

**RE-IMAGINING TRADE FOR DOMESTIC AND FOREIGN  
POLICY WITH THE WTO**

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Nowadays exploring future trade policy through issues such as the green transition, labour standards, human rights, the role of the WTO, and non-trade policy objectives is essential.

The supply chain disruptions stemming from the COVID-19 pandemic highlight trade cannot be taken for granted, and economic interdependencies have both benefits and costs. As international commerce rebounds and trade policy is increasingly seen through the prism of enhancing resilience, the moment is ripe to redefine and reimagine trade.

The goal of trade policy has never been to increase trade for trade's sake, so a new narrative and framework for global trade requires striking a careful balance between pursuing trade and non-trade policy objectives.

Protecting the environment, strengthening labour standards, and upholding human rights have long been goals for which trade policy is used as a lever, and the interaction of trade and national security interests as well as the links between trade and competition policy are not new issues either.

All these non-trade policy aspects have come to the forefront as the geopolitical context has shifted and the transition to green and digital economies has gathered force – and, at times, these different non-trade policy goals clash.

The US and European Union (EU) are promoting solar energy to fight climate change but supply chains for solar panels are heavily reliant on forced labour from Xinjiang, and hence it is not yet certain whether environmental or human rights concerns will prevail. However, it is clear trade policy tools can be part of a comprehensive solution which manages inherent tensions while still advancing both objectives.

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Trade policy is also not just a foreign policy instrument but links closely to domestic policy – the populist backlash against globalization in much of the developed world, especially the US and Europe, was in part driven by anti-trade sentiment.

While American attitudes towards trade improved after the 2016 election of Donald Trump, positive views towards trade dropped sharply in 2021. The Biden administration's worker-centred trade policy aims to address distributional effects of international economic integration which is a long-standing challenge. Thus, tackling non-trade policy issues without losing sight of this unresolved core issue requires careful calibration.

Trade policy is being pulled in many different directions at the same time as the core institution governing global trade – the World Trade Organization (WTO) – is in crisis, and it is uncertain how much of the non-trade policy agenda the WTO can handle. If the linkage to non-trade policy becomes too strong, this could be the straw that breaks the WTO's back, but if it is too weak, the WTO risks becoming irrelevant in efforts to tackle key global challenges.

But if its 164 members can generate trade-oriented solutions to non-trade issues, they can revive the organization and mobilize domestic support for global trade at the same time. This balancing act in managing the tensions between trade

and non-trade policy objectives lies at the centre of future-proofing trade policy and global trade governance.

The biggest challenge in taking environmental efforts forward within the multilateral context is to successfully combine environmental ambition with an approach which engages developing countries as partners, reflects their environment-related trade priorities, and addresses their sustainable development interests.

Meaningful, inclusive dialogue and action at the WTO also requires deeper efforts to build policy coherence among environment, development, and trade policymaking at home

The importance of engaging developing countries must not be underestimated because it is vital a global green economy does not leave the poorest behind, or becomes two-tier where green trade happens only between certain countries and the essential task of incentivizing and supporting sustainable production and consumption patterns in all countries is neglected.

The new member-led initiatives at the WTO do signal that, while the rulemaking and negotiating functions remain central to the global trade body, governments recognize the need for enhanced, transparent, and inclusive policy dialogue as well as problem-solving on sectoral issues and specific trade-related challenges.

Given the well-documented challenges of achieving multilateral consensus at the WTO, governments are exploring new ways to work within multilateral frameworks and to redefine what progress and successful outcomes should look like.

Therefore, there is a need for best practices, voluntary action, pledges, and guidelines to both sustain the relevance of the multilateral trading system and support policy action at the national level for trade which underpins environmental and wider sustainable goals.

Making progress on an environmental agenda which reflects sustainable development concerns requires stronger leadership, engagement, and advocacy from business, civil society, and research communities in both developing and developed countries, as well as economies in transition.

Meaningful, inclusive dialogue and action at the WTO also requires deeper efforts to build policy coherence among environment, development, and trade policymaking at home, with environmental ministries having a key role to play in bringing expertise to bear and ensuring strong regulatory environments and institutions for the implementation of national, regional, and international environmental commitments.

But at the domestic level, many countries still have to overcome complex politics and diverse interests as they work to transform their economies toward greater sustainability and tackle the costs of transition.

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