

## FROM THE DESK OF THE EDITOR

TPQ's Winter issue examines global trade dynamics—from US-China tensions to the renegotiation of the North American Free Trade Agreement (NAFTA) to US tariff threats towards the EU. Chief among the issues generating a high degree of economic uncertainty is the US-China trade conflict and the magnitude of the emerging global fallout. Major changes are already afoot—namely a shift in global supply chains—which are changing the shape of global trade and impacting businesses.

Undoubtedly, the principal disrupter on the scene is US President Donald Trump whose protectionist trade policies—centered on the US' trade deficit problem—have alienated traditional allies such as the EU and Canada, unsettled financial markets, and threatened to undermine the postwar rules-based trading system. Trump's blend of nationalism and protectionism could yield multiple ripple effects on the international scene, setting trade on a dangerous retaliatory path.

Much depends on the outcome of several of the US' current trade fights: the threat of auto tariffs on the EU, negotiations with Japan, the uphill battle of ratifying the new NAFTA, and a new front in Trump's trade wars against emerging economies including India and Turkey. Against this backdrop, this issue's authors evaluate global trade on the edge, providing insight into the key issues that will dominate the agenda in 2019 and beyond.

Ruhsar Pekcan, the Turkish Minister of Trade, provides an overview of the country's trade strategies in the context of the new digital age. As a developing country with a high growth performance and trade volume, Minister Pekcan argues that it is in Turkey's best interest to capitalize on technological advancements to propel its economy forward. In this regard, Pekcan emphasizes the importance of digitalization—of both the economy and trade-related activities—for fostering opportunities in productivity, export promotion, entrepreneurship, innovation, and job creation. Minister Pekcan points to the global growth of e-commerce as illustrative of how digitalization is transforming production and trade practices. The Minister underlines that while Turkey is currently lagging in this area, the country has great potential to serve as an e-commerce logistics hub. With regards to trade, the Minister highlights several areas in which the Ministry is taking steps to enhance the level of digitalization, including in customs services, domestic commerce, and registration and information systems. A holistic approach to digitalization that involves the collective effort between the government and a variety of actors—the private sector, universities, NGOs—is crucial to ensuring real success for Turkey, emphasizes Pekcan. The Minister concludes by reasserting Turkey's commitment to international cooperation and free and fair trade,

and in this light, she asserts that the recent surge in protectionist tendencies is an unwelcome development that will not yield benefits in the long term.

Marie Kasperek, the Deputy Director of the Atlantic Council's Global Business and Economics Program, evaluates the seismic change in US trade policy brought about by President Trump and its implications for global economic stability. Kasperek reckons that 2019 could be a defining year in exposing Trump's true intentions as several of the US' major trade disputes await conclusion. The author argues that the net result of Trump's protectionist policies is growing alienation from traditional allies such as the EU. There is a looming trade deal between the US and the bloc, however, Kasperek opines that divergences in the scope of negotiations and damaged trust could be a harbinger of more difficult days ahead for the transatlantic partnership. The major issue to watch though is Washington's evolving stance towards Beijing, notes Kasperek. While the economic impact of the US-China trade war has been relatively contained so far, Kasperek warns there may be international repercussions, resulting in a gradual slowdown of global economic growth. Beyond the economic impact, the course that the Trump Administration has chosen to pursue in trade will likely have political consequences for Washington's relationship with its traditional allies, concludes Kasperek.

Assessing the broader implications of Trump's "America First" strategy for the rules-based global trading system in his article is Bozkurt Aran, the Director of Multilateral Trade Studies at The Economic Policy Research Foundation (TEPAV). According to Aran, Trump's trade policies have ushered a return to raw bilateralism, thereby upending the plurilateral spirit of the international liberal order and causing the global system to slide into uncertainty. The practical implementation of Trump's strategy was swift and led to a series of changes in international trade agreements, notes Aran. These included pulling out of the Trans-Pacific Partnership (TPP), renegotiating NAFTA, and imposing tariffs on countries that the US has a trade deficit in. Aran argues that in pursuance of its economic ambitions, the Trump Administration has resorted to tactics that go well beyond conventional trade measures—most notably through the use of innocent and otherwise benign instruments of the trading system. In this context, Aran asserts that Trump's ultimate goal is leveling the playing field with China, which is aimed at not only closing the trade deficit gap but also at clipping the pace of China's rise on the international stage. Despite this, Aran expresses the conviction that cooperation with China is vital for a prosperous global trading system and that trade wars or extended tensions among major stakeholders will be disruptive to the world economy.

In a co-authored article, Antonio Ortiz-Mena, Senior Vice President at Albright Stonebridge Group and Ambassador Earl Anthony Wayne, a Public Policy Fellow

at the Woodrow Wilson Center for International Scholars, examine one of the fall-outs of Donald Trump’s “America First” trade strategy: the renegotiation of NAFTA. Framing their analysis from the perspective of the Southern Partnership between the US and Mexico, Ortiz-Mena and Wayne argue that under NAFTA, economic relations between the two countries expanded considerably. On a whole, NAFTA was successful in other ways as well, explain the authors: the agreement promoted trade and investment between the three countries, established the implementation of transparent rules, and increased cross-border investment. In its new form, the US-Mexico-Canada Agreement (USMCA) promises to modernize and reshape the trilateral economic relationship among the three countries. While there are controversial issues in the new agreement, the authors assert that it provides a “workable framework” for regional investment and trade. From Mexico’s perspective, benefits include the incorporation of the country’s modernization proposals, the absence of new tariffs or quotas, the maintenance of a trilateral agreement, and the establishment of stable rules for the next 16 years. However, the authors warn that uncertainty looms as the agreement enters the challenging stage of ratification in each country’s legislature.

Providing the view from Canada, Dr. Meredith B. Lilly, an Associate Professor and Simon Reisman Chair at the Norman Paterson School of International Affairs at Carleton University, outlines some of the key differences in the new USMCA (or CUSMA as it is known in Canada) compared to its predecessor NAFTA, and provides analysis on what these changes mean for Canada and its relations with its trade partners. Dr. Lilly states that President Trump’s “bullying” negotiation tactics set the tone for tense negotiations, which resulted in an agreement that is worse for Canada than the status quo. In particular, the USMCA’s new rules of origin for automobiles, additional tariffs on steel and aluminum, and the reduction of protectionist barriers on Canadian dairy products cannot be considered as wins for Ottawa. Potentially more damaging to Canadian interests, however, is the clause that stipulates Canada cannot pursue a trade deal with a “non-market” country, which is clearly aimed at China, contends Lilly. Against the backdrop of ongoing political uncertainty in the US and an unclear path for the USMCA’s ratification in Congress, Canada is left in a precarious position, laments Lilly. To offset its own isolation, Lilly underlines that it is incumbent upon Canada’s leadership to recognize the implications of the broad shifts in global trade and cooperate more with European, Asian, and other traditional allies.

Amidst escalating concern over the prospect that Trump’s trade war could turn global, Peter Draper, Executive Director of the Institute for International Trade at the University of Adelaide, provides commentary regarding Africa’s position and priorities in this equation. Expressing his opinion that “trade wars” is a misnomer, which in fact encompasses the US’ objective to re-assert its preeminent position in “investment,

technology, security, and trade,” Draper argues that this policy has led to a sharp deviation from traditional US diplomacy. While the African continent comprises only 2 percent of global trade, it is not impervious to the fallout from Trump’s protections policies—namely escalating US-China and US-EU trade tensions. According to Draper, there are three factors to watch for African economies: the future of the African Growth and Opportunity Act (AGOA), which has come under scrutiny by the US, Africa’s position in the US-China strategic competition, and the Continent’s willingness to positively contribute to reforming the WTO. Given that most African countries have little leverage over the external environment, Draper contends that Africa should focus on measures that fall within their domain in order to limit the fallout. In this vein, one key area Draper identifies that Africa can contribute to is reforming the WTO—particularly through establishing plurilateral frameworks for negotiations.

In another co-authored article, Frans Lammersen, Principal Administrator in the Development Co-operation Directorate of the (OECD) and Dr. William Hynes, an Adjunct Professor of International Development at the Johns Hopkins University School of Advanced International Studies and the Acting Head of the New Approaches to Economic Challenges Unit of the OECD, assess the role of trade in advancing the 2030 Development Agenda, adopted by the UN Assembly in 2015. The authors explain that the set of 17 Sustainable Development Goals (SDGs) are intended to provide a more holistic approach to goal-based development than its predecessor, the 2000 Millennium Development Goals (MDGs). Under the 2030 Agenda, international trade is considered an important means of supporting the implementation of the SDGs and can act as a catalyst for inclusive economic growth and poverty reduction, note the authors. In particular, Lammersen and Hynes highlight areas where trade’s contribution will be particularly important: poverty reduction, food security, climate change, and gender equality. To achieve this, however, the authors argue that policymakers need to expand beyond the narrow focus of trade policy and explore possible avenues for harnessing trade to achieve the SDGs.

Focusing her article on the interface between climate and trade, Silvia Maciunas, Deputy Director of international environmental law at the Centre for International Governance Innovation’s International Law Research Program, identifies ways to make trade rules more supportive of climate action. To this end, the author argues that renegotiating trade agreements for more favorable treatment of environmental goods and lowering tariffs on such goods is a key measure states can take. An example which illustrates this is the Asia Pacific Economic Cooperation group’s decision to reduce tariffs on environmental goods as a means of pursuing green growth and addressing climate change, highlights Maciunas. Additionally, the article raises the possibility of a new interpretation of The General Agreement on Trade and Tariffs, which would

allow certain measures to address the climate. However, Maciunas cautions that such measures must meet “the test of not being an unjustifiable or disguised restriction on trade,” and in the case a measure is challenged it could be years before a determination is made. While the achievability of such measures is not easy, Maciunas contends that the global community must use all means possible to fight climate change, including reforming trade agreements and adopting rules favorable to climate change.

In his article, Sachin Chaturvedi, the Director General of the Research and Information System for Developing Countries, takes stock of emerging trends in global trade under the agriculture sector. Dr. Chaturvedi provides a comprehensive analysis of the quantitative data on the developed, developing, emerging and the least developed countries, giving insight into “the changing dynamics of the global trading patterns in the primary products, processed foods, and agricultural implements from 1990 to 2017.” The extensive and in-depth data provided throughout the article demonstrates that emerging economies have challenged developed countries’ dominance in agricultural trade in the past two decades, concludes Dr. Chaturvedi. However, the author recommends that developing countries must increase their productivity if they want to develop their economies even more. Additionally, the author argues that lack of market access to developed countries due to Non-Tariff Barriers/Standards must be eased as such standards are used in a non-transparent manner, making it difficult for developing countries exporters to comply with such standards. The article contends that standards across the region should be harmonized to increase agricultural exports.

On an editorial note, I would like to extend my appreciation to Nigar Göksel (Editor in Chief from 2003-2015) who after three years as chief advisor to the journal is stepping down from her position. Her counsel has helped both the team and the institution navigate the choppy seas of covering foreign affairs in Turkey, and burnished the reputation TPQ enjoys today. For me personally, she has been an invaluable source of guidance, encouragement, and motivation. On behalf of myself and the publication, we owe her our gratitude.

Institutionally, we have exciting changes afoot. In 2019, TPQ is expanding its editorial scope beyond covering Turkey and the region, to shed light on key issues transforming the global landscape. In particular, the journal is exploring the following topics in more depth: cybersecurity, social and economic innovation, global finance and trade, energy and the environment. Amidst these changes, TPQ will remain firmly committed to its founding principles of independence, diversity of opinion, and open debate.

An important acknowledgment goes to the premium corporate sponsor of this issue, QNB Finansbank. In addition, we would like to thank our online sponsor, Garanti

Bank. We also appreciate the continuing support of our other sponsors: Beko, Best Hotel, Halifax International Security Forum, Socar, TEB, and Turcas Petrol.

As always, we are indebted to the authors of this issue for sharing their expertise and opinions. As our readers, please share your feedback.

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