

The World Trade Organisation in the Last Chance Saloon

By Anne Jensen*

With the sixth Ministerial Meeting coming up in Hong Kong pressure is on the World Trade Organisation (WTO) to prove that the multilateral approach is still the best way to negotiate and organise international trade relations.

The breakdown of the talks in Cancun in 2003 dealt a serious blow to the WTO and multilateralism. The result has been a proliferation in the number of Regional (preferential) Trading Agreements (RTAs), which in many ways are in direct opposition to the rule of non-discrimination, the most basic principle of the General Agreement on Tariffs and Trade (GATT) and WTO.

The European Union (EU) and the Group of 20+ lead by India and Brazil were blamed for the collapse of the Cancun Ministerial meeting. The latter group were surprised to discover how much power they actually had when they cooperated and decided to put their collective foot down to everything and everyone without even entertaining the possibility of discussion. The EU on the other hand, pretending not to know that the Cancun meeting was part of the Doha Development Round, decided to ignore the whole development aspect and focus on the so-called Singapore Issues. From a trade perspective development translates into market access and Special & Differential Treatment (SDT) for developing countries. Still the EU insisted that the Singapore Issues, which relate to trade facilitation, government procurement, investment and competition, be included on the agenda. The EU even mentioned the need for a harmonisation of rules governing labour and environmental standards.

There are two main reasons why the EU should not have pushed for these new issues to be included. Firstly, on a political level, the WTO was created to deal with trade-related issues only, not to harmonise its member countries' regulatory regimes. Secondly, on a practical level, the introduction of additional issues overloads an already excessive agenda and takes the focus away from what is important and what the GATT and the WTO were created to do, namely to reduce barriers to trade.

One wonders if the EU pursued such an uncompromising bargaining strategy in Cancun in order to avoid the uncomfortable issue of agriculture, or more precisely the issue of a much needed reform of the Common Agricultural Policy (CAP), a policy that continues to consume nearly 50% of the total EU budget. Surely, to introduce a whole array of new issues when the members are still struggling to reduce their tariffs would slow down and sabotage the whole process. This is exactly what happened: the EU insisted on the introduction of not just one or two of the Singapore Issues, but all four of them. Unsurprisingly, the Group of 20+ refused even to talk about it. The rest is history: After a few days the EU finally decided to compromise and offered to drop the most controversial of the new issues, but it was

too little and too late. The developing countries had already packed their bags and left Cancun, after only four days of negotiations. The result, or rather lack of result, was later hailed as a victory for developing countries by their self-proclaimed defenders: the anti-globalisation movement. Sadly, the truth is that the breakdown of the Cancun Ministerial was a failure for all parties involved and especially for the developing countries, which have the most to gain from more liberalised trade.

In order to achieve results in Hong Kong and for the Doha Development Round to reach a conclusion, all parties must be willing to make concessions. The July Package negotiated last summer gave the multilateral process a much-needed lift and proved to sceptics that the parties are indeed capable of compromising. The negotiation had mainly two positive outcomes: Firstly the EU decided to give up on the most controversial Singapore Issues and secondly, the developed countries committed themselves to eliminate export subsidies.

On the flip-side, no end date was agreed upon as to when all export subsidies have to be abolished and it is likely that many farmers and governments will try to offset the consequences of eliminated export subsidies simply by increasing domestic support.

In other words, there is still a lot of work left to be done, especially when it comes to increased market access and agriculture. **The responsibility of making progress in these areas rests mainly on the developed countries and the EU in particular.** Bearing in mind that increased market access has been on the agenda since the 1950s and that the EU has promised to deal with the CAP since before the Uruguay Round (concluded in 1995), there is a need for serious advancement on these matters in Hong Kong in order for the multilateral process to remain credible. If the parties fail to achieve significant results even more reliance will be put on regional and preferential trade agreements. Economic theory states that regional and preferential trading agreements are inferior in dealing with international trade issues and will inevitably lead to suboptimal outcomes. It is therefore essential that all parties, and especially the developed countries, put the multilateral process back on track.

The G8 meeting in July this year in Gleneagles, Scotland gave a good indication of rich countries' degree of commitment to multilateralism and trade-related growth for developing countries. Considerable debt relief has already been agreed upon for the most indebted countries, but this is only one part of a bigger plan to halt the marginalisation of Africa in the globalisation process. A much more ambitious task is British Prime Minister Tony Blair's goal of removing all agricultural export subsidies in developed countries in order to increase market access for developing countries. Overshadowed by the tragic events of the London bombings, the G8 members agreed on substantial debt relief and aid, but unfortunately a clear timeline for the phasing out of export subsidies and domestic support in developed countries was not agreed upon. Interestingly, market access for developing countries has been a "priority" for the last 20 years without many changes being made.

The French government is one of the most vocal supporters of agricultural subsidies in the EU and the French people made it quite clear this spring how strongly they feel about the CAP. The advantages and disadvantages of the Constitution put aside, the French “non” vote was largely due to a fear of what they see as the Anglo-Saxon model of liberalism and increased competition from abroad. Being one of the countries that benefits the most from EU handouts, France would definitely feel the effects of a sharp reduction in subsidies. By rejecting the Constitution, the French told the world that they are not interested in compromising on this issue.

The latest efforts by international trade diplomats to pave the way for a successful conclusion of the Doha Round have sparked off both trans-Atlantic and intra-EU controversies. President Bush’s recent pledge to scrap all of USA’s domestic agricultural subsidies and tariffs on foreign import by 2010 if other countries followed suit, was initially brushed a side as “easy words” by European Trade Commissioner Peter Mandelson. His comments were, however quickly replaced by a statement saying that the EU would match, if not go beyond, the American initiative. Unfortunately, Mandelson’s attempts to outbid the Americans didn’t go down well with the French diplomats, who claimed the trade commissioner had gone beyond his mandate. Jacques Chirac even went as far as threatening to bloc any prospect deal on agriculture at the Hong Kong Ministerial, and this only a few weeks before the meeting kicks off.

From the looks of it, it would be safe to say that all parties, but especially Mr Mandelson and Mr Lamy, have monumental tasks ahead of them in Hong Kong. As this might be the last opportunity to prove the virtues of multilateral trade negotiations, let’s hope the meeting doesn’t turn into another Cancun.

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