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Trade Links: New Rules for a New World

by James Bacchus

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The author, Jim Bacchus, is a well-known figure in international trade circles. He brings decades of experience to the subject and a unique set of experiences. He started his career as a reporter and then entered the world of trade policy by serving as a special assistant to the US Trade Representative Reuben Askew, a former governor of Florida. Deepening his Florida connection, Bacchus served two terms as a member of the US Congress. When the World Trade Organization (WTO) came along, he was tapped to be an international trade jurist for eight years as a member of the dispute settlement system's Appellate Body. This was an important formative period for the institution. Leaving Geneva, he came home to be a trade lawyer in private practice, serving on various advisory bodies on international trade issues. He is now an academic, teaching at the university level. This is his fourth book on international economic matters.

The book is a wide look at the importance of world trade, and the need for trade to meet many of the current challenges facing the world. He comes down squarely on the side of international cooperation in the multilateral setting of the World Trade Organization. It is a world trading system with inadequacies, fault lines, and fractures, but one that is extraordinarily valuable to the world economy. The WTO is needed now as much or more than in prior times. It is facing headwinds of populism and nationalism, which undermine its ability to deal with daunting global problems including climate change, food insecurity, lagging economic development in the poorest countries, and the difficulties China has of continuing to adapt its economy to the trading system from which it has benefitted so much.

Refreshingly, this book is largely not a legal treatise, which might have been expected from someone whose hands-on WTO experience was not as a negotiator but as a jurist. The book succumbs rarely to statements about the correctness of legal rulings in which the author participated. To the general reader, as well as to specialists (and one cannot be a specialist in every aspect of world trade), the book provides useful background on how the trading system developed to be the way that it is with respect to important issues. It then proceeds to outline the current state of play and suggests outcomes that Members should consider to achieve results.

Where I would fault the book – and this does not detract from his conclusions about the importance of the multilateral trading system, the need for it to address urgent problems, and some important recommendations as to how to address current global challenges – is his embrace of an unnecessary and debatable premise that the pandemic was a fundamental inflection point in history, where the world will never be the same after as it was before. I am reminded of the probably apocryphal story of Henry Kissinger asking Chinese Foreign Minister Zhou En Lai what he thought the impact was of the French Revolution and getting the response 'It is too early to tell'.

History will tell us later whether the pandemic fundamentally changed the world view of leaders and their peoples toward international cooperation and domestic governance. As Bacchus would acknowledge, well before¹ the pandemic, income inequality had already been highlighted by the likes of Thomas Piketty, populism was on the rise, and the shock of the financial crisis in 2008 had already been experienced and had serious and lasting adverse effects. No one can at

¹T. Piketty (2014) *Capitalism in the Twentieth Century*. Harvard University Press.

present settle the issue of the importance of the pandemic in global history, so the reader's focus should look beyond the premise and rest instead on the challenges Bacchus describes and the solutions he provides.

In analyzing history, it is always important to choose the time period being examined. Bradford DeLong in his important book, *Slouching towards Utopia*² opens his book by defining what he calls 'the long twentieth century' as beginning in 1870 and ending in 2010. Likewise, any look at the multilateral trading system should begin around 1947 and run through to the present. The WTO is one time period (1995–present), the GATT years (1948–1994) another, but both are part of a continuum. There is a tendency of those who have worked with the WTO to see it as a fundamentally different organism than the GATT. However, the GATT years were much more productive than those of the WTO in terms of trade liberalization and international rulemaking. It is now time to look at the whole, and determine what changes are needed to improve the global trading rules.

The WTO as an institution has turned out to be seriously flawed on three important grounds, producing: (1) no broad trade liberalization (the primary exception being the Information Technology Agreement); (2) relatively few new rules (banning agricultural export subsidies, reducing red tape at the border through the Trade Facilitation Agreement, and adding some disciplines over fisheries subsidies); and (3) binding dispute settlement, the most prominent feature of the WTO, did not survive, and is no more. The deficiencies in the WTO as an institution do not detract from its importance. It is vitally important that the institution be retained and improved. The world would literally be a much poorer place without the WTO.

Bacchus' primary purpose in this book is not to cure the institutional defects of the WTO but to get its Members to address the major challenges of our time where trade has a role to play: climate change, threats to public health, providing food security, and fostering economic development of the poorest countries. Bacchus is not afraid to violate the basic tenets of the WTO, one being nondiscrimination when dealing with the global existential threat of climate change, through climate clubs if need be. The author's suggestion of a climate waiver would clearly be among the most contentious items for debate the WTO has ever faced were it to be proposed by a WTO Member. One wonders how even modest steps, a duty-free agreement for environmental goods, seemingly failed on the question of whether Chinese bicycles should be included. For those who were not there, it should cause us to shake our heads in disbelief. What sort of human folly would allow a negotiation to go off the road into a ditch when so much was at stake, and so little was the seeming impediment to a successful conclusion?

Bacchus also addresses the largest problem the WTO has faced in the last few years, providing useful rules to deal with the trade aspects of the pandemic. The only practical solution to meet the challenge in a meaningful time frame was to facilitate trade – in medical equipment, personal protective gear and ultimately vaccines. Bacchus calls for erasing tariffs and export restrictions, something the WTO's Members did not even begin to contemplate as a binding collective response. This means that the WTO rules will be as unprepared for the next pandemic as they were for this one.

With respect to fostering economic development, Bacchus calls for inclusion of the developing country members in the obligations of the WTO for their own good as well as for the health of the global trading system. This sensible approach would also be the stuff of serious controversy among WTO Members.

What comes through in this book is the strong moral sense of the author, not in terms of either the author or his country claiming moral superiority, but of the need to be responsive to the plight of others – for human health, for the environment, for food security, for promoting equity through the greater inclusion of women, and for micro-, small-, and medium-sized enterprises in the benefits of trade. Bacchus is clear-eyed when he also tells us that trade produces costs disproportionately to various locations within a WTO Member's economy, and that it should be the responsibility of the Member (not written into the WTO Agreement) that it ease economic

²Bradford J. DeLong (2022) *Slouching towards Utopia: An Economic History of the Twentieth Century*, Basic Books.

disruptions, not just due to trade but from any cause. He correctly notes that the United States has singularly failed in this regard.

The book is not primarily about the US–China divide. Bacchus does call out the inconsistency of state-developmental capitalism with adherence to the tenets of the WTO. He notes that the WTO requires major trading partners to have trust in the system and each other. But since this book was published, the calls for ‘friend-shoring’ (i.e., trading with those with aligned interests, such as countries having a democratic form of government) have become more widespread (see the October 11 speech of Canadian Deputy Prime Minister Chrystia Freeland at the Brookings Institution³), and US reliance on industrial policy clearer (the speech of USTR Tai at the Roosevelt Institute⁴). The concern about security of supplies has become far more pronounced. Most recently, President Biden announced a ban on exports to China of certain high technology goods and the US National Security Strategy was issued. All of this foretells a further worsening of economic relations between the two countries. China’s policy choices and its responses to US policies and measures may prove to be a key inflection point for the world trading system, a great fracture that shapes the future of world trade.

Bacchus’ *New Rules for A New World* is not primarily about that world of geopolitical division. It is not about one WTO Member invading another and of allies pulling together. Those subjects will be for other studies. His book is primarily about fulfilling the UN’s Sustainable Development Goals, a tall enough order for one text. One hopes that the new geopolitical realities do not completely prevent the international cooperation called for in this book.

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Beyond Self-Interest: Why the Market Rewards Those Who Reject It?

by Krzysztof Pelc

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If the world runs on self-interest, then why do so many of the most successful people seem to be motivated by authentic passion instead? To answer this question, Krzysztof Pelc marshals an eclectic mix of resources, from eighteenth- and nineteenth-century theories of political economy, to German Romanticism, Jia Tolentino’s essays, and Hollywood rom-coms. While such an interdisciplinary approach may risk sacrificing depth for breadth, Pelc’s interpretative dexterity, careful analytical skill, and eloquent prose render *Beyond Self-Interest: Why the Market Rewards*

³‘How Democracies Can Shape a Changed Global Economy’, Brookings Institution, 11 October 2022, www.brookings.edu/events/how-democracies-can-shape-a-changed-global-economy/.

⁴Remarks by Ambassador Katherine Tai at the Roosevelt Institute’s Progressive Industrial Policy Conference, 7 October 2022. <https://ustr.gov/about-us/policy-offices/press-office/speeches-and-remarks/2022/october/remarks-ambassador-katherine-tai-roosevelt-institutes-progressive-industrial-policy-conference>.