, pursuant to which such members would only implement obligations to the extent they had the human and material resources. This allows extreme flexibility whereby all move in the same direction but each one at a speed suited to its individual needs. Since this approach worked to deliver a result, presumably it will be used in future WTO negotiations (or other fora).

Leadership. The above, like the example at the beginning of this paper, demonstrate that international cooperation can produce results that create new paths

and approaches. Valuable as these examples are, they can go only as far as governments are willing to assume more obligations in the international system. The required leadership has been largely absent, be it on trade or climate change, and it will probably take some time before repositioning takes place and new “balances” are found. In the meantime, experiments such as trade facilitation or the elimination of agriculture export subsidies will be explored, paving the way for future action.

A most glaring example of the huge transformations that have taken place is the increasing number of “developing countries”⁷ that, since the early 90s, have concluded widespread PTAs with other trading partners, including major economies such as the U.S.A., EU, Japan, and China. In such endeavors, reciprocity is the guiding principle. In other words, no SDT is necessary.

Official statements by the new leadership of the U.S.A. leave no doubt that they will privilege bilateral engagement over multilateral action. With regards to certain aspects of the WTO that have for long caused discomfort in the U.S. government and industry, such as certain rulings of the dispute settlement mechanism, it has signaled its intention to seek reforms. By the same token, other members have systemically blocked any progress on any issue until their particular interests are met, even though the outcomes they espouse are often heavily resisted by other developed and emerging members.

A new or revamped round of trade negotiations cannot take place without a consensus that includes the U.S.A. as well as other emerging economies. Therefore, one should not expect major multilateral breakthroughs in the near future.

Consequently, governments and agencies should devote their time and energy to engage, perhaps quietly, and to continue to refine the nature and dimensions of the problems and issues that require multilateral cooperation. And, most importantly, to devise a process that reflects present political realities and balances that can become an acceptable basis for future negotiations. The format for such engagement by governments and agencies remains to be seen. Open and formal fora are usually not conducive to undertake explorations of changes of this magnitude.

The private sector has a key role to play. After all, they are the ones that more often than not undertake economic risks and provide employment. Their interests cannot be fully materialized without better rules and liberalization in

7. For example, all South American countries, with a coast in the Pacific Ocean, all Central America countries, Mexico, Malaysia, Vietnam, China, Singapore, South Korea, among others.

the rules-based trading system embodied in the WTO. Businesses usually engage in important, but generic, statements of their views and preferences. Perhaps they should go beyond and touch upon specifics. It should be up to them to link and quantify better rules and liberalization with more and better employment. It is incumbent on businesses to show how restrictions on trade, investment, or intellectual property will reduce welfare, wages, and employment. Businesses should draw up short-term agendas that spell out their expectations in terms of multilateral progress, and hold governments accountable if not met.

Other stakeholders should do likewise. Probably the results will at times be contradictory, but this can only lead to an informed discussion that will give shape to enhanced and improved forms of cooperation on trade and investment. Ultimately, globalization can only be sustainable if the minds and expectations of all are engaged.

Most of all, it is incumbent on the “winners” of globalization to protect a rules-based system and press for continuing reform and progress. The case for globalization within a rules-based system will not be made by the losers. The present or prospective “winners” have to protect and promote their interests. Besides most businesses, the millions pulled out of poverty, the burgeoning middle class must have something to say. Many countries in Africa, Asia, and Latin America have much to say. Their future and rising expectations are at stake. “Emerging markets” as a denomination did not occur by happenstance. Rather, it is a depiction of a spectacular reality and promise. They are the direct “winners.” While this reality is also of huge benefit to other economies, such as the “developed” countries, the losers are more vocal. As seen, globalization is a process that, depending on policies, can take different speeds and depth. Since the basis is innovation and technological change, it is extremely difficult if not painful to arrest or reverse the process. However, going forward requires political sustainability. While this may sound obvious, it’s still too abstract to be translated into political action. It must be coined in terms that are specific to each country, if not community.

Global pundits may layout the basic and indispensable ideas. Politicians and others concerned about local matters have to be provided with the agenda and information to further a discussion that leads to action (or not) promoting globalization. Countries are governments and voters. In democracies, they move in one direction or another depending on who commands the majority. The evidence is crystal clear about the benefits of globalization, of openness and competition, of non-discrimination and

inclusiveness, of transparency, governance, and accountability. The evidence must be communicated and shared. The evidence must be translated into addressing the most immediate concerns of people in local communities. This is a huge task, but possibly it is the only way to compete with emotions on a level-playing field, while being solidary with those who lose and suffer.

Decision makers—governments and politicians—need to be moved and supported (or opposed). While public institutions generate their own information and narrative, think tanks, business, and other stakeholders must develop their own facts and analysis. Otherwise the risk is to leave open the field to misinformation, which is often captured by populism or other “isms” that seek power.

“Emerging” markets stand to lose the most from de-globalization. No other countries will make and protect them. Leadership, therefore, under the present circumstance, will only come from them. Businesses, think tanks, and other stakeholders have a crucial if not vital role to play. What will the “Emerging Markets Forum” do?

