Trade in a G-Zero World: A Return to Bilateralism and Self-Interest

The uncertainty brought by Trumpism and populism set the world back from multilateralism to protectionism. Professor Bryan Mercurio, Professor of law at the Chinese University of Hong Kong, described it as the G-Zero world without leadership in global trade. With the decline of Western influence and its weakening ability, the end of multilateral or regional cooperation left a vacuum for global leadership, with no developing countries willing to fill it.

In the post-World War II era, it is generally recognised that bilateralism could not provide any form of control of the world, let alone contain the protectionism brought about by the worsened great depression. Further, the growth and importance of international trade, and the necessity to prevent any potential world wars catalysed the arrival of a multilateralism era. It has been proven that the WTO (World Trade Organisation, evolved from GATT) has factually boost global trade since 1948.

However, there is divisiveness between WTO members. The United States, European Union, Brazil, China and India are the top trading economies, followed by Canada, Japan and South Korea. The different priorities and objectives among WTO members make it hard to arrive at common grounds in negotiation. Complementarily, the proliferation of mega and regional trade agreements added depth and width to liberalisation commitments with one or more like-minded partner countries in ways not possible in a bilateral system.

Global cooperation declined accompanied by the rise in self-interest. Global trade leadership was ended by Trumpism in the United States, procedural bureaucracy in the EU, obstructionism in India and deafening silence in China and Brazil. The stalled or collapsed bilateral and regional treaties further enlarged the vacuum. It also resulted in the shift in resources, such as US protectionism, China’s Belt and Road Initiative and ASEAN 2025.

Professor Bryan Mercurio foresees the rolling back of fair trade and equality of opportunity, less liberalisation and increased protectionism, reduced gain from trade and lower gross domestic product, fragmentation of the trading community and increase in niche agreements at the bilateral and multilateral levels for the future global trade. Or it could be back to the future with the emergence of a “new” Quad shaped by the United States, EU, Japan and China.

For middle powers, it would be appropriate to continue with playing the game while securing themselves as much as possible. Meanwhile, they would also do well to continue with domestic reforms, cooperate on broad initiatives, grab leadership and set and direct the future by continuing to negotiate on high-quality agreements.