



WTO Negotiations: The Crisis and a Path Forward

Damian Wnukowski

The XI WTO Ministerial Conference held on 10–13 December 2017 in Buenos Aires confirmed that the World Trade Organisation is in crisis. Representatives of its 164 members did not agree on any of the issues discussed, including the regulation of subsidies for agriculture and fisheries or rules for e-commerce. Some participants, however, announced the creation of working groups on selected issues, including the latter. These groups are to develop solutions that could then be adopted by other members. This could increase the chances of unblocking WTO functions in specific areas.

The aim of the WTO ministerial conference, the organisation's most important body, is to make decisions aimed at liberalising global trade. Since 2006, however, the negotiations have been stagnant over a comprehensive trade agreement as part of the Doha Round (also known as the Development Round), initiated at the IV WTO Ministerial Conference in the Qatari capital in 2001. Nevertheless, some progress was made in the recent meetings. During the ministerial conference in Bali in 2013, an agreement was concluded on trade facilitation (including reducing red tape) and then in Nairobi in 2015, decisions were made to limit export subsidies for agricultural products.

The meeting in Buenos Aires came amidst an atmosphere of growing protectionist tendencies, including changed U.S. policy now questioning multilateral free-trade agreements as well as WTO activities. The reaction of the EU, Japan, China and others has been to set themselves apart as defenders of globalisation and free trade (as evidenced by an announcement before the conference that negotiations on an EU-Japan free-trade agreement have been concluded.¹ Given the differences in the positions of the largest WTO members, as well as between developed and emerging markets and developing countries, hopes for a breakthrough at the conference were limited.

Goals, Outcomes of Buenos Aires. The conference in Argentina was supposed to show how much progress is possible in talks on trade liberalisation in the context of the changing international environment, including the attitude of the U.S. government. The main issue was the reduction of subsidies for agriculture (e.g., the purchase of agricultural products by the state) and fisheries, including illegal fishing (for the first time, reference was made to the 14th UN Sustainable Development Objective concerning, in part, marine resources). Much space was also devoted to the introduction of regulations of e-commerce, including, consumer protection. However, not all members agreed on the solutions. One of the reasons for this was opposition from developing countries and emerging markets, such as India, for which subsidies are important in the context of ensuring food security. In addition, developing countries have advocated that prior to the implementation of regulations on, for example, e-commerce, priority should be given to proposals on the development agenda announced as part of the Doha Round, including reducing barriers to accessing developed countries (this position was supported by China, India, South Africa and others). There

¹ For more, see: M. Wąsiński, D. Wnukowski, "The European Union: Towards Trends in Global Trade," *PISM Bulletin*, no. 16 (1087), 30 January 2018.

was also visible U.S. opposition to the activities at the WTO forum. The U.S. blocked the adoption of the final statement from the conference, mainly because it did not want it to include wording about the centrality of the global trade system and its importance for development. This has undermined further talks within the Doha Round.

However, it was announced at the conference the launch of negotiation processes in smaller groups of countries to allow progress in the talks despite the resistance of some WTO members. Informal working groups were established in three areas: e-commerce (71 members, amounting to 77% of trade in this area, including the EU and the U.S.), facilitations for investors (70 members, 66% of all foreign direct investment received, including the EU and China), and the elimination of barriers for micro-, small- and medium-sized enterprises (87 members, 78% of global exports, including the EU, China and Japan). In the past, similar activities have had tangible results, such as the Information Technology Agreement of 1996, which initially led 29 countries to reduce tariffs on IT products before expanding to 82 countries and 97% of the industry trade. Importantly, the groups initiated in Buenos Aires include both developed and emerging markets as well as least-developed countries, which shows the readiness of countries at different levels of development to cooperate in specific areas. Meetings initiating the working groups are scheduled for 2018.

Challenges Facing the WTO. The failure of the conference in Buenos Aires is the result of an illness that has plagued the organisation for many years. The core of the problem comprises discrepancies in the approach to trade in developed countries, as well as in emerging markets and developing countries. Developed countries (e.g., EU, U.S.) continue to limit access to their markets, such as through technical barriers to agricultural products, which constitute a significant part of the exports of developing countries. On the other hand, emerging markets (including India and China) and the least-developed countries support indigenous producers, such as through subsidies or non-tariff restrictions on foreign entities, to protect the local market and achieve their development and social goals, including food security and protection of “fledgling” industries. Further discussions on a multilateral agreement within the Doha Round also are hampered by the growing number of bilateral and regional trade agreements that discriminate against partners outside the agreements.

The approach of the U.S. administration to trade is also an increasingly serious challenge for the WTO. The administration is opposed to multilateral agreements, including negotiations within the WTO, and President Donald Trump has even suggested the U.S. should leave the organisation. Instead, it prefers bilateral relations, which it sees as giving the U.S. greater leverage and the opportunity to achieve more favourable trade solutions. The U.S. also criticises the WTO’s lack of effectiveness in dealing with unfair commercial practices, mainly in China, that distort competition. A sign of the U.S. reluctance to work with the WTO is its blocks of nominations of judges to the organisation’s arbitration body. That can paralyse one of its basic functions—the resolution of commercial disputes. At the same time, the U.S.’s pragmatic use of the WTO can be seen in matters beneficial to it, for example, its opposition to granting market economy status to China (the EU holds a similar position) to counter certain Chinese practices, as seen in WTO anti-dumping proceedings.

Conclusions. The WTO is in a crisis resulting not only from differences in individual members’ goals but also from protectionist tendencies and criticisms, namely from the US, still the world’s largest economy and a trade power. However, the organisation plays an important role as a forum for talks on topics related to the development of global trade and an element of the amicable settlement system.

A way out of the deadlock is to limit the WTO ambitions and focus on selected areas in which a wider understanding between members is possible. In this context, the creation of informal working groups on selected issues relevant to international trade may be seen as a positive effect of the Buenos Aires meeting. The participation of countries with a significant share of trade in a certain area gives a chance to develop international rules concerning them. The use of these selected groups may also be beneficial for economic growth and stability in developing countries, since it would enable them to adjust their trade policy to implement development strategies (e.g., selective market opening).

The EU, a member of all three working groups initiated in Buenos Aires, should actively support the work of these bodies, promote its own regulations, and encourage the wider involvement of other WTO members in the talks. This could translate into better operating conditions for enterprises from the EU Member States. In addition, current U.S. policy undermining WTO activity, and hence the country’s own strong position in the organisation so far, creates an opportunity for other members, including the EU, to increase their influence.