

WTO reform

- 3.1 The ability of WTO ministerial meetings to move forward on issues depends on not only the positive attitude and agenda of participants, but on the effectiveness of the underlying structure of world trade.

Growing membership of the WTO

- 3.2 One of the most striking facts about the WTO is its exceptional growth in membership over the last three negotiating rounds (see Table 3.1).
- 3.3 At the beginning of the Tokyo Round of negotiations there were 62 GATT member countries. By the beginning of the Uruguay Round there were 92 members. By its end there were 123. There are now 146 members¹. (See Appendix C for full listing of WTO members).
- 3.4 Also noteworthy is the growth in the scope of negotiations. As tariffs on traded goods have substantially diminished, negotiations have moved into more and more complex areas (see Table 3.1).
- 3.5 Although the growth in WTO membership is encouraged by the developed countries and viewed as beneficial by all, the implications of the growth in membership are complex and contribute to a range of ongoing issues within the WTO.

¹ WTO, *Understanding the WTO*, 3rd Edition, Geneva 2003, p 112.

Logistics of negotiations

- 3.6 Clearly negotiating among 148 member governments provides a different set of challenges than negotiating among 80. Although no one believed that the number of participants alone caused the failure at Cancun a range of problems arose from difficulties linked to the growth in membership.

Table 3.1 GATT trade rounds, negotiating subjects and member countries

Year	Place / name	Subjects covered	Countries
1947	Geneva	Tariffs	23
1949	Annecy	Tariffs	13
1951	Torquay	Tariffs	38
1956	Geneva	Tariffs	26
1960-61	Geneva (Dillon Round)	Tariffs	26
1964-67	Geneva (Kennedy Round)	Tariffs and anti-dumping measures	62
1973-79	Geneva (Tokyo Round)	Tariffs, non-tariff measures, 'framework agreements'	102
1986-94	Geneva (Uruguay Round)	Tariffs, non-tariff measures, rules, services, intellectual property, dispute settlement, textiles, agriculture, creation of WTO etc	123

Source *Understanding the WTO*²

- 3.7 DFAT explains that the ground rules of negotiations, in the so called 'hothouse atmosphere' (see Chapter 2), may not have been clearly understood by all participating countries.³

Negotiating capacity

- 3.8 As DFAT points out many members of the WTO are small developing countries without Geneva representation '...and [the WTO is] asking them to keep pace with an organisation which has a complex agenda'.⁴
- 3.9 Troy Podbury from ABARE elaborated on this problem further. In assessing what impact various negotiating positions will have on a country's own economy, even wealthy countries with substantial bureaucratic resources have trouble understanding what effects will flow from certain WTO rules.⁵

² WTO, *Understanding the WTO*, 3rd Edition, Geneva 2003, p 16.

³ DFAT, *Transcript*, p 6.

⁴ DFAT, *Transcript*, p 10.

⁵ Troy Podbury, *Transcript*, p 24.

Participation in world trade by developing countries

- 3.10 Expansions of world trade have come when countries have decided that it is in their own interests to liberalise their trade. Ross Garnaut cites as examples Australia, China, New Zealand, Korea, Taiwan, Japan, Indonesia, the Philippines and Malaysia.⁶ All these nations experienced substantial growth when internal forces drove them to reduce trade barriers.
- 3.11 The problem evident at Cancun was a lack of understanding in many developing countries of the implicit benefits of liberalising trade. As David Pearce said, many developing countries viewed trade negotiations as a zero sum game,⁷ rather than a win-win situation in which the principles of comparative advantage can deliver benefits to all traders.⁸
- 3.12 As Greg Cutbush points out, a domestic atmosphere conducive to trade reform is simply not present in many member countries of the WTO.⁹
- 3.13 There is a growing consciousness of this problem within the WTO, development agencies and other global economic institutions.¹⁰ David Pearce and Ross Garnaut suggested Australia should support efforts in developing countries to ‘institutionalise a process of transparent, independent analysis of the effects of trade policy changes’.¹¹
- 3.14 The reasoning being that if developing countries have access to independent, quality research by an equivalent to Australia’s Productivity Commission, reformers in those countries would be able to build a liberalising constituency.
- 3.15 Troy Podbury notes that having home grown economic analysis is good not only for building a liberalising constituency but also for supporting developing country negotiating teams at these sort of negotiations.¹² Everyone prefers national interest assessments being made by fellow nationals.

⁶ Ross Garnaut, *Transcript*, p 17

⁷ David Pearce, *Transcript*, p 18.

⁸ David Pearce, *Transcript*, p 18.

⁹ Greg Cutbush, *Transcript*, p 25.

¹⁰ David Pearce, *Transcript*, p 18.

¹¹ Ross Garnaut & David Pearce, *Transcript*, p 18.

¹² Troy Podbury, *Transcript*, p 24.

- 3.16 While acknowledging the government's substantial efforts in this area,¹³ the committee believes that more support for trade liberalisation through increased education on engagement with the WTO and the benefits of trade liberalisation would be worthwhile.
- 3.17 Accordingly the committee would like to encourage the government to seek new and innovative ways to promote understanding of WTO processes and to support quality and independent trade analysis in developing WTO member countries.
- 3.18 Effort in these two areas could contribute substantially to such countries' willingness to engage positively with the WTO and build domestic constituencies in favour of liberalising trade.

Recommendation 1

The committee recommends the government develop new ways of supporting strategic trade related technical assistance in key developing WTO member countries. Any measures should include supporting the capacity for quality trade analysis and any structural adjustment which might flow from liberalising trade. Such measures should aim to promote domestic constituencies for trade liberalisation in those countries.

Rise of political issues within the WTO

- 3.19 The growing membership of the WTO also throws up some challenging problems traditionally faced by other large multilateral organisations such as the United Nations. The consensus based approach to decision making means all nations have an equal ability to influence negotiations.
- 3.20 By virtue of its poverty, Africa's stake in global trade is small. Oxley and Stoler explained that the 40 or so African member countries have a share of world trade of less than two percent. And South Africa's trade accounts for about half of that.¹⁴

¹³ Australia supports trade related assistance through two main avenues: through a half million dollar per annum contribution to the WTO Global Trust Fund; and through various AusAID programs totalling approximately \$24 million per annum. See Appendix D.

¹⁴ Alan Oxley and Andrew Stoler, *Transcript*, p 21.

- 3.21 Their equal voting power without corresponding capacity to engage effectively with WTO processes slows dramatically any possible progress in this round.
- 3.22 The apparent lack of engagement with the principles of free trade has other effects as well. It supports the view that trade is a zero-sum game – that negotiations are about giving something and getting something in return rather than negotiating to mutual benefit.
- 3.23 The lack of capacity also opens the door for NGOs to be involved in many of the processes of the WTO. Negotiators from under-resourced developing nations find the resources some NGOs can provide to be an asset. Although this may sometimes be beneficial, evidence suggests that the opposite has been true at Cancun.

The ‘single undertaking’ approach to WTO membership

- 3.24 Andy Stoler believes GATT members made a mistake when forming the WTO in 1995 in adopting the ‘single undertaking’ approach. This approach obliged all acceding countries to either join and accept all WTO obligations or lose their ‘most favoured nation’ status. At the time it was thought to be a good way of avoiding problems associated with ‘free-riders’ within the system.¹⁵
- 3.25 What members failed to comprehend at the time was just how difficult decision making would be with such a large and growing membership, including a range of countries with very little interest in trade.¹⁶

Naming of the Doha Development Round of WTO negotiations

- 3.26 There seemed to be a view amongst hearing participants that naming the latest negotiating round the Doha Development Round was not ideal. As one participant said ‘it is a pity it is called the development round. It is going to take us longer as a result’.¹⁷
- 3.27 Against convention, the word ‘development’ was added to the name of the Doha Round. This was done because the September 11

¹⁵ Andy Stoler, *Transcript*, p 45.

¹⁶ Andy Stoler, *Transcript*, p 45.

¹⁷ Jane Drake-Brockman, *Transcript*, p 43.

bombing of the World Trade Centre had just occurred and developed nations were interested in making a gesture towards developing nations.

- 3.28 Alan Oxley believes it created unrealistic expectations among developing countries that the onus was simply on developed countries to lower their trade barriers.¹⁸ He believes developing countries took the view that trade liberalisation was something for rich countries.

New forms of protectionism

- 3.29 In terms of protectionism Alan Oxley explained that around 85% of world trade is kept free by a range of commitments and agreements.¹⁹
- 3.30 Two issues emerged during proceedings however which threaten global progress on trade liberalisation. These are the use and abuse of anti-dumping measures; and new food, labour and environmental standards being used as protection mainly by the EU.²⁰

Antidumping provisions

- 3.31 Article 6 of the GATT(1994) allows countries to protect themselves from other countries 'dumping' goods in foreign market at prices lower than they would sell it in their own market.²¹ Unfortunately, DFAT explains, these anti-dumping provisions have been taken up with vigour in many countries.²²
- 3.32 Some view the use or abuse of anti-dumping provisions as a substantive threat to the WTO.
- 3.33 Another significant threat is the failure of leading developing economies to open their markets to those with a comparative advantage in agriculture.

¹⁸ Alan Oxley, *Transcript*, p 21.

¹⁹ Alan Oxley, *Transcript*, p 33.

²⁰ Alan Oxley, *Transcript*, p 33.

²¹ World Trade Organisation, *Understanding the WTO*, p 44.

²² DFAT, *Transcript*, p 37.

Non-science based technical barriers to trade

- 3.34 The other big issue under the heading of new protectionism is the growth of the use of non-science based technical barriers to trade.
- 3.35 This phenomenon is being pioneered by the European Union, according to Alan Oxley. The EU is 'tempering' its commitment to open markets with a range of new regulations, including: environmental, food and others.²³
- 3.36 He believes that the growth in this sort of back-door protectionism is 'the major threat to the global trading system that is emerging'.²⁴

Future importance of the dispute settlement process

- 3.37 A complementary difficulty which Alan Oxley foresees is that the dispute settlement process may in the future be called upon to address these types of problems.
- 3.38 It is not yet strong enough, however, to withstand these sorts of challenges.²⁵ Accordingly Oxley believes we should be starting to focus on strengthening the processes and making the WTO legal system stronger.²⁶

WTO reform timeframe

- 3.39 As suggested at the beginning of the chapter, all these reasons for the Cancun meeting's difficulties prompted questions of possible reform.
- 3.40 Within academic and popular discussion of the WTO there is much talk of reform.²⁷ Reform of such a body is not easy however. There are a range of options all of which have their difficulties. The consensus rule obliges members to reach unanimity or near

²³ Alan Oxley gives as examples environmental and food standards regulation but regulation in other fields are also being developed. *Transcript*, p 34.

²⁴ Alan Oxley, *Transcript*, p 34.

²⁵ Alan Oxley, *Transcript*, p 42.

²⁶ Alan Oxley, *Transcript*, p 34.

²⁷ See articles such as 'The WTO under fire', *The Economist*, 20 September 2003, 'The EU, Cancun and the future of the Doha Development Agenda', Pascal Lamy, 28 October 2003 (European Commission Website- http://europa.eu.int/comm/commissioners/lamy/speeches_articles/spla195_en.htm)

unanimity on decisions. Considering the diversity of interests and opinions, unanimity on major decisions will always be difficult.

- 3.41 In terms of this particular negotiating round, however, DFAT's position is more particular. While it agrees reform is an issue to be seriously considered at an appropriate time, it does not want it to be an unnecessary distraction to the current priority, namely restoring momentum to the negotiations.