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# Trade Policy Analyses

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The Informal Roundtable Meeting was held at the Keidanren Guest House in Gotemba, near **Mount Fuji** (above), Shizuoka-ken, Japan.



Reproduced here is the paper by **John M. Weekes** (above) that was presented at the meeting.

## About the Author

John Weekes is Chairman of the Global Trade Practice at APCO Worldwide, Geneva, Switzerland. He was previously the Canadian Ambassador to the World Trade Organization (1995-1999) and he was Chairman of the WTO General Council (1998).

Before that, Ambassador Weekes was Canada's chief NAFTA negotiator, after being heavily involved in the Uruguay negotiations.

## GOTEMBA MEETING

# Facing the Challenge in the WTO System

Chairman's Statement by John M. Weekes

IN THE World Trade Organization there is growing support for an agenda of active work to restore momentum in the multilateral trading system with a view to work towards strengthening the system and liberalizing trade and trade-related investment. The problem arises over defining the agenda of that work, which is to be decided at the WTO Ministerial Conference in Doha, Qatar, on 9-13 November. Securing agreement on the agenda raises a plethora of issues, reflecting the wide array of interests among member countries, given their very different stages of economic development.

Negotiations on agriculture and services have already been renewed as part of earlier commitments in the Uruguay Round negotiations. The so-called Like-minded Group of developing countries is insisting on the "implementation" (and review) of issues that have arisen from earlier negotiations being the focus. Others favor more ambitious negotiations, but there are still differences about the extent of the agenda, with some stressing the need to look ahead as the world economy continues to integrate very rapidly.

## Substance and Semantics

What ministers are being asked to determine in Doha is the scope and shape of the WTO's ongoing program of negotiations. Should it be limited to agriculture and services (and issues on "the built-agenda" for review)? Or should it be expanded and, if so, how? As officials prepare for the Ministerial Conference, all sorts of sensitivities and interests have to be taken into account, so semantics have become more important than usual.

In the discussions since the Uruguay Round negotiations were concluded in December 1993, a number of terms have become charged. One is the very concept of a "round", for it is widely

### About the Meeting

The meeting in Gotemba was aimed at clarifying the outstanding issues and trying to identify what might be done to clear the decks for the launch of the first WTO round at the Ministerial Conference in Doha, Qatar in November 2001.

thought that negotiations in the WTO system should be a continuous process, a view that dates back to the post-Tokyo Round period in the late 1970s. That view is favored by the major trading powers, particularly since smaller countries have learned to stand up to them through *ad hoc* coalitions and regional groupings, all too aware that their interests tend to be brushed aside if they are politically too "sensitive" for industrialized economies. By the same token, the smaller countries are bothered about being swept along in a round that is conducted as "a single undertaking", as with the Uruguay Round negotiations.

The phrase "program of negotiations" does not generate the same negative reactions. In a similar vein, the idea of "working" on issues is seen by many as much less worrisome than "negotiating" on issues, pitting the large and strong against the small and weak. "Launching" is also a frightening prospect. What officials are looking for in Doha is *starting an enlarged program of negotiations*. The purpose is to start negotiations, not to look to the end of them, nor to anticipate all the difficulties to be overcome along the way.

There remain, however, a number of obstacles to initiating such a program. At one level there exists an element of mistrust among WTO member countries about the motives of why the major trading countries – first the European Union and Japan, then the Cairns Group countries, led by Australia, and finally the United States – are pushing for an enlarged program of negotiations.

In addition there is a debate over how to deal with the problems that some developing countries are having in implementing the commitments they made in the Uruguay Round negotiations. The Like-minded Group – including India, Pakistan, Egypt and Malaysia – has been insisting that the issue must be resolved before a new round is launched. They are concerned not only with implementation difficulties but also with the overall balance of what was negotiated, believing it has worked out to their disadvantage, with them not receiving the benefits they expected.

Of central importance is the fact that some developing countries do not have the administrative and technical capacity to implement commitments they were obliged to make because they went along with the agreement at the outset to conduct the Uruguay Round negotiations as a single undertaking. The problem has been further aggravated by the developed countries not making good on their "best endeavor" commitments in various WTO agreements to provide technical and financial assistance for implementation.

There are also significant differences over the desirability of including certain issues in a new program of negotiations. These appear most sharp in the areas of agriculture and the environment, as well as investment regulations, competition policy and anti-dumping laws.

## Global Economic Stakes

With all the uncertainties about the outlook for the world economy, the speeches of Alan Greenspan, Chairman of the U.S. Federal Reserve System, have emphasized how adverse developments in markets around the world become instantly known via the internet and news media, quickly affecting business confidence one way or the other. The following quote underscores the importance of the Doha ministerial.

"Drift towards protectionist trade policies, always so difficult to reverse, is a much greater threat than is generally understood. Erecting barriers to the free flow of goods and services across national borders undermines the division of labor and standards of living by impeding adjustment of the capital stock to its most productive uses.

"Not so well understood is the impact that fear of growing protectionism would have on profit expectations – and hence on current values of capital assets. Protectionism was a threat to standards of living when capital asset values were low relative to income. It becomes pernicious in an environment, such as today's, when that is no longer the case."

The Economic Summit in Genoa in July put the issue in a global context when the heads of government said:

"Sustained economic growth worldwide requires a renewed commitment to free trade. Opening markets globally and strengthening the World Trade Organization, as the bedrock of the multilateral trading system, is therefore an economic imperative. It is for this reason that we pledge today to engage *personally and jointly* in the launch of a new ambitious round of global trade negotiations at the fourth WTO Ministerial Conference in Doha, Qatar, this November" (emphasis added).

Failure in Doha could undermine business confidence and contribute to a further worsening of the world economy. Success could help to bolster confidence and contribute to increased growth. The governments of WTO member countries have to show they know what they are doing. Doha is not an isolated "trade" event for WTO *aficionados*. It is a central event in global economic management.

### What Would Constitute Success?

An agreed outcome at the Doha ministerial is critical. Part of the problem with the failed Seattle ministerial was that there was no agreed outcome to guide member countries as they tried to move forwards after the debacle. No agreed outcome at Doha would leave the impression that "they can't agree on anything". To initiate an enlarged program of negotiations does not require

agreement on the outcome, only agreement on the issues that ought to be addressed, conveying a sense of direction about where the process is heading.

There are wide differences among member countries about the level of ambition and the coverage of an enlarged program of negotiations. This could become a real stumbling block. There are certainly issues on which consensus is impossible to achieve. Sensitivity to everyone's interests is essential. All participants need an assurance that the issues of positive interest to them will be constructively addressed. At the same time, though, they need some assurance that their worst nightmares will not be realized.

In order to address these concerns, it is proposed that ministers provide – in the structure for managing the negotiations – for regular high-level reviews of progress and balance in the discussions as they proceed.

In drawing together the discussion in Gotemba, and the conclusions so far in the draft report, the following elements need to be stressed.

- (a) Global prosperity is linked to success at the Doha ministerial.
- (b) Imagination is needed to craft an agreed outcome, but there seems to be considerable common ground in terms of the future work program on the institution, which means not getting hung up on semantics and not trying to prejudge the outcome.
- (c) Ministers and governments will be held to account for how they manage this challenge. Leadership is needed.
- (d) The Doha result must offer some real prospect for all partners to address their interests.

### **Differences over the Obstacles**

First of all it should be understood that what is being contemplated by WTO member countries is the launch of negotiations, not their conclusion. None of the obstacles seems insurmountable if WTO member countries are prepared to exercise sufficient flexibility and imagination. But time is short. The Ministerial Conference in Doha begins in two months. If no progress is made soon the prospect of an agreed outcome will be close to non-existent and the world will be faced with the consequences of the failure of another WTO ministerial conference. Clearly it would be impossible to resolve these obstacles at Doha and an effort to do so would inevitably cause real friction among WTO members because once again the task of trying to break the *impasse* would be assumed by a relatively small number of members.

WTO members, without prejudice to their current positions, should urgently consider alternatives on how to approach the remaining obstacles. Such an effort would show alternative ways of dealing with the contentious issues and facilitate solutions. Such an approach could help members translate the increasingly evident political will into practical progress. It could also help if proponents of various proposals could articulate with more precision what they have in mind and, more importantly, what they are not proposing. In the current atmosphere of mistrust such action could have an important confidence-building effect.

### **Outstanding General Issues**

The Ministerial Conference is the WTO's highest decision-making authority. It does not meet only when there appears to be something for ministers to decide. On the contrary, under the Marrakesh Agreement establishing the WTO, the Ministerial Conference is required to meet at least once every two years, for its implicit purpose is to exercise political direction and control over the activities of member countries in the WTO's councils, committees and working groups.

In the Ministerial Conference and subsidiary bodies, decisions are reached by consensus and therefore require a great deal of discussion, in keeping with any democratic process. The WTO, however, is not a debating society. Its discussions are conducted by delegations, on instructions from capitals, with a view to deciding how the WTO's agreements are to be pursued within its framework of contractual rights and obligations.

Apart from deciding on the items for an enlarged program of negotiations, there are a number of general issues, having a bearing on progress in whatever program is adopted, on which ministers must take action.

#### **1. Public Understanding of the WTO Role**

Since the Seattle debacle, governments have done very little, in response to anti-globalization groups, to educate public opinion on the role of trade policy and the WTO system in promoting economic growth and development. For more than a generation the integration of the world economy has been outpacing the development of political thought, institutions and leadership.

It is important to foster greater public understanding of the way the principles, rules and procedures of the multilateral trading system serve three constitutional functions. Their *first function* is to protect governments from sectional or special interests – be they firms, labor unions, communities or whatever – that want the government power of coercion to be used in their favor. Their *second function* is to protect citizens, including legal persons (firms), from their governments. Their *third function* is to protect governments from one another.

When multilateral rules are observed, fulfilling their functions as constitutional constraints, the managements of firms can get on with their business in a stable institutional environment, independently of where they are located.

## 2. Institutional Reform of the WTO System

As governments move closer to agreement on the launch of the first WTO round, they must take action to strengthen the institutional machinery of the WTO system itself to enable them to conclude the negotiations expeditiously – in three or four years – to the benefit of all WTO member countries.

After the Seattle ministerial there was much public discussion of the perceived inadequacies of the institutional side of the WTO system. The criticisms are best addressed by the WTO's institutional machinery, rather than in negotiations, but they are being left to drift and so the criticisms persist more or less unchallenged. Ministers might ask the Director-General to appoint a group of experts, composed of experienced delegates and/or former high officials, to submit a report on the issues to the WTO General Council within six months, with recommendations not only on improving the decision-building process, the dispute-settlement mechanism and "transparency", both internal and external, but also on the strengthening of the WTO Secretariat.

On this last, the workload of the WTO Secretariat, with the expansion of the WTO system, is very much larger than that of the previous GATT Secretariat, but its resources have not been enlarged commensurately. As a result the staff is heavily overloaded. It is the old problem of a high-level tendency in many walks of life to will the end but not the means and it is simply not good enough. Additional resources are required to engage substantially more professional staff to allow the Secretariat to respond effectively to the increased responsibilities the members are requiring it to perform in a variety of areas.

## 3. Trade and Labor Standards

To date the proposal for labor standards in the WTO system, with trade sanctions to enforce them, has not featured in the Geneva process. The issue, however, could be explosive, especially if left to the last minute. If pursued, the proposal would be a launch breaker, for there is no willingness to negotiate with the United States on such terms.

As long as there is the possibility of the U.S. Administration securing from Congress a trade-negotiating authority that is free of any requirements on labor (and environmental) standards, it may be wise to let sleeping dogs lie. But what if the U.S. Congress does not oblige or the issue is left up in the air as a result of U.S. trade-negotiating authority not being settled before the Doha ministerial meeting?



The **mockingbird** is the state bird of Tennessee. Cordell Hull represented a

district of Tennessee in the Congress of the United States, and was elected a senator from there, before becoming U.S. Secretary of State (1933-44).

### **Trade Policy Analyses**

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In those circumstances, the ministers of most WTO member countries would be more comfortable if there was a formal statement reaffirming the decision at the Singapore ministerial that the issue should be addressed outside the WTO system in the International Labor Organization. Ministers should endorse the agreement in the OECD for the issues to be addressed through a dialogue, as opposed to a negotiation, and take up the proposal of the ILO Secretary-General for an international commission on "the social dimensions of globalization".

## **4. Addressing Implementation Issues**

Over the last six months, the implementation issues that were raised three years ago have finally got the attention of the developed countries, which have expressed a readiness to address them before, at or after the Doha ministerial meeting. It is now urgent for them to say what they are prepared to do and when.

So far the whole problem has been discussed on the basis of very little analysis. Even if an expanded program of negotiations is initiated, the arguments are bound to continue, so the WTO Secretariat should be asked to undertake, within three months, a thorough analysis of the hundred or so issues that have been compiled.

## **5. Trade-related Capacity Building**

At the core of implementation problem is the lack of resources going into trade-related capacity building. The importance of the issue was recognized at the Genoa Economic Summit, but there is no public sign of new resources being generated to support technical and financial assistance to developing countries, enabling them to fulfill their commitments in the WTO system.

The ministers meeting in Doha should instruct the General Council to prepare a specific package of assistance for capacity building within six months. This would require coordinated action by governments, the World Bank, the regional development banks and other financial institutions.