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The WTO's Upcoming Ministerial Conference: A Tango or a Tangle in Buenos Aires?

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In two weeks' time trade ministers will gather in Buenos Aires for the WTO's 11th Ministerial Conference. What is in prospect, and does it matter? Suggestions for ministerial attention have not been in short supply – agricultural subsidies and public stockholding, pesticide residues, fisheries subsidies, e-commerce, trade in services regulations, investment facilitation, micro/small enterprises, export restrictions, and ideas for enhancing transparency and notification requirements have all featured on the potential agenda.

The big ticket items are agriculture, e-commerce and fisheries subsidies. But all of these have run into problems in preparatory discussions in Geneva.

There appears to be no prospect of moving ahead in the short term on the main agricultural issue, which is to reduce domestic subsidies. Some hope remains that progress could be made on public stockholding and encouraging more transparency about export restrictions.

Further progress on e-commerce is being blocked by a number of countries including India and South Africa which insist that progress on Doha Round subjects like agriculture should come first.

Perhaps the best hope for an outcome lies in putting some disciplines on fisheries subsidies – which after all are closely tied to the Sustainable Development Goals to which all countries subscribe. Everyone can agree that subsidies for illegal, unreported and unregulated fishing should stop but how meaningful is it to prohibit subsidies for illegal activity? Nevertheless, more transparency in this area would be welcome. Disagreements persist on enhancing the scope of disciplines beyond that, to subsidies contributing to over-capacity and over-fishing. Efforts continue but time is running out.

Preparations for ministerial conferences are always difficult. At the last two conferences, in Bali and Nairobi, rabbits were pulled out of the hat at the last minute – the Trade Facilitation Agreement at Bali and the agreement to prohibit agricultural export subsidies at Nairobi. This was despite the fact that hopes going into them were low given inadequate preparations. After all, part of the purpose and theatre of these conferences is to create pressure points to extract last minute compromises and decisions.

But the scenario this time around is particularly divisive and messy. And there is one crucial difference when Buenos Aires is compared with Bali and Nairobi. One, if not the, major player - the United States - is (to put it mildly) disengaged and sceptical. In Bali and Nairobi the U.S. showed leadership and made compromises for the good of the system. Now The United States Trade Representative has made it clear that negotiated outcomes are not on the menu. Indeed the U.S. has just indicated in Geneva that it is opposed to any ministerial declaration in Buenos Aires.

The U.S. Administration appears to be so deeply disillusioned with the WTO that it might be said to be implementing a strategy of slow strangulation. Its unwillingness to make appointments to

the Appellate Body, its abnegation of longstanding commitments to the multilateral trading system and its view of the WTO as both inadequate and incapable of reform are illustrations.

This presents a huge challenge for the WTO. U.S. leadership has been taken for granted and it's not easy to see how the void can be filled.

The most damaging outcome would be an acrimonious breakdown in Buenos Aires. It would take months to pick up the pieces in Geneva and start again. The loss of further time, and of the momentum gained from Bali and Nairobi, would condemn the WTO to further irrelevance and provide more ammunition for the sceptics not only in the U.S. but also in Europe and elsewhere. It may not be too fanciful to think of terminal decline.

So the stakes are very high indeed. Brinkmanship as in Bali and Nairobi is best avoided.

One way out would be for the broader membership to come to its senses and to start thinking constructively about how to forge agreements they can live with, rather than posturing endlessly on points of principle and blocking any movement. They need to realise that the WTO is not necessarily a permanent feature of the international economic landscape but something precious that needs to be nurtured. However, given the track record of some members, we cannot be sanguine about that. Are there any other options?

It's worth noting that, even if there is no ministerial declaration in Buenos Aires, it would still be perfectly possible for trade ministers to take a number of individual decisions in areas like fisheries subsidies, public stockholding and transparency in export restrictions.

What of other areas such as e-commerce, investment facilitation, micro/small enterprises, and domestic regulation?

All of these are significantly linked to the WTO's regime on trade in services. Unlike the GATT, the General Agreement on Trade in Services (GATS) contains a mandate for a more or less permanent state of negotiations aimed at progressive liberalisation. More than that, it specifically identifies plurilateral negotiations as a possible method for achieving that objective.

It could, then, be possible for interested countries and economies to launch plurilateral negotiating initiatives on these issues, either in Buenos Aires or shortly thereafter. The European Union would perhaps be the key proponent but there are many others, tired and frustrated with the constant blocking tactics employed by some countries, who would surely rally to the cause. Subjects like e-commerce, investment facilitation and micro/small enterprises have developed too much momentum to be stopped dead in their tracks now.

This is not to gloss over the difficulties and limitations. The plurilateral approach is a second best option which runs the risk of opening up yet more divisions. But what alternative is there for countries that want to advance international trade liberalisation and rule-making?

Furthermore, plurilateral initiatives are usually aimed at gradually gathering a "critical mass" of adherents before they can be implemented. Here we come back to the United States - is it possible to achieve a critical mass without the U.S.'s participation? Or can the U.S. be tempted to join in at least some of the initiatives?

Either way, the Buenos Aires ministerial conference is shaping up to be a real watershed moment. It could mark the point at which the U.S. seriously starts to detach itself from the multilateral trading system, precipitating fractures which would be seriously bad news for businesses and the world economy. It could be the point at which countries stare into the abyss and recoil. Or it could be the start of a new dynamic, variable speed phase in which all observe the basic rules while some forge ahead with new liberalisation and rule-making.

In recent years the WTO has been both written off and taken for granted. But what happens in Buenos Aires and its aftermath will have real repercussions for the global trading system. They need to avoid a catastrophic tangle and to start to tango.