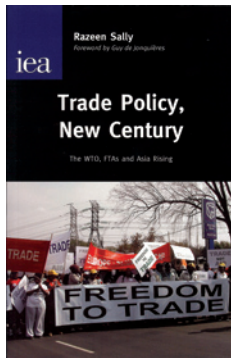


It's been a long time since the Corn Laws

Tim Wilson reviews
*Trade Policy, New Century:
The WTO, FTAs and Asia
Rising*
by Razeen Sally
(Institute of Economic Affairs,
2008, 226 pages)



Despite their common goal, there is enormous debate amongst free trade advocates about the best means to achieve their objectives. Razeen Sally's new book *Trade Policy, New Century* delves into current obstacles and provides insightful analysis about how advocates should change tact in the twenty-first century.

Considering the state of World Trade Organisation negotiations and the fast-paced adoption of regional trade agreements (RTAs) and free trade agreements (FTAs) Sally's book is timely. He provides an engaging narrative of the interplay between the theoretical discussions and political reality of contemporary trade politics. And his arguments are not focused on economics. He argues that the political costs of protectionism—such as the lack of transparency and the accruing of benefits to vested interests—come clearly at the expense of the population-at-large. But his commentary is not just a repetition of existing free trade arguments. What sets his book apart is the contemporary analysis of the operations of the WTO and trade agreements.

His criticism of the WTO and modern trade agreements is expansive and deep. Sally is critical of not just their structure, but he also points out how reciprocity in trade negotiations is delivering poor dividends.

The WTO is often depicted as the first-best free trade solution, followed by

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second-best RTAs and FTAs. But as Sally shows, such a perception is wrong. The WTO is the second-best of *three* options. RTAs and FTAs are over-celebrated and under-deliver. The best mechanism for trade liberalisation remains unilateralism which enables countries to gain from free trade.

Such a blunt analysis is welcome. But the most important parts of the book for committed free traders are Sally's identification of contemporary challenges and how to overcome them. Sally argues the debate about free trade has become a debate only about economic gains led top-down by international institutions. Governments either lack the will for reform or have deferred to these institutions to oblige them to reform.

And in his criticism he also points fingers at free trade's allies. The West lacks a 'grand project' for free trade mirroring the leadership of Ronald Reagan and Margaret Thatcher in the 1980s. This lack of leadership provides no support for advocates of free trade in developing countries. Instead, the momentum has been seized by neo-protectionists, principally led by non-government organisations. They advocate 'development' through government intervention, foreign aid and infant industry protection. They inculcate protectionist sentiment in developing country government officials, while using domestic grass-roots networks to

secure popular support.

This lack of free trade leadership is driving free trade advocates toward the top-down approach. But this approach only delivers short-term benefits and undermines free trade's natural constituency. The consequence is that 'the defence of free trade has been cut off from the general case for free markets, limited government and economic freedom'.

And as Sally identifies, this is a poor position to be in at a crucial moment—the next round of liberalisation reforms will be significantly harder to enact. Like many 1980s domestic market reforms, trade liberalisation initially targeted low hanging fruit—tariffs, quotas and subsidies. The next generation of barriers to trade are harder to identify, more complex to address and do not have a natural constituency—'services regulation, intellectual property protection, public procurement, customs administration, and competition rules'. They are also deeply infused by domestic political considerations, not just trade policy.

In a global economy governments cannot simply divide the world into domestic and international policy. Domestic policy is deeply integrated into a country's capacity to secure its potential from trade. If domestic politics remains a barrier to free trade countries will suffer. Unilateralism remains the most expedient method to deliver free trade, but it remains politically unpopular.

To address this problem Sally argues free trade's advocates should re-couple free trade with classical liberalism. He argues 'liberalism from below' will broaden its constituency through a package deal of limited government, fiscal responsibility and individual rights. *Trade Policy, New Century* is an exceptional pocket-sized compendium to the historical and philosophical foundations of free trade, contemporary challenges and a considered reflection on the future.

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