

# Trade to shape Globalisation?

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on Trade Policy Day

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## Overview on Multistakeholder Cooperation

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**Last week** at the Forum's large multistakeholder gathering of Global Future Councils, trade discussions focused on:

- (i) how to make trade's contribution to development more inclusive
- (ii) how to dispel myths about trade so that all communities can contribute constructively to improvements and benefit from the good it can bring.

**Multistakeholder dialogue** can help shape domestic policy so that it better cushions and supports the transitions in economic activity caused by trade and enables inclusive growth.

For this to succeed, international trade policy has an important role in providing policy space for local solutions.

This requires multilateral trade cooperation to fend off beggar-thy-neighbour policies, building on the basic principles of non-discrimination and coherence.

**Multi-stakeholder dialogue and cooperation** is at the heart of the Forum's trade and investment work.

For example, we have been convening sustainable investment dialogues over the past 18 months, looking at how to encourage foreign investment to better serve local communities.

Our work on the Global Alliance for Trade Facilitation has built on our mission to bring diverse stakeholders together to drive solutions to help local businesses.

As a third example, we are pulling together an inclusive global value chain platform to explore both policy innovations and business models which can help ensure fairer outcomes from global commerce.

**Looking forward**, the greatest disruption to trade and jobs will likely come from the Fourth Industrial Revolution.

Hence, the trade community convened by the Forum is very actively exploring Digital Trade issues, from classic e-commerce to cross-border digital services.

As these shape our economies the need for multistakeholder dialogue to effectively manage and respond to global trade becomes ever more important.

## Current Focus of the System Initiative on Trade & Investment

### Sustainable Investment

- Progress thinking on sustainable investment principles & criteria
- Support a consensus sustainable investment policy agenda across relevant fora
- Catalyse an investment facilitation mechanism

### Digital Trade

- Define best-practices for cross-border data flows and articulate principles for policy
- Stimulate progress on ecommerce best practices in partnership with the WTO
- Support practical connectivity and regional digital single markets
- Explore blockchain and opportunities as applied to the global trade system

### Trade Facilitation

- Mobilize public-private projects to reduce border delays
- Analyse and evaluate reform priorities and progress
- Build local engagement and capacity
- Projects in Vietnam, Colombia, Ghana, Morocco, Kenya, Sri Lanka (13 more in pipeline)

### GVC Policies & Practices

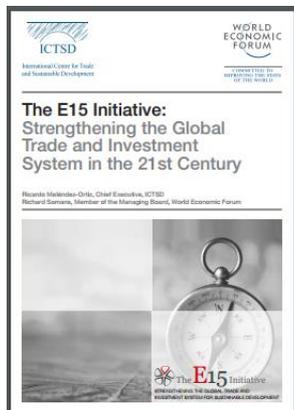
- Establish a GVC Platform aimed at development and inclusiveness
- Enable business / government engagement on local barriers and opportunities to GVCs
- Facilitate policy review across regulatory standards, competition, taxation and business model issues;

### *Global Future Council on International Trade & Investment*

- Make the case for international trade and investment co-operation and reform
- Explore scenarios and options for alternative trade and investment futures

# Strong record of impact in advancing change and shaping the agenda

## Examples



400 experts, 150 whitepapers, policy dialogues on:



Regulatory Coherence



Trade Finance



Competition Policy



Subsidies



Investment



Climate Change



Innovation & IP



Industrial Policy



Digital Trade & eCommerce



Extractives



Agriculture, Forestry & Fisheries



Services



### Vietnam

Creating a modern customs bond system to improve risk management procedures and reduce the number of inspections and related delays at the border.

### Colombia

Establishing a risk-based inspection management system under the Food and Drug Surveillance Institute

### Kenya

Improving provision of legal, procedural, technical and human resource capabilities for risk-based pre-arrival processing.

### Morocco

Optimising border management using data analytics and simplifying procedures in ports

### Sri Lanka

Developing freight consolidation specialisation

## An influential set of stakeholders and decision makers

### Stewards

- Roberto Azevêdo, WTO
- Richard Baldwin, Graduate Institute
- François-Philippe Champagne, Canada
- Steven Ciobo, Australia
- Okechukwu Enelamah, Nigeria
- Liam Fox, United Kingdom
- Siyabonga Gama, Transnet
- Arancha Gonzalez Laya, ITC
- Ildefonso Guajardo Villarreal
- Paul E. Jacobs, Qualcomm
- Hirofumi Katase, Japan
- Mukhisa Kituyi, UNCTAD
- María Claudia Lacouture, Colombia
- Matthew Layton, Clifford Chance
- Robert Lawrence, Harvard
- Ramon Lopez, Philippines
- Susana Malcorra, Argentina
- Stephen Cotton, ITWF
- Cecilia Malmström, EU
- Emma Marcegaglia, ENI
- Ricardo Meléndez-Ortiz, ICTSD
- Kunio Mikuriya, WCO
- Adan Mohamed, Kenya
- Mustapa Mohamed, Malaysia
- Marcos Pereira, Brazil
- Guo Ping, Huawei
- Lilianne Ploumen, Netherlands
- Soren Skou, A.P. Møller-Maersk

- Tarek Sultan Al Essa, Agility
- Scott Vaughan, IISD
- José Viñals, Standard Chartered
- Ernesto Zedillo, Yale

### Partner Companies

- A.P. Møller-Maersk A/S
- Adani
- Agility
- AirAsia
- Allcargo Logistics
- Amadeus
- Asia Pulp & Paper
- Apollo Tyres Ltd
- ArcelorMittal
- Bajaj Auto Ltd
- Bharat Forge Ltd
- Bunge Limited
- Clifford Chance LLP
- CPP Investment Board
- Deutsche Post DHL
- DNB ASA
- DP World
- EMBRAER SA
- Emirates Group
- Grupo Iberostar
- Hinduja Group International Limited
- HSBC
- Huawei Technologies Co. Ltd

- Hyundai Motor Company
- Jumeirah Group
- Libra Holdings Ltd
- Mitsubishi Corporation
- PayPal
- Robert Bosch GmbH
- SAP SE
- Saudi Arabian General Investment Authority (SAGIA)
- Shurooq
- SpiceJet Ltd
- Standard Chartered Bank
- Tata Sons Ltd
- Telefonaktiebolaget LM Ericsson
- The Dow Chemical Company
- Toyota Motor Corporation
- Transnet SOC Ltd
- Travelport International Ltd
- UPS
- Visa Inc.

### Direct Funders



Australian Government  
Department of Foreign Affairs and Trade



Government of the Netherlands

Rapid technological change and digitization, forces enabling the Fourth Industrial Revolution (4IR), hold promise as powerful new growth drivers. Global business-to-consumer e-commerce weighed in over USD2 trillion in 2016 and is expanding rapidly, allowing more individuals to reap the benefits of globalization directly. Electronic and mobile payments have transformed commerce and offer new avenues for financial inclusion. Data flows are driving forward innovative business models and services, boosting global GDP by USD2.8 trillion in 2014 alone.

But digital trade has not lifted all boats. The share of African enterprises in cross-border e-commerce is below 2% of the global total. Four billion people still do not have access to the Internet, with 75% of these concentrated in just 20 developing countries. E-commerce as a tool for inclusive trade is not yet a reality for all.

Further, the speed and scale of developments in the 4IR is putting enormous pressure on regulatory frameworks. Current public policy systems evolved in an age when decision-makers had time to study specific issues and develop appropriate regulation. This approach is no longer feasible. There is an urgent need for faster, more agile approaches to governing emerging technologies and the business models they enable across all countries in order to ensure the 4IR works for, rather than against, social inclusion and sustainable development.

Global Value Chains (GVCs) have become a key feature of the trade and investment landscape, with over half of world goods imports consisting of intermediates. GVCs can lower costs for consumers and increase choice, spread sustainable practices, boost productivity, and enable many developing countries to integrate into the global trade system – in turn boosting growth and economic diversification opportunities.

However, some countries, particularly in Latin America and Africa, are left out of these international production networks. In advanced economies, high-skilled workers and certain firms have benefitted disproportionately. Concerns about social and environmental arbitrage and changes to the traditional development ladder have contributed to a popular backlash against globalization.

Further, as GVCs increasingly spread into service sectors and new business offerings emerge, supported by digitization, a fresh look is needed at trade rules and related aspects of international regulation, such as competition and taxation policy and regulatory coherence. Together with business practice innovations, these can help minimize the downsides and maximize the benefits of GVCs.

Amid growing discontent over globalization, the outlook for global trade cooperation is darkening, with very serious implications for economic growth, peace and stability. From the deliberate introduction of discriminatory trade barriers to the shift from “rules based systems” generally respected by all to “deals based systems” dominated by powerful countries, the landscape for the world trading system has an array of new challenges. Accordingly, the Forum’s Global Future Council on the Future of International Trade and Investment is calling for action by highlighting three possible scenarios for 2017-2020:

### (1) The “good”

Under the most positive scenario, much of the agenda is domestic. One key pillar would be major investments in education, skills and vocational training, as well as labour market policies to empower citizens to benefit from and to adjust to rapidly changing labour markets. This is critical in developing countries, too, where the disproportionate accrual of income to the relatively rich may be sowing the seeds of a future anti-market backlash. Development assistance has a role to play here, particularly for the poorest countries that cannot afford the requisite investments. The developed world has a strong interest in ensuring favourable developmental outcomes in poor countries, not least to discourage mass migration – itself a major source of populist backlash in the developed world.

Another pillar would be across-the-board interventions to soften the blow of under- or un-employment – whether due to trade, technology or unfair domestic policies. Those interventions – range from wage top-ups and insurance to a serious look at universal basic incomes. Improvements in citizens’ purchasing power would provide a clear signal of a fairer globalization. Again, every effort should be made to support the poorest to adjust.

### (2) The “bad”

This scenario would be marked by an increase in negative rhetoric and unilateral approaches to trade. At the domestic level we would see frequent use of measures from tax arrangements, to competition policy, and more traditional trade instruments such as local content regimes, import safeguards, anti-dumping and countervailing duties, and tariff increases with legal limits. Such instruments will be employed in the name of “strategic industrial policy”. They will stop short of deliberately flouting WTO obligations, at the same time as exploiting loopholes in WTO disciplines.

As for bilateral and regional trade agreements, violations could become widespread; unilateral changes introduced, re-negotiation forced or they may even be unilaterally revoked.

### (3) The “ugly”

This scenario would be marked by unconstrained tit-for-tat and major “trade wars” among leading economies, targeting countries or companies for unilaterally determined offences, such as currency manipulation or offshoring jobs. It could go as far as institutional breakdown, with countries even choosing to leave the WTO.

In conclusion the Council members call for ***Responsive and Responsible Trade and Investment Policies.***

## Trade for All? Make Rich Africa work for Poor Africans

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At the World Economic Forum on Africa held this past May in Durban, participants deliberated on how we can deliver inclusive growth. A key leadership challenge was how to ensure that Africa's resources deliver on the intractable challenges still faced by most Africans, particularly poverty and inequality.

Regional initiatives such as the Continental Free Trade Area offer the opportunity for expanding trade across Africa. Allow me to take this opportunity to commend the EU for their support for the ongoing negotiations, including funding the CFTA secretariat within the AU Commission. Nonetheless, as with other existing trade agreements more grassroots effort needs to be made to bring citizens along.

A recent regional initiative by the Forum's Global Shapers Community called **#OpenAfrica**, which involves travelling by bus across Africa and holding consultative meetings on what an integrated Africa means to ordinary Africans, especially youth, shows that the broad opinion is mixed. Fears against integration stem primarily from perceptions of an uneven playing field with respect to skills and access to employment.

On a global level, the recent fall in world cocoa prices that negatively impacted Cote d'Ivoire and Ghana, as well as growing outrage regarding the use of child labour in cobalt supply chains stemming from the Democratic Republic of Congo, underscore the fact that this leadership challenge calls for a blend of systemic and complex solutions at local, regional and global levels.

