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Ways Forward for the Multilateral Trading System

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Since the breakdown of the July 2008 Mini-Ministerial of the World Trade Organization (WTO) and due to the renewed apprehension regarding the rise of protectionism and possible proliferation of Free Trade Areas, concerns have been expressed about the future of the multilateral trading system. In this backdrop, I would like to highlight five key interrelated areas that need to be acted upon to strengthen the WTO-led multilateral trading system.

Conclusion of the Doha Round

Although some believe that the Doha Round may continue to be prolonged well into the following decade, most of us will agree that a successful conclusion to the Doha Round at an early date is an imperative. Its outcomes have to be substantive and fully commensurate with the development ethos with which the round was launched. Admittedly, a balanced outcome of the Doha Round will not only open up new trading opportunities, but will also provide a strong stabilising signal to the volatile global economy.

One of the pertinent questions in this connection is whether a successful conclusion to the ongoing WTO talks would help contain the global economic crises which have been unfolding in the recent period: food price hike, high energy price, carnage in the financial sector, and possible recession in the developed economies - moving from the USA to Europe to Asia. A lot of people seem to infer that a successfully concluded Doha Round would provide an angle or an approach to solving all of these problems. One cannot help but wonder if we are putting too much value on WTO trade talks when we are witnessing a failure of global economic governance. I am yet to come across any good analysis which shows that a good outcome of the WTO talks will solve the problems in the financial markets of the USA and elsewhere. So while we continue to put emphasis on the need for an early and balanced conclusion to the Doha Round, one needs to be cautious about overselling its final outcomes.

As mandated by the Doha Ministerial Declaration of 2001, negotiations have rightly been focused on seeking an agreement on the modalities for liberalisation of agriculture and non-agricultural market access (NAMA). Special Safeguard Mechanism (SSM) has attracted much attention since the collapse of the July 2008 Ministerial, but one should be aware that there may be many other embedded landmines on the way to finalisation of agriculture and NAMA

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modalities. Indeed, we are yet to resolve the flagship commitment on duty-free quota-free (DFQF) market access for all products from all the least developed countries (LDCs). The issue of preference erosion remains predominant among the still unsettled concerns of LDCs and other developing countries. Beyond agriculture-NAMA, there is a need to have some movement in the other areas, such as services, trade rules and trade-related intellectual property rights (TRIPS).

Thus, we need to lock-in the results of the July Ministerial and incrementally build on these while approaching the final conclusions.

Consolidation of the Multilateral Trading System

Given the unfolding global economic scenario, it is the time to invest in consolidation of an open rules-based multilateral system. The WTO can provide the firewall against protectionism and fragmentation of the global economy. As the disintegration of the global financial structures takes place in front of our eyes, we may see the need for rebuilding the global economic governance structures and anchoring them to the resilient multilateral trading system. To catalyse a 'new multilateralism', we shall have to make political space for the emerging economies and give voice to the marginalised in this redrawn global economic architecture.

Under the circumstances, the regulatory role of the WTO, with or without conclusion to the round, remains a great public good which emanates from the system. The LDCs, small and vulnerable economies (SVEs) and other disadvantaged economies maintain that a transparent, rules-based, predictable trading system with an effective compliance mechanism including a dispute-settlement understanding continues to provide them with the best possible bulwark against arbitrary and ad hoc measures of the large trading economies. Accordingly, the weaker members of the WTO are very keen to protect, consolidate and promote the existing WTO-centric international trading system.

And for this to happen more fruitfully in the coming days, one would like to see more transparency in the compliance and surveillance process of the WTO, particularly regarding notifications and application of rules. One would also need to see more effective access by these vulnerable economies to a development-friendly dispute-settlement mechanism. The scope and methods of the Trade Policy Review mechanism may be revisited. It would be pertinent to ask for building the capacity of the WTO Secretariat in this respect in order to service the emerging needs in these areas.

Reform of the International Trading System

The international trading system, beyond the WTO, includes everything from the Free Trade Agreements (FTAs) – bilateral and regional – to customs unions and single markets. The key question is how the WTO can subsume or take on board all these entities so that they do not eventually threaten the multilateral system. This is currently the major systemic challenge facing the international trading system. We would have to find means and ways to deal with it. One very appealing thought in this connection relates to putting a Sunset Clause into all the RTAs and FTAs, which would essentially mean that after a certain period (say five years) all RTAs and FTAs will be open to all other interested countries. That is basically a move for multilateralisation of the FTAs.

In this regard, we would possibly need to revisit the rules that regulate the interface between the RTAs/FTAs and the WTO system. Thus, for holding on to the outer periphery of the WTO-centred trading system we need to invest a lot more analytical skills as well as political capital.

Internal Reform of the WTO

For the WTO to acquire the kind of role that we are asking for in the new or 'reborn' multilateralism, the organisation itself has to undergo reform. By the internal reform, we refer to

the improvement of its governance structure in at least three aspects: (i) in agenda setting, (ii) in terms of participation, and (iii) in the area of decision-making.

Significant changes have to be initiated in these three core aspects of governance so as to improve the institutional adequacy of the WTO in addressing the new expectations and the upcoming challenges. Take, for example, the ‘concentric mechanism’ of consultation and consensus-building where you start with a smaller group (i.e. G7), then go to the Green Room with a select set representing the mosaic of membership, then you have to meet with the broader interest-based alliance, and finally end up with the Trade Negotiating Committee and the General Council. There would be no problem if this process delivers, but questions remain about its efficacy and ownership.

We need to think seriously about the issue of participation across the system in order to address the objective of balanced agenda setting and unbiased decision-making. We also need to revisit, apart from the concentric mechanism of consultation, other methods of consensus-building involving ‘critical mass’ and ‘variable geometry’ and plurilateral arrangements.

Let me highlight a specific problem relating to participation, namely, the use of senior officials. For a developed country this means a plane full of lawyers, economists and technical experts from its trade ministry. Recently, the emerging economies have also been following suit in this regard. For the LDCs, the ambassador is the senior official for all practical purposes. He or she is the technical expert and also has to represent ministers, when necessary. The LDCs do not have the capacity to buy air tickets for the experts and keep them in ‘expensive’ Geneva. Consequently, one sees that there is a big difference between nominal participation and real participation in WTO negotiations.

It is well known that the ‘capacity deficit’ is very critical for LDCs. These countries now complain less about the lack of opportunities to participate in the WTO process, but rather more about the absence of capacity to take full advantage of the existing opportunities.

Redefining the Trade-Development Interface

My final point relates to the need to redefine the interface between the trading system and other elements of development. Without a broader, holistic and integrated understanding of trade and development and other related issues, it would be difficult for the WTO to play the envisaged potential role in moving the multilateral trading system forward. We suffer from little, inadequate, incomplete and often biased understanding about how the current trading system affects critical areas of human well-being, such as poverty, food security, gender parity, environmental sustainability, labour and migration. We need to have empirically sound and analytically cogent forward looking analyses’ desirably ex-ante, not ex-post.

During the recent food price crisis, for example, there were questions about the WTO’s role in enabling greater food security at global and national levels. This was in addition to the ongoing debate on how de-subsidisation of EU agriculture was going to affect the net food importing developing countries in the short term. There were issues with the WTO’s role in changing the incentive structures which may affect the supply-side responses in agriculture. Similarly, in recent months, the climate change agenda is almost ‘gate crashing’ into the WTO.

Therefore, the WTO’s potential involvement with other rights-based approaches (e.g. human, gender or labour rights) has become a fundamental issue. However, a more practical question is whether we need to overload the WTO with all these emerging issues. We all know the attraction of the WTO in comparison to any other intergovernmental machinery – its effective dispute-settlement mechanism. This, however, does not justify putting all unresolved global issues at the WTO’s doorstep.

In this connection, one needs to differentiate between two aspects. One is that we improve your understanding of the impact of trade rules on the particular areas of development; it is a totally different matter when we bring in these new issues into the ambit of rule-making and compliance. I am not asserting that we should not explore and study how the trade rules are going to influence the critical dimensions of development and vice-versa. In fact, there is a great need to have a better understanding and better analysis of the developmental implications of trade so as to re-energise the multilateral trading system with more humane ethos and make it more relevant in these changing times.

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