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WTO Ministerial Conference: Staying Alive

By Evan Rogerson

Synopsis

The World Trade Organisation Ministerial Conference opening in Buenos Aires on 10 December 2017 is not expected to yield significant positive results. It is taking place against a background of stalled negotiations, deepening divisions over the trade agenda and threats to the functioning of the multilateral trading system.

Commentary

IF THE World Trade Organisation's (WTO) 11th Ministerial Conference did not exist there would be little reason to invent it. The two-yearly cycle of Ministerials prescribed in the WTO's founding Agreement has helped to raise expectations of concrete results each time, with the accompanying risk of high-profile failure.

The last two Ministerials, at Bali in 2013 and Nairobi in 2015, achieved a degree of success by salvaging elements of the shipwrecked Doha Development Agenda that were still serviceable, Trade Facilitation and the prohibition of agricultural Export Subsidies. However there are no such useful items to hand this time. The scope for success is correspondingly more limited and the risks are that much greater.

Divergences: Still a Challenge

The preparatory process in Geneva has narrowed the range of issues but not the divergences that bedevil them. Some, like Trade and Environment, intellectual property, industrial tariffs and anti-dumping rules, have effectively been put in the freezer. In Agriculture, the Ministerial might at most agree on the Indian public stockholding issue and – hopefully - the Singaporean initiative on Export Restrictions.

The major negotiating subjects like trade-distorting domestic subsidies to agriculture or the tariff barriers that persist in the sector are in the too-hard tray. In Services the one possible area for progress, domestic regulation, has stalled. In the so-called Development area, a number of proposals to expand special and differential treatment for developing countries remain as far from agreement as they have been for nearly 20 years.

Meaningful work in the WTO on key current and future issues like investment and electronic commerce remains blocked. And, though it is not formally on the Ministerial agenda, the United States refusal to allow new appointments to the Appellate Body threatens the Dispute Settlement system and will inevitably overshadow the meeting.

Limiting Fishery Subsidies: Vital But Not Assured

One issue that cries out for action at Buenos Aires is the subsidisation of fishing that imperils the sustainability of fish stocks. Prohibiting such subsidies, including those that encourage illegal and unreported fishing, by 2020 is part of UN Sustainable Development Goal 14. This can only be done effectively through a multilateral agreement in the WTO.

Fishery subsidies have been a part of the WTO negotiating agenda from the start of the Doha Round, but these negotiations have taken on increased urgency with growing recognition of the crisis of the world's oceans. It is a case where work in the WTO is supported by NGOs and civil society as well as by political endorsement at the highest level.

Despite all this, even modest results are not assured. The negotiating scope has contracted to the point where all that remains in the frame for prohibition at this stage are subsidies to illegal, unregulated and unreported fishing. Agreeing to stop subsidising illegal activities is not exactly a huge step forward, but it would at least go in the right direction.

Nonetheless, as the negotiators left Geneva for Buenos Aires the outlook was cloudy. Some major developing countries are insisting on carve-outs that would significantly weaken any agreement, and there is also the ever-present risk of the issue being held hostage against other unrelated concerns. It is now for the ministers to try to resolve. A failure on their part would be a bad sign not only for the WTO but also for the ability of the global community to deliver on the SDGs – the Sustainable Development Goals as endorsed by the United Nations.

Political Direction: Little Chance of Agreement

If the outlook for progress on specific issues at Buenos Aires is bad, the overall political situation of the multilateral trading system is worse. These meetings normally produce a Ministerial Declaration which reaffirms the core values of the system, brings together any specific decisions and outlines directions for future work.

The declarations from Bali and Nairobi and the agreed “Elements for Political Guidance” from Geneva in 2011 have proved useful in enabling negotiations to

continue in some areas despite the stalemate in the Doha Round. This time, however, the effort to produce a draft declaration was abandoned in the face of deep divisions about the status and purpose of the system and US unwillingness to continue with the process.

The Argentinian conference chair may try to renew the effort at the Ministerial, but the chances of success are poor.

Faultlines, Leadership Deficit Exposed

This situation exposes the faultlines that threaten the WTO's stability. One such is the reassertion of a defensive view of development, based on exceptions from rules and refusal to engage in the WTO on other issues, such as electronic commerce, until the Doha agenda is completed, even though its moribund state is obvious. This position is espoused in particular by a number of African countries but is also lent tactical support by major emerging economies even though they are leaders in exploiting the growth potential of electronic commerce.

This disconnect between negotiating positions and real economic interests is glaring. Rather than counter it with effective advocacy for the development benefits of a forward-looking trade agenda, too many other WTO members - notably the US - are just turning away from the multilateral arena.

The leadership deficit in the WTO and its costs have been considered at more length in an earlier RSIS Commentary (220/2017). In Buenos Aires, the best we can hope for is that those members who are still committed to the multilateral system make their voices heard forcefully and in unison. It is also likely that some will step up efforts to build plurilateral agreements in areas where progress is blocked at the broader level. These actions may be second best, but they will be essential to keep the system functioning.

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