

WTO Negotiations Under the Doha Development Agenda and Perspectives on Current WTO Developments

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Introduction

Allow me to begin by saying how pleased I am to have been invited back to Shanghai for this important annual event. The Shanghai WTO Affairs Consultation Centre is unique in the highly specialized attention it devotes to in-depth discussion of WTO issues and how developments in WTO impact on China and we are all very lucky – both inside and outside China – to have such an outstanding group organizing sessions like this. It is also a real pleasure for me to share the speakers' platform with WTO's current Director-General, Dr. Supachai who I know has been working very hard to get the Doha Round negotiations back on track since the disappointing Ministerial meeting in Cancun.

I will divide my brief remarks today into four parts. First, I plan to review the situation in WTO globally. Second, I want to discuss some areas of progress and disappointment in the current WTO Doha negotiations. Third, I want to briefly refer to some other developments in the WTO system that are affecting the overall outlook for the multilateral trading system. Finally, I will wrap up with my outlook for the period between now and the Hong Kong Ministerial Conference – just about one year from now.

The Overall Situation in WTO Today

It is inevitable that the WTO system should move forward in trade liberalization in fits and starts, from crisis to success and back to crisis again. That outcome is built into a system that relies on consensus decision-making, groups the world's poorest countries with the globe's richest traders and attempts to set the rules for a modern international economy covering everything from sophisticated services technologies to sanitary measures for goat's milk. Those who negotiated the WTO agreement in the Uruguay Round did not want decision-making to be easy because they preferred decisions to be arrived at only after they were fully thought out.

I am one of those who believe this approach has worked well even if it doesn't work quickly. The decisions taken at Doha were better than the decisions that had been proposed in Seattle. Nobody that went to the Cancun meeting last year and who understood the way things work in the WTO expected a successful meeting. Too many milestones had been missed and the time just wasn't right.

The steep rise in the number of bilateral and regional trading arrangements that have been negotiated in the past several years has led some commentators to speculate that these deals are being negotiated and implemented at the expense of the WTO's multilateral system. Everybody is negotiating FTAs. Singapore and Thailand have FTAs with Australia. Australia has a new FTA with the United States. Japan and Mexico have an FTA and there are now studies underway of possible FTAs between China and Australia and ASEAN and the CER. Is this a bad thing? I don't think so.

For starters, some subjects just are not ready for a WTO negotiation. We saw that with the General Council decision this past August that removed investment, competition policy and government procurement policy from the WTO negotiating agenda. But, more importantly, it is precisely those countries that have been most active on the FTA front in recent years that made up the "five interested parties" group that made a successful decision on agriculture trade possible this past summer.

So things are slow in the WTO and sometimes we need to face a crisis before we see real progress. In the end, when the consensus decision is taken, it is usually a good decision for the system.

Where are we now in the Doha Round?

The decision that was taken this past summer, when the WTO General Council adopted the framework package for the next phase of the Doha Round negotiations was, in my view, a very good decision. We now know the future direction of work in the important areas of the negotiations and we also now know that we will not be distracted by continuing debates over topics that were inherently unpopular with a large proportion of WTO Members. I think we lose very little by not negotiating on investment and competition in the WTO. These days, there are very few FTAs that exclude these subjects and the bilateral context is much more suitable for high-quality treatment of the topics.

At the same time, on the core topics, the mid-summer decision has now made it possible for delegations in Geneva to get down to the technical work that had been missing for so long. Most observers now expect that it will be some time before the WTO discussion rises again to the political level but that it just what we need – solid technical work.

In the centrally important agriculture negotiations, members have now started the process of filling in the framework with concrete formulae, figures, specific rules and details of criteria that will be needed to establish full negotiating modalities. Among the significant achievements of the August framework decision was the language obligating WTO Members to achieving substantial improvements in market access for each agricultural product. In export competition, we now have agreement that the objective will be to phase out export subsidies by a credible end-date to be agreed. With respect to domestic supports, the tiered formula to be developed will ensure that higher and more trade-distorting domestic subsidies are cut by the greatest overall percentage. Whether you care about agriculture or not, all of this is important because this will enable a big outcome to the agriculture negotiation and without a big outcome in this sector, it would be impossible for the rest of the Doha negotiations to be brought to a successful conclusion.

In non-agricultural market access negotiations, surprisingly productive discussions have been held recently where many delegations have indicated a willingness to be more flexible and

move off their long-held positions. Agreement that customs-related non-tariff barriers should be shifted to the new trade facilitation negotiating group is also a positive sign.

In the negotiating group on "rules", there has been a breakthrough of sorts recently with respect to fish subsidies and we are no longer talking about whether we need new rules but rather how the new rules should look. There are even signs of progress in this group on the difficult issues around the rules for regional trading arrangements. This is all very positive.

That's the good news. There is bad news as well. The current state of play in the trade in services negotiations is very disappointing. Notwithstanding the fact that the services negotiations started at the beginning of 2000 – nearly two years before the Doha Declaration was agreed – there are still only 48 initial offers on the table and their quality is poor. Some have even said that the average level of commitment reflected in the Doha offers implies a regression from the current level of commitments. As services are now by far the most significant part of the modern global economy, a lack of progress in the GATS negotiations not only bodes ill for the overall WTO negotiations but it also casts a shadow on the prospect that services liberalisation can make a significant contribution to global economic development in the years to come.

There are some other areas where the news from Geneva is less than we could hope for. A lack of progress on implementation issues – where forward movement has been held hostage in part by the ongoing debate over the extension of geographic indications protection to areas other than wines and spirits -- has led some to suggest that there will be negative linkages to other parts of the Round. Negotiations on trade and environment – the relationship between the WTO and multilateral environmental agreements – are going nowhere despite years of discussion and debate. Perhaps most seriously of all, the negotiations aimed at clarifying and improving the WTO's dispute settlement understanding – where a final outcome was due in mid-2003 – now look like they will be less than ambitious in their scope and unlikely to conclude before the general conclusion to the Doha Round in 2006 or later.

Other factors affecting progress in the WTO

In addition to the dynamics that are pretty much specific to the negotiations themselves, there are several other factors that are likely to impact on forward progress in the WTO over the next year to 18 months. I would like to comment briefly on three issues that could significantly slow the Doha agenda's realisation: important dispute settlement cases, the end of the textiles and apparel regime, and, the likely difficulty of reaching easy agreement on the successor to Dr. Supachai.

Two major decisions concerning agricultural subsidies for the cotton and sugar sectors, important in their own right, will certainly affect the Doha negotiations on agriculture. In the cotton case, the USA has been found out of compliance with its obligations and the panel has shown others how they might make use of serious prejudice claims in the DSU to get concessions that would otherwise need to be achieved through negotiation.

In the sugar case, the panel has made clear that the EU cannot escape the generally applicable disciplines and obligations of the WTO through unilateral statements in its schedule of commitments. This principle has important implications that go far beyond the agriculture sector and is likely to significantly complicate forward progress in other parts of the Doha Round.

Throughout the Uruguay Round negotiations, it was an article of faith among developing countries that the 40-year system of restraints on international trade in textiles and apparel was a bad thing that had to be eliminated at the end of that set of talks. It was. We agreed to scrap the system of quotas and restraints. However, now that the system's end is imminent, many developing countries have come to the belated realisation that the quota system produced benefits for them that they are now in danger of losing. By capping export levels of major producers, the quota system encouraged the migration of capital and expertise and was largely responsible for the spread of clothing manufacture to many new locations in South Asia and Africa. With the quotas coming off, the exporting industries in many of these countries now face extinction by competition from China and other highly competitive producers.

A final complication in the months to come is the fact that Dr. Supachai will need to quit his post as Director-General at the end of August and WTO Members will need to agree on his successor in the first part of 2005. The last time WTO Members chose a new DG, the system saw a terrible fight and a major distraction from the business at hand. Nobody wants to repeat that unhappy experience but with the emergence of several well-qualified candidates we are once again facing the prospect of a protracted leadership fight in WTO. The Doha Round will be finished under the stewardship of Dr. Supachai's successor and it will be important (a) that we choose the right person for the job and (b) that we not tear up the system once again as we did with the destructive fight over the post in 1999. Unfortunately, this may be easier said than done.

Outlook

So there is good news and bad news. That is pretty much normal for the WTO and nothing to be overly concerned about. The Doha Round will eventually end in a success some years from now and because there are 148 plus countries involved in the negotiations, we can expect a big economic pay-out from the multilateral talks. But WTO's limited scope and glacial pace will continue to give rise to concern and there are several additional complications that we should avoid if we can. In the meantime, the system itself will be responsible for dynamics that make the negotiation of additional Free Trade Agreements attractive complements to the WTO and we shouldn't worry about that.

The Doha Round will not conclude in Hong Kong next year. But important progress will need to be made by the time of the Hong Kong meeting if we want to be in the position of finishing the Round by the time of the seventh Ministerial Conference – which, realistically, could be our shared objective. Failure is unlikely and eventual success is more or less taken for granted. But success earlier rather than later should be our objective in the WTO because the gains are too important to delay longer than necessary. These gains are especially important to developing countries.

Thank you for your attention.