



Dialogue **on** Globalization

BRIEFING PAPERS
FES GENEVA

The WTO and the crisis of multilateralism A look at the present situation

ERFRIED ADAM

1 What is the WTO?

When it comes to the WTO (World Trade Organization), opinions tend to differ sharply: opponents of globalization see in it a symbol and motor of globalization that has rightly come in for much criticism; for others, though – including e.g. the EU Commission – the WTO is one of the essential building blocks of a multilateral and cooperative world order, indeed an instrument suited to “taming” the process of globalization. The widespread and sustained interest in joining it underlines the importance attached by many countries to WTO membership – even though, especially in developing countries, faith in the “blessings” of further liberalization has given way to growing disappointment, and very few such countries are convinced of their ability to hold their own in the face of increasingly competitive trading conditions. Yet nonmembership appears to be an even less viable option – and so the embittered dispute over the conditions and rules governing membership, the extent of and progress made toward market-opening and country-specific demands for compensation continues from one round to the next.

Even the term World Trade Organization itself gives rise to misunderstandings, implying as it seems to a monolithic power structure that is impressing its stamp on the community of states and relentlessly driving on the process of internationalization and globalization. In fact, however, the WTO is, in its rudimentary form, a multilateral, intergovernmental negotiating forum (a platform or “marketplace”), without any intermediary or representative bodies between itself and its membership: here it is the states themselves that are seeking to clarify their own trade problems and to wrest advantages from one another – and there is no doubt that they differ substantially in terms of their weight and bargaining power.

In this situation the WTO’s – relatively small – secretariat has important functions in organizing, moderating, and supporting negotiations and dispute-settlement processes, although it has no autonomous scopes of political action beyond its generally formulated task to foster and advance the multilateral system of trade and the gradual process of trade liberalization. To name some of the WTO’s characteristic features: 1) the voluntary nature of membership, 2) the principle of consensus, 3) the principle of reciprocity, 4) the principle of non-discrimination, and 5) the prin-

ciple of most-favored-nation (MFN) treatment, under which the conditions granted to one country apply equally to all member states.

The World Trade Organization, founded in 1995, has been assigned competence for the agreements on trade in goods (GATT) and services (GATS) as well as intellectual property rights (TRIPS), and is likewise responsible for the tasks of dispute settlement and the monitoring of implementation at the country level (trade-policy reviews). Further development of the rules governing trade, stipulation of measures aimed at market-opening, and settlement of trade disputes are regarded as the *sine qua non* for improving competition between nations and business enterprises alike.

The basic aim here is to eliminate non-tariff trade barriers (such as quotas, preferences, and the like) and to replace them with customs tariffs as well as to “bind” these tariffs and reduce them as far as possible. A good illustration of the level of the complexity and conflict potentials involved in these trade negotiations is the fact that the Uruguay Round of the GATT talks took eight years to complete and that of the five ministerial conferences that have taken place since the WTO was established, two have ended in failure. And it was due not least to the events surrounding the 9/11 terrorist attacks that the so-called Doha Compromise (2001) was finally reached. The WTO’s membership of 148 nations with extraordinarily differentiated economic structures has brought with it both a multitude of substantial political questions and process-related problems and a tangle of bargaining issues that have at times seemed almost beyond resolution.

2 What is at issue here?

The Doha Declaration (of November 2001) sets out a working program containing 21 issues for negotiation which, bundled together as a “single undertaking,” are set to be resolved on a reciprocal basis by January 1, 2005. After, as early as 2003, a number of important time targets had proven impossible to realize, and in view of the failure of the Cancun ministerial of September 2003, this objective now appears more than unrealistic – and this situation is further aggravated by the political framework conditions set by the upcoming US presidential elections and the recent appointment of a new EU Commission in Brussels.

The WTO's present agenda is topped by agriculture, the so-called Singapore Issues (investment, competition, government procurement, trade facilitation), NAMA (non-agricultural market access), the issue of special and differential treatment (S&DT), GATS (services), TRIPS (trade-related aspects of intellectual property rights), and implementation of the outcome of the Uruguay Round. Compromise was reached prior to Cancun on the issue of "TRIPS and public health," with poor countries lacking capacity to manufacture pharmaceutical drugs now ensured facilitated access to the "essential medicines" they need to combat health crises. However, this compromise is widely perceived as inadequate and bureaucratic, and the basic question is still whether protection of intellectual property rights (patents) should in fact have been inextricably linked with the world trade system. In political terms, Cancun foundered on the refusal of the majority of developing countries to enter into negotiations on the Singapore Issues – particularly in view of the fact that the EU's position appeared to aim at establishing a linkage between the Singapore Issues and reduction of agricultural subsidies – and proposals on a possible consensus were too late in coming. At the same time, the offers submitted on reduction of trade distorting agricultural subsidies were widely perceived as insufficient. Under the conditions given at that time, other issues central to the WTO played a far less important role on the negotiating agenda. It is important to underline in this context that the failure of the talks was also due in large measure to growing doubts among (above all) the developing countries as regards the possibility of reaching positive results on further trade liberalization as well as to pervasive anti-globalization sentiments and weak global economic growth.

Negotiations conducted in the WTO's General Council in 2003 were initially unable to find a way out of the profound crisis sparked by the failure of Cancun. In the meantime, though, the reconstitution of the Council, a series of bilateral and regional consultations, and a number of so-called micro- or mini-ministerials involving high-ranking government representatives have succeeded in creating a more constructive and productive climate for negotiations, and as a result there reason is to expect, or at least to hope for,

some important agreements in July on the framework and modalities of future negotiations. One evidently weighty factor at work here is that together with the Group of 20 (G20),¹ a powerful group of (advanced) developing countries that entered the scene in the wake of Cancun, the Group of 90 (G90: LDCs/ACP/African Union) has fine-tuned its negotiating position and offered concessions, mainly to the EU Commission. This has resulted in a new negotiating architecture that is more than likely to leave its mark on the further course of the Doha Round.

Agriculture

Agriculture is the key to the success or failure of the Doha Round as a whole. Disputes over trade in agricultural goods have left their mark on both the negotiations on the post-WWI multilateral trade system and the various GATT rounds, and stalemates, crises, and loopholes inviting abuse have accompanied their progress. Export subsidies in particular have led to persistent distortions of the world market for agricultural goods. A first Agreement on Agriculture (AoA) was reached in the framework of the Uruguay Round (Marrakesh 1994); it provided for continuing reform efforts in the context of negotiations set to beginning in 2002. The negotiations on achieving a "fair and market-oriented agricultural trading system through substantial progressive reduction in agricultural support and protection" focused on three issues: 1) market-opening, 2) domestic support measures, and 3) export subsidies.

The problem seen here is not agricultural support measures per se but the trade-distorting effects they entail. It is not difficult to see that subsidies amounting to some US\$ 1 billion per day have far-reaching impacts on both international prices for agricultural goods and the competitive chances and well-being of farmers in poor countries. The signatories of the Doha agreement acknowledge so-called non-trade-

¹ Argentina, Bolivia, *Brazil*, Chile, *China*, Colombia,* Costa Rica,* Cuba, Ecuador,* Egypt, El Salvador,* Guatemala,* *India*, Indonesia, Mexico, Nigeria, Pakistan, Paraguay, Peru,* the Philippines, *South Africa*, Thailand, Tanzania, Venezuela, Zimbabwe (* = countries that have left the group to join in negotiations on the Free Trade Area of the Americas (FTAA); countries in italics = principle actors).

related concerns such as environmental protection, food security, or rural development, while at the same time committing themselves to work to dismantle and phase out national policies with immediate effects on production and trade. The various domestic support measures targeted here are assigned to a number of categories – so-called boxes, with the “Amber Box” containing the production-oriented subsidies set to be phased out, the “Green Box” reserved for support measures with limited trade-relevant effects, and the “Blue Box” holding direct payments made to farmers in connection with production cuts or agricultural development programs. Export subsidies are banned under the AoA, unless they are listed among the commitments made by member states, and in this case the agreement calls for cuts in both overall payments and the volume of subsidized exports. Developing countries are accorded a number of special and transitional exemptions – including so-called *de minimis* programs for poor and subsistence farmers in countries wholly or in part unable to afford domestic support programs.

The main actor working counter to the big “subsidy powers,” i.e. the US and the EU,² is, since 1986, the so-called Cairns Group. It comprises a number of agricultural exporters from industrialized and developing countries under the leadership of Australia that have been calling for market-opening and radical cuts in subsidies.³ In Cancun the G20, led primarily by Brazil, assumed the paramount role in the negotiations. Despite major overlaps in membership, the group is marked by substantial differences in positions on the issue of market-opening, and its members are as a rule more reticent when it comes to issues concerning methodology and formulas bearing on the reduction of customs tariffs.

Since the joint compromise paper they presented prior to Cancun, the US and the EU have not advanced any new proposals for the ongoing negotiations. Focusing on the interests of the US’s productive agricultural sector, the main demand the paper addresses to developed and developing countries alike is for improved market access (market-opening/cuts in customs tariffs). While the US and the EU indicated some initial willingness to abandon their Blue Box subsidies, following a setback for the US in the WTO dispute-settlement procedure on cotton subsidies, interest appears to be growing in the possibility of shifting government subsidies from the Amber Box to the Blue Box. Accordingly, the US, underlining the non-trade-distorting character of the Green Box issues, is now opposed to capping it, though it has formally signaled its willingness to accept substantial cuts in trade-distorting Amber Box subsidies. Whether and to what extent this implies a willingness to proceed in parallel with the EU and to include food aid and export loans (which have also come in for EU criticism) remains an open question.

Movement was brought into the negotiations by a joint letter of May 9, 2004, by EU Commissioners Pascal Lamy and Franz Fischler addressed to all WTO member states and signaling “greater flexibility” on the issues of export competition and special and differentiated treatment (S&DT) for developing countries, but also on market-opening, domestic support programs, and “non-trade concerns.” For the first time, the EU offered to engage in negotiations on a concrete deadline for the elimination of all export subsidies, a shift away from its past insistence that this step be restricted to “products of (special) interest” to developing countries. As far as agricultural subsidies are concerned, the EU has declared its willingness to accept “major reductions” in the Amber Box and reductions and caps in the Blue Box, although it has expressed its interest in exempting the Green Box from cuts. The EU has come out in favor of according more attention to S&DT in connection with negotiations on agriculture and has offered to revise its present positions vis-à-vis the poor and especially venerable developing countries, offering a “round for free,” i.e. one without any more extensive commitments on market-opening and cuts in customs tariffs.

² Other countries with special agricultural interests – including Switzerland, Norway, Liechtenstein, Iceland, Korea, Japan, Israel, Mauritius, Taiwan (Chinese Taipei), and Bulgaria – have joined forces in the G10.

³ The group is made up of Argentina,* Australia, Bolivia,* Brazil,* Canada, Colombia,* Costa Rica,* Indonesia,* Malaysia, New Zealand, Paraguay,* the Philippines,* South Africa, Thailand,* Uruguay (* = countries with overlapping membership in the G20).

While these proposals have been widely welcomed (though with some reservations on the part of the G10 countries, especially as regards “non-trade concerns”), many see in this “special offer” to the poor developing countries an attempt to split the overall group of developing countries. There is also resistance within the EU, especially in France and the new member states, to the reform of the common agricultural market which this would imply. The sugar-market reform announced by the EU in mid-June (more competition, cuts in production volumes), which would be based on reductions in the EU’s system of quotas and price guarantees, has been met with a divided response for fear of substantial price declines (40%) in both Europe and the world market:

While some member states are warning of the demise of an entire industry, others see the proposed move as “half-hearted” (joint position paper published by Oxfam and WWF International). Without any special arrangements for poor developing countries, provisions on enforcements of social and environmental standards, and limits on the dominant role played by the sugar industry, it is argued (in a joint position paper published by German NGOs on June 15, 2004), the reform is unlikely to provide any real contribution to the goal of poverty reduction. Another indication of the complexity of the negotiations is that e.g. the ACP countries, in any case faced with an erosion of the preferences accorded them by the EU, are expressing concerns about this development in the sugar market, noting that even if the quantities guaranteed them (1.5 tons p.a.) were retained, declining prices would mean shortfalls in their export earnings; and fears are growing that the only major winners would be the big suppliers of (cheap) agricultural goods (Brazil, Australia). Another unresolved problem is that rising world market prices due to cuts in subsidies for agricultural goods would force up import prices for the not inconsiderable number of net importers of agricultural goods among the developing countries. On the other hand, small agricultural economies would not necessarily be in a position to benefit directly from the price incentives this development would imply, a fact which goes some way toward explaining their reservations

toward any further market-opening for agricultural products.

A certain measure of “convergence” which began to take shape within the P5 Group (“Five Interested Parties”: Australia, Brazil, the EU, India, the US) during negotiations conducted on the periphery of UNCTAD XI in Sao Paolo and appeared to signal a willingness to progressively “[remove] export subsidies, substantially [reduce] domestic farm aid, and substantial[ly] increase ... market access” (Pascal Lamy) ran up against criticism both from NGOs and members of the G10 and from various groups of developing countries for its lack of transparency and inclusiveness.

The Singapore Issues

The EU’s attempt to establish a linkage between agricultural topics and the Singapore Issues turned out to be a factor that contributed in important ways to the collapse of the Cancun ministerial. While there was no dispute over the regulative and practical importance of these issues, it is nevertheless difficult to understand why the EU Commission made such emphatic demands in Cancun, especially in view of the fact that the European business community had not formulated any clear-cut expectations. While the US took a markedly wait-and-see stance (market access being its priority), and Japan and Korea offered their support for the integration of an investment agreement, the majority of developing countries roundly declined to enter into negotiations on the Singapore Issues in the present round, and did so not only for the tactical reasons imputed to them but for reasons of principle. These reasons are multifaceted and range from a general overload of the ongoing talks and the capacity bottlenecks which this entails, the associated problem of political and financial costs, to fundamental questions concerning the WTO’s mandate and the proposed linkage between agreements on investment and competition and the issue of international trade policy.

For agreements on investment and competition in particular, member countries are required to implement measures to ensure that a substantial number of legal and institutional conditions are met. At the same time, however, WTO membership further restricts the policy space open to

them. This also applies for government procurement, where it will no longer be possible for governments restrict contract awards to domestic enterprises and to provide them with targeted incentives in the form of subsidies. The WTO is in any case already equipped with the agreement on Trade-Related Investment Measures (TRIMS), an instrument designed to enforce "national treatment" (equal, nondiscriminatory treatment), and talks continue on the GATS agreement on rules governing investment. Now that the EU has dropped its demands, a new willingness appears to emerging to embark on negotiations on trade facilitation. At present this issue appears to be relatively uncontroversial, aimed as it is at achieving a number of generally accepted technical improvements in the areas of transport procedures, handling of goods, customs procedures, transit, and the like. However, this too has met with a certain measure of reserve among many developing countries, which would be overburdened by the investment and infrastructure measures required. The G90 has called for further clarifications before negotiations get underway. As one trade minister put it, "Of course we are interested in developing our ports, computerizing the handling of goods, and speeding up customs procedures, but what if the education minister is also requesting the same appropriations...!?"

NAMA – Nonagricultural market access

The issue of market access for nonagricultural goods also involves a close linkage with the negotiations on agriculture, and a number of members are demanding clarity on offers in the agricultural sector before serious negotiations get underway. The majority of WTO member countries has shown interest in further reductions of customs tariffs in keeping with the targets of the Uruguay Round. It is, after all, developing countries that see their export chances restricted by customs barriers affecting many goods of particular interest to them (agriculture, textiles/clothing).⁴ While these countries are thus interested in market liberalization, the opening of their own markets is fraught with unclarified

issues involving timing and sequencing, and they see a major problem in the measure of reciprocity required of them. While the majority of developing countries have already undertaken steps toward liberalization (in part in the context of World Bank/IMF reform programs), they see the commitments required by the WTO as additional pressure and fear that their national policy space could be further undermined, especially as far as their industrial policies are concerned. For UNCTAD too, this is one of the essential issues of the ongoing WTO negotiations. At the same time, however, observers are pointing to the economic gains to be expected in connection with further liberalization measures, in particular in the agricultural sector, and they note that elimination of customs tariffs is a goal even more important than reduction of subsidies. This, though, serves to illustrate clearly that gains and losses will be unevenly distributed across different groups of developing countries. Against this background, the core of this problem complex must be seen in possible approaches to reducing customs tariffs which are on the one hand binding and nondiscriminatory, and thus in compliance with WTO rules, and on the other hand do justice to existing differentials by adopting appropriate "formulas," providing for protracted transition periods, and allowing for "incomplete reciprocity."

In view of the highly different starting conditions involved, it is obvious that linear, percentage-based reduction measures are not a viable option. One possible solution is seen in various "formulas" (e.g. the "Swiss formula," "bonded" or "bended" formulas. These formulas are so complex that only experts can fully understand them, and their actual impacts can be estimated only on the basis of careful calculations using a number of different coefficients.⁵ Following consideration of a proposal on a so-called "tiered approach" involving four "tariff bands" for developed countries and five such bands for developing countries, the intention now is to pursue a "single approach" involving adjusted tariff stages for industrialized and developing countries.

⁴ The Agreement on Textiles and Clothing (ATC) is due to expire at the end of 2004; from 2005 on this sector will also be subject to the rules of the GATT.

⁵ See A. Liontas "WTO Trade Negotiations on Non-Agricultural Market Access and the ACP-Countries," Policy Paper commissioned by FES Geneva for the ACP office in Geneva, November 2003.

However, some groups of developing countries are complaining that they have not been sufficiently involved and that their interests have not been accorded adequate attention. No agreement is likely to be forthcoming unless concrete progress is made in the negotiations on agriculture that does justice in particular to these countries' claim to "special and differentiated treatment." This explains their markedly reserved wait-and-see stance. Aside from some developing countries, including India and the G33, the G10 countries, all of which are industrialized net food importers, are interested in the option of retaining high tariffs and import quotas to protect their own farmers.

Special and differential treatment (S&DT)

The issue of special and differentiated treatment for developing countries is anchored in all of the fields under of negotiation in the WTO framework; S&DT is intended, for instance, to provide developing countries with special rights such as longer implementation periods or additional trade opportunities. S&DT must be distinguished from "safeguard measures," which may allow developing countries to impose temporary import restrictions to protect their domestic economies against any unexpectedly rapid rise in imports. In principle, the issue of special and differentiated treatment of developing countries is not a controversial one; however, the ongoing negotiations have not yet showed any signs of coming up with practicable and acceptable solutions that might lead to a consensus between the rival positions already staked out and help to overcome the present "impasse." At present the negotiations are concerned with two basic questions: 1) Does the term S&DT mean a set of transitional arrangements designed to enable developing countries to comply with liberalization requirements, i.e. arrangements that developing countries will "grow out of"? Or is it possible to give the WTO's rules a shape so "development-friendly" as to ensure developing countries the "policy space" they need to harness their trade policies as an instrument of development? 2) Are all developing countries generally eligible for S&DT, or should further distinctions be drawn with a view to their individual development levels? As regards the second question, it should be noted that further differentiation

has already been accepted in part, e.g. for the group of least developed countries (LDCs), although on the other hand large and advanced developing countries are reluctant to forgo any possible advantages that might be implied by such arrangements.

As regards the first question, critics of the WTO see a risk that the organization could confuse the role played by a development strategy with that played by a liberalization strategy and come to view liberalization as an end in itself. Viewed against this background, the task of working through the 88 unbound individual proposals that have been submitted on special measures cannot be seen as a solution; yet even this process is currently stalled and seems unlikely to go forward. The present chairman of the WTO's Trade and Development Committee (CDT) on Special and Differential Treatment Provisions, Faizel Ismail, describes the current situation as "polarized," marked by "divergent perspectives" on substance and procedures, and thus as "unproductive." He is seeking, in a number of consultations and deliberations,⁶ to reinvigorate the negotiations and to give them a new orientation; he intends here to center on processes and negotiation procedures, and he has already won the initial approval of the committee members. However, none of the WTO ambassadors directly concerned appears to be willing to withdraw any of the 88 special proposals already submitted, thus opening up the way to a fresh start.

There appears to be little inclination to take up the 27 recommendations on 28 agreement-specific proposals adopted "in principle" prior to Cancun; instead, the approach favored now is to continue to work on the overall package until the middle of 2005. Latin American and East Asian countries in particular are opposed to the de facto establishment of a *new class* of developing countries that would be granted special treatment based on a consolidation and institutionalization of preferential market access. One central concern of the chief of negotiations is to avoid any split among the developing countries, e.g. between the G20 (of which South Africa itself is a member) and the G90 (AU/ACP/LDCs);

⁶ The deliberations are being supported by FES Geneva in cooperation with ICTSD.

and the search is therefore on for possible sectoral S&DT solutions which would take account of the sectoral concerns of advanced developing countries, while other sectors would not (or no longer) be in need of S&DT.

But this does not imply a solution to the underlying problem: the WTO is based on the principles of equal treatment and nondiscrimination, and accordingly exemptions to rules must be in conformity with the rules and thus nondiscriminatory. It is at present fully unclear how these fundamental principles are to be brought into a sufficiently flexible balance - for developing countries as well - with the rules and mechanisms of differentiation, particularly in view of the fact that the majority of developed countries wish to see S&DT handled within the framework of a "broader package" and in connection with the equally complex negotiations on agriculture and non-agricultural market access (NAMA).

GATS

The General Agreement on Trade in Services (GATS) is a self-contained treaty concluded in 1995 under the auspices of the WTO. Since January 2000, the agreement - then already five years old - has become the subject of multilateral trade negotiations; and in November 2001 they were integrated into the Doha Round and the so-called single undertaking. The GATS is keyed to the most important WTO principles and obliges signatories to embark on a course of "progressive liberalization," although the GATS differs from the "request-and-offer" procedure under which members countries present their expectations and offers, specifying the sectors and conditions in which they are interested. The agreement generally obliges signatories neither to open their markets nor to privatize state-provided services (although signatory countries may well be subject to outside pressure in the course of their "autonomous liberalization" efforts).

The deadlines set for market-opening requests (June 30, 2002) and offers (March 31, 2003) were not met. Labor unions and numerous NGOs had been following the GATS negotiations with great concern, and since Cancun the scene has been strangely calm, possibly because the quantity and quality of the offers received

(44) have remained far below expectations. The deadline for additional and improved offers has now been extended to May 2005. It is, however, possible that, here too - though in this case it is based on a far more flexible and differentiated procedure - the task of integrating the GATS into the Doha Agenda's single undertaking has led to a blockade: everything seems to be inextricably bound up with everything else, and in the end it will be necessary to strike a balance between give and take. Furthermore, many developing countries feel overburdened in advancing offers in services, an underdeveloped and relatively intransparent sector; here too, they are afraid of losing more and more of their autonomous policy space and feel threatened by a situation of growing foreign market penetration, even though they are fully aware of the significance of this sector for their economic development. Very little has been done - and very little is expected to be forthcoming - in the field of liberalization of "movement of natural persons" (Mode 4), an issue very close to the hearts of developing countries.

3 Outlook: multilateral, regional, bilateral, or plurilateral?

To the observer not directly involved, the present, highly complex, state of the negotiations appears almost intractable, inaccessible to a solution based on a fair and compromise-oriented procedure. The differences separating the member countries - and not only as far as their economic power and competitiveness is concerned - simply seem insurmountable. A statement reportedly made by WTO Director-General Supachai Panichpakdi at a session of the Trade Negotiation Committee would seem to bear out this pessimism. There he underscored the need for ministers attending meetings like the OECD ministerial in Paris in May to "operationalize and translate the firm political commitments into concrete textual proposals in Geneva." The fact of the matter is, however - this much should be clear by now - that the devil is in the details; and this is the situation with which the negotiators in Geneva are going to have to come to grips - concretely and beyond all political rhetoric. Furthermore, the ramifications of decisions taken in one field are often hardly predictable, and they are even less predictable in their intertwi-

nement with other fields under negotiation in the "overall package."

Viewed against this background, the negotiations conducted in the General Council in late July were of paramount significance – concerned as they were with saving the Doha Round, and possibly even the WTO itself. The EU, with its joint letter from Commissioners Lamy and Fischer, can claim to have given the crucial impetus for a positive course of the ongoing negotiations. Progress – as contentious as it may be – was also made at the above-mentioned P5 consultations in June on the periphery of UNCTAD XI in Sao Paulo. Supachi and the chairman of the General Council, Japan's ambassador Shotaro Oshima, presented, in early July, a first draft for the negotiation framework projected for the end of July, the core elements of which were presented at the meeting of the G90 developing countries in Mauritius on July 11, a meeting likewise attended by US Trade Representative Robert B. Zoellick and EU Trade Commissioner Pascal Lamy. Marathon negotiations led in the end to a framework agreement which, while perhaps not "historic" in scope, was less vague than many observers had anticipated and has now opened the way to further negotiations. While developing countries in particular see in the commitments to cut subsidies a step important for the implementation of the overall package, other countries (including Switzerland) view precisely this step with a critical eye. In an article appearing in the *Frankfurter Allgemeine Zeitung* on August 2, 2004 and entitled "Lackluster Crisis Management," Konrad Mrusek noted, "The concessions on agriculture are not an ethically motivated sacrifice of the rich, they are an overdue correction."

The level of intensity of the negotiations, which also included the political levels, is perhaps best indicated by the fact that German Federal Minister of Economics and Labor Wolfgang Clement took part in the talks for five full days, in particular with a view to bolstering the EU's compromise offer. In the end he welcomed the outcome: "I am pleased that the WTO members have seized the opportunity to reach substantial progress in the world trade round prior to the elections in the US and the reconstitution of the European Commission. That is important for

growth and employment in Germany" (*Süddeutsche Zeitung*, August 2, 2004).

However, far from being a breakthrough, the July outcome at best reached the half-way mark: none of the problems involved has actually been settled. And it is by no means certain that the compromises needed to conclude the Doha Development Round (DDA) will be found before the next WTO ministerial set to be held in December 2005 in Hong Kong. In the G20 and the G90, the developing countries – and this is the positive development that has emerged since Cancun – have strategically and effectively repositioned themselves and are now able to constructively represent their interests. Further concessions are now needed to turn the Doha Round into a genuine "development round."⁷

For its part, the WTO regards developments in the dispute-settlement procedure in a positive light: In the fewer than nine years that have elapsed since the WTO was established, over 300 dispute-settlement procedures have been initiated, as compared with roughly the same number during the 50 years of the GATT. While, in the eyes of the WTO, this on the one hand underlines the confidence placed by member countries in the dispute-settlement procedure, it at the same time also clearly indicates that the rights – and duties – of members have grown substantially as compared with the GATT. However, it is at the same time important to recognize that negative decisions arrived at in dispute-settlement procedures have sparked strong reactions in member countries – e.g. in the US – that that even go so far as to cast doubt on continuing WTO membership.

For the majority of member states, trade-related activities at the multilateral level, i.e. efforts to improve the regulatory framework and forge on with liberalization, are only part of the overall picture: other negotiations are continuing at the same time on bilateral and regional trade agreements. The WTO has been notified of work on some 180 bilateral and regional agreements, and expectations are that this figure will roughly double by the year 2005. The European Union is

⁷ See the forthcoming publication: Federico Alberto Cuello Camillo, "What makes a Round a Development Round," FES Dialogue on Globalization.

particularly active in this field, having concluded relevant agreements e.g. on the Mediterranean region or with the ACP nations, and it is now set to negotiate similar agreements with other regional organizations (e.g. with MERCOSUR). In the framework of the Cotonou Agreement, the EU is conducting further negotiations with the ACP countries on an Economic Partnership Agreement (EPA). This has relevance for the WTO, particularly in view of the fact that many observers fear that the EU intends to use these agreements to offset concessions it has made in the WTO negotiations in this area.

In recent years the US has also stepped up its negotiation efforts at different levels: the bilateral (e.g. Jordan, Singapore, Morocco, Australia), the regional (NAFTA, FTAA/Free Trade Area of the Americas), and the subregional (CAFTA/Central American Free Trade Agreement). Efforts are underway to forge on with free-trade areas and regional integration projects in all of the regions of the world (ASEAN/AFTA, SAARC/SAFTA, MERCOSUR, SADC, COMESA, WAEMU), and in Asia in particular the establishment of the ASEAN Economic Community (2003) has accelerated the dynamics of regional and bilateral negotiations, a process in which competition for and between China and Japan constitutes an additional dimension. In June 2004 a third round of negotiations aimed at promoting South-South trade was launched on the periphery of UNCTAD XI; these talks are being conducted in the framework of the Global System of Trade Preferences (GSTP) which was initiated in Belgrade in 1988 and presently has 44 members. Between 1960 and 2003, the volume of trade between these countries increased from 24% to 43% of their total trade volume, and growth in the trade between these countries is twice as high as the world average.

The Doha Declaration acknowledges that regional trade agreements may have an important role to play in promoting liberalization, trade expansion, and development. The so-called Enabling Clause set out under the rules of the GATT and the WTO permits developed members to give differential and more favorable treatment to developing countries and to grant them regional or global preferences that may deviate from the MFN principle. Even so, the question remains whether the development of these agreements

must be seen as complementary or as detrimental to the multilateral rules of trade.⁸ Even though intensified South-South cooperation, even under preferential conditions, has important implications for development, and the EU attaches particular importance to regional integration processes, the remaining question is still what consequences this will have for the future of the crisis-ridden multilateral system and how this growing complexity can be “managed” – in particular in view of the fact that WTO members have been ‘thinking out loud’ about the possibility of a “variable-speed” WTO or a “plurilateral” framework as a response to the stagnation presently hobbling negotiations.

One real possibility, that might even be regarded as a major advance, is that intensified South-South cooperation could give rise to a trade network adapted to the means and interests of developing countries. But it would be counterproductive, and a high price to pay, if this meant the end of further liberalization efforts in the industrialized countries and the – precarious – balance that has been reached by the poor developing countries in the trade negotiations underway in the multilateral system. At present there are no indications that the advanced developing nations would be prepared to make any further concessions to this group of countries.

The author:

Dr. Erfried Adam is Director of the Friedrich Ebert Foundation Office in Geneva

The manuscript of the present paper was prepared in early July and slightly revised prior to publication.

⁸ FES Geneva, together with the Evian Group (IMD Lausanne), will be holding an “International Roundtable” on this issue from November 26-28, 2004.

References

- WTO: Understanding the WTO:
http://www.wto.org/english/thewto_e/whatis_e/whatis_e.htm
- WTO: The Doha Declaration explained;
http://www.wto.org/english/tratop_e/dda_e/dohaexplained_e.htm
- WTO: Annual Report 2004;
http://www.wto.org/english/res_e/reser_e/annual_report_e.htm
- ICTSD: BRIDGES Weekly Trade Digest, Vol. 8 (various nos.)
<http://www.ictsd.org/weekly/index.htm>
- ICTSD: Agriculture Negotiations at the WTO – 'Framework' Phase Update Report, June 2004 (draft)
<http://www.ictsd.org/issarea/atsd/products/docs/AgricultureNegotiations10.pdf>
- ICTSD Bridges, Year 8, No. 7, July-August 2004
- UNCTAD, Division on International Trade in Goods, Services, and Commodities;
<http://www.unctad.org/Templates/Page.asp?intltemID=1532&lang=1>:
- Market Access Proposals for Non-Agricultural Products (Sam Laird, Santiago Fernandez de Cordoba, David Vanzetti)
- Back to Basics: Market Access Issues in the Doha Agenda, New York/Geneva 2003 (Sam Laird, Lucian Cernat, Alessandro Turrin)
<http://192.91.247.38/tab/newpubs.asp>
- A. Lontas: WTO Trade Negotiations on Non-Agricultural Market Access and the ACP Countries, FES Geneva Policy Paper, November 2003;
[http://www.fes-geneva.org/publications/Fame.htm](http://www.fes-geneva.org/publications/Frame.htm)
- TWN Info Service on WTO Issues (June 04/12): South Leaders launch GSTP new round in optimistic mood;
<http://www.twinside.org.sg>
- Institute for Agriculture and Trade Policy (IATP), Geneva Office; 0733
www.tradeobservatory.org www.iatp.org
- Michaela Eglin: The General Agreement on Trade in Services (GATS) - A Background Note, Dialogue on Globalization-Occasional Papers, FES (Geneva), No. 4/April 2003
- Sophia Murphy: The Uruguay Round Agreement on Agriculture and its Renegotiation, Dialogue on Globalization - Occasional Papers, FES (Geneva), No. 5/April 2003
- Eva Hartmann/Christoph Scherrer: Negotiations on Trade in Services – The Position of the Trade Unions on GATS, Dialogue on Globalization-Occasional Papers, FES (Geneva), No. 6/May 2003
<http://www.fes-geneva.org/publications/OccPapers.htm>

More information is available on
www.fes.de/globalization

The views expressed in this publication are not necessarily the ones of the Friedrich-Ebert-Stiftung or of the organization for which the author works.

Friedrich-Ebert-Stiftung
Hiroshimastrasse 17
10785 Berlin
Germany
Tel.: ++49-30-26-935-914
Fax: ++49-30-26-935-959
Roswitha.Kiewitt@fes.de
www.fes.de/globalization

Friedrich-Ebert-Stiftung
Geneva Office
Chemin du Point-du-Jour 6 bis
CH-1202, Geneva
Tel.: ++41-22-733-3450
Fax: ++41-22-733-3545
fes.geneva@ties.itu.int
www.fes-geneva.org