BARK TAEHO
Professor at Seoul National University; Former Minister for Trade, Republic of Korea

Patrick prepared some discussion points at the beginning, but trade and politics is a huge topic. I teach a class on trade and politics, because trade policies are very much related to a political process, we call that the political economy of trade policy. Trade impacts the economy in competing ways, so there is always political discussion on the trade policy area. However, on this occasion I want to pick up on three issues, the first regarding China, the second regarding the multilateral trading system, and finally to give you some Korean experiences.

Let me start with the rise of China in the field of international politics and trade. Looking back some years, for example 2001 when China acceded to the WTO, and at the domestic situation, China’s accession was very important for its economic development and also its economic restructuring. The Chinese Government wanted to reduce the inefficiencies of the domestic economy through promoting competition, and this was China’s so-called fundamental policy stance at the time of reform through opening up, reflecting the policy guidelines of Premier Deng Xiaoping.

However, as time goes by, especially as regards trade liberalisation, China seems to think it engaged in too much market opening when it acceded to the WTO, and therefore it now takes more passive positions in the recent trade negotiations such as the Doha Round. Chinese leaders now pay more attention to the issues of distribution and employment due to the emergence of income inequality and imbalanced development among different regions in China. Therefore, China now takes a very cautious approach to trade liberalisation; that is how I understand it. The central government is concerned about domestic political resistance from industries, labourers and even from local government officials, so, in other words, a top-down approach is no longer valid in China.

Having said that, I would like to address the suggestion of what we should do with China, and this is based to some extent on my own experience in dealing with China. It is more important to have continuous communication with Chinese leaders and persuade them to participate in the multilateral efforts to achieve a more open world trading environment rather than isolating or containing and marginalising China. That is just a simple suggestion I want to make.

Let me just turn to multilateralism. The multilateral trading system worked better in the past, since its scope of liberalisation was rather low, and also because it was dealing mainly with border measures, but when the multilateral trading system started dealing with services, investment, in IPRs and some social issues like the environment, it encountered huge limitations. Furthermore, we now have emerging large economies that are starting to make their own voices heard, and the expected economic gain through multilateral negotiations differs between countries.

Therefore, with these kinds of development, the consensus-based decision making process or mechanism of the WTO faces serious limitations. Many people say we need political leadership to resolve this, especially at the top level, but if you think about the G20 summits, of which we have had nine so far, we have observed that even the G20, the premium world economic forum, cannot resolve the problems of the Doha negotiations. Some members simply think that the G20 is a gathering of 20 out of 160 WTO members, so we have to discuss honestly how to save the Doha Round and the multilateral trading system with all options open. This is one thing I really want to emphasise.

Let me quickly turn to the Korean experience. Korea has experiences of more than 20 years of market opening on various occasions, including the Uruguay Round, the bilateral FTAs and also bilateral conflict with the US through Super 301, etc. Regarding domestic political resistance to market opening in Korea, it seems, in my personal opinion, that market liberalisation through the multilateral trade negotiations faced relatively less resistance compared to those through bilateral FTAs such as the Korea-US FTA.
Regarding the Korea-US FTA, in addition to the fact that it has very high levels of market opening, there are some additional components, such as groups with anti-American sentiment, which is why we have more political resistance against the Korea-US FTA. There are also many domestic concerns about the Korea-China FTA, which was recently completed, but domestic political resistance is not very significant so far. The reason is that the Korea-China FTA has relatively low levels of market opening compared to our FTAs with the US and the EU. Therefore, in sum, as far as domestic political resistance is concerned in Korea, the main factor seems to be the level of market opening. That is a very important factor in determining domestic political resistance.

However, at the same time Korea also has 20 years' experience of providing compensation to the industries which are negatively affected by market openings, and in order to mitigate domestic resistance, it would be extremely important for the government and experts to provide fact-based information to the general public and NGOs as much as possible. What I am saying here is that we cannot avoid domestic political resistance, but we have to ask what we will do about this in the future. We have to provide more accurate information.

We are not talking about PR or advertisement for the government, but we have to provide information based on objective and professional analysis; this is very important. We have so far given a lot of compensation to losing industries, particularly the agriculture and livestock industries, whenever we conducted trade agreements through either multilateral or FTA negotiations. Now it is time to analyse the effects of market openings as well as the various types of compensation, so the government and various research organisations should inform the general public and NGOs of these results, so that in doing so, governments can also make their compensation schemes much more efficient.

Furthermore, consumer groups are now complaining that the prices of imported goods do not go down even after the implementation of the major FTAs with advanced nations like the US and the EU. This may be happening because our distribution services in Korea are not very competitive or even in a monopolistic situation, so government should investigate and also undertake proper reforms of the distribution services industry if necessary.

Patrick Messerlin, Professor of Economics and Director of the Groupe d’Economie Mondiale (GEM) at Sciences Po Paris

You raise two very important points. What you have observed is happening in Europe: there is an increasing resistance to the bilaterals. In fact one can sometimes wonder whether the resistance to the bilateral agreements will not be even stronger than the resistance to the WTO. Second, it is really important, as you mentioned, for the government to provide accurate information. It looks obvious, but it is not done, as illustrated by the debate on the state investment dispute settlement. Everyone in Europe believes that it is an American devil. But in fact, Europeans firms are the major users, and the EU member states are often the winners in this game. So, Europeans are killing themselves by ignorance of basic facts.