



EXTERNAL ECONOMIC RELATIONS

Conference report

“The Accession of Serbia to the WTO and the EU during the Populist Challenge to International Free Trade” Conference

Authors:

Chris Welland
Igor Novakovic

On 4 July, 2017 in Belgrade, ISAC Fund and the Friedrich Ebert Foundation organized a new event on foreign economic relations in Serbia, as part of ISAC’s multiyear program on monitoring and outreach activities for Chapters 30 and 31, devoted exclusively to the World Trade Organization (WTO), its importance for the global and regional trade, and the process of accession of Serbia to this organization. Serbia has to become a WTO member state and retain membership for a period of time in order to successfully close Chapter 30 (External Relations) in the pre-accession negotiations with the EU.

The panellists at this conference included:

Dr. Predrag Bijelić, Professor, Faculty of Economics at University of Belgrade
Bojana Todorović, former Assistant Minister for Trade, Tourism and Telecommunications
Carlos Gimeno Verdejo, Coordinator in DG Trade at the European Commission

Igor Novaković, Research Director, International and Security Affairs Centre (ISAC) moderated the conference.

The following report outlines the summary and the most important aspects of debates from the conference. The authors of the report are Chris Welland and Igor Novakovic. Please note that the text has not been reviewed by the panellists, and the authors of the report take the full responsibility for its content.



EXTERNAL ECONOMIC RELATIONS

On why global trade needs rules and the effect of populism on the WTO:

International, multilateral trade organizations such as the WTO are the best way to ensure that global trade is both free and fair. The rules and regulations associated with the WTO guarantee that international trade is conducted on a level playing field for both big and small countries, and without these rules, it would be impossible for any country to properly regulate all of its trade and manage its disputes.

Dr. Predrag Bijelić started his addressing by describing trade before 1995, when the WTO was founded. He stated that back then it was difficult for nations to regulate their trade and that international trade between faraway nations was not as common as it is today. The WTO has created a much fairer and further-reaching international marketplace. Bijelić also explained that, while the WTO has a set of clear, foundational rules, members have some freedom to decide and negotiate their position within the organization.

Bojana Todorović agreed that there is no alternative to multilateralism. Todorović also discussed the current trend of populism, warning that economic populism is even worse than political populism in that it can ruin the economy of a country and have long-lasting effects that will push the economic problems of a nation to an even further extreme.

Carlos Gimeno Verdejo discussed the trend of populism more specifically. He explained that populism, protectionism and isolationism are easy to sell to the public because they sound like valid solutions to many economic problems. Verdejo also acknowledged that populist politicians often correctly identify the problems that their nation needs to solve, which leads to their broad appeal and ultimate electability. But Verdejo cautioned that populism is actually one of the worst ways to treat an economic crisis, providing the 1930s United States, and Argentina at the turn of the millennium, as examples.

On the advantages of joining the WTO for Serbia, and small states in general:

The panellists listed several benefits that Serbia and small states in general can gain from joining the WTO. They agreed that the WTO opens its members up to the global trade market in many ways. For Serbia it would allow it to trade more easily with exotic and formerly inaccessible markets once they belong to the same trade network. With 98% of world trade and 133 countries covered under the WTO, accession opens a nation up to quite a large quantity of global trade. Members of the WTO also become more attractive to foreign investors, as there is more certainty that WTO members have a set of fair rules and standards that they must follow. The numbers for countries that recently joined the WTO such as Moldova, Macedonia, and China, presented by the panellists, confirm that trade tends to increase after accession, especially in exports.

The process of accession to the WTO includes many reforms and a strict alignment to certain rules and regulations. In addition, this process can positively affect trade by reforming a nation's standards and practices. The WTO rules also ensure that a country can defend its own interests and solve its own disputes, and that neighbouring countries will not be able to close their borders to Serbia without consequences from the WTO, as it has happened recently in the past.

An audience member asked the panellists what in their opinion would be the first specific benefit to Serbia after accession to the WTO. Todorović responded that Serbia would be able to close Chapter 30 negotiations, bringing Serbia closer to joining the EU. Bijelić answered that countries would no longer be free to close their borders to Serbia for trade, which would ensure that Serbia could continue global trade with any international partners it chooses. Lastly, Verdejo felt that the immediate access to all WTO members would be the most significant benefit, as this would bring a much wider range of international investment to Serbia. The panellists all conceded that joining the WTO would bear some costs, but these are certainly outweighed by the numerous aforementioned benefits.



EXTERNAL ECONOMIC RELATIONS

On the importance of WTO accession for EU membership:

Firstly, all members of the EU were also members of the WTO at their time of joining the EU. But most importantly, the legal, economical, and political interests of the EU support the principles of the WTO. Verdejo stated that in the legal articles of the EU, it is mandated that member states engage in global, multilateral trade. He also argued that since the WTO contributes to overall peace and helps nations to avoid economical protectionism and isolationism, these consequences of WTO accession help a nation to become more integrated with the basic political and economic principles of the EU.

On Serbia's progress in negotiations with the WTO:

The panellists underlined that Serbia must join the WTO before it joins the EU, and Verdejo assured the audience that the EU was supporting Serbia's bid to join the WTO. However, the panellists went on to list several obstacles that the Serbian government has faced in its WTO accession negotiations. Firstly, there are bilateral negotiations with Ukraine, which Serbia needs to complete in order to join the WTO – these negotiations were particularly difficult due to the recent political instability. Secondly, Russia, right after it became a member, also opened the bilateral negotiations with Serbia in the course of WTO accession. These negotiations could also prove to be challenging.

Furthermore, bilateral negotiations with the United States still remain open, but they will be closed as soon as Serbia solves the last remaining issue from the multilateral aspect of the WTO accession negotiations – its total ban of trade with the products that contain GMO. The World Trade Organization does not allow any specific good from being completely banned in imports or exports, so the Serbian ban needs to be revoked by Serbian lawmakers. However, there are plenty of opportunities in how Serbia could address this issue, with taking into account the standpoints of the majority of its citizens. The panelists agreed that this issue has become the main obstacle in the way of Serbia's accession to the WTO.

The panelists concluded their talks with cautious optimism that if Serbian decision makers take initiative with respect to the ban on GMO products, Serbia's accession to the WTO, and the closing of Chapter 30 negotiations with the EU, will not be so far away.