

The Major Challenges Facing the Multilateral Trading System

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Doha and beyond : the future of the multilateral trading system / edited by Mike Moore. - Cambridge [etc.] : Cambridge University Press, 2004. - xx, 184 p. - ISBN 0- 521-83343-4

This book analyses some of the underlying problems that contributed to the failure of the Fifth Ministerial Conference of the World Trade Organisation (WTO), held in Cancùn in 2003. The bulk of the work was carried out before the meeting by a panel of experts appointed by Mike Moore in 2001 – not only well known authors, but scholars with different perspectives and sensibilities, a decisive element in understanding the complexity of the topics examined. The book offers *concrete* proposals on how to address the major challenges facing the multilateral trading system today. Independently of whether or not one agrees with the suggestions put for-

ward, the effort is very important.

Aside from one chapter of the book that provides an introduction, the other chapters address several issues that can be broken down into: the core division between developed/developing countries; the demands to broaden the WTO's Agenda to the new issues; and, finally, external challenges.

Robert Baldwin's chapter (Chap. 4) is useful as an introduction to the challenges facing the world trading system. The author highlights the internal and external challenges facing the "long run viability" of the multilateral trading system, concentrating on six issues that in his view must be tackled sooner or later. While recognising their complexity, Baldwin is convinced that the necessary changes can be made within the Organisation, with the tools and mechanisms it already has. In his opinion, the launching of the Doha Development

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Agenda (DDA) was a signal that WTO member countries are trying to promote significant changes. Certainly much substance still needs to be given to that Declaration, even more so after the Cancùn failure. However, Baldwin believes in the possibility of the DDA living up to its name.

The core division between developed/developing countries.

The content of the Doha Declaration and of related documents highlighted the attention given in the Agenda to the *development dimension*, the unique feature distinguishing the current Round from previous ones. In the two chapters analysing the development issue by Ademola Oyejide (Chap. 5) and Jagdish Bhagwati (Chap. 7), the perspectives and solutions advocated are so different that we can appreciate the difficulties in finding *the* solution to the development problem and to the effective inclusion of developing and least developed countries in the world trading system. Ademola Oyejide argues that trade liberalisation *per se* is not a panacea and that special and differential treatment (S&D) in favour of developing countries is an important tool. That instrument has benefited developing countries and can still do a lot in this sense, although it should be improved.

Conversely, Bhagwati questions whether S&D treatment has really been useful for developing countries and suggests that developing and least developed countries should rely increasingly on liberalising their economies. He goes further and tries to dismantle a so-called

misconception of policymakers from developing countries: the unfairness of the world trading system. Yet, the "development credibility deficit"¹ is real and not simply a perception of developing countries. Indeed, with the launch of the DDA, both policymakers around the world and national governments agreed to launch a "Development Round", recognising both the unbalanced effects of trade liberalisation and that developed countries can do a lot to increase the benefits of developing ones. But this does not mean that developing countries can have a free ride, they can (and must) do more to help themselves: first and foremost by eliminating barriers between them.

Demands to broaden the WTO's Agenda to the new issues

As is known, the focus of international negotiations has gradually been turned from the more traditional trade barriers, both tariff and non, to the new trade issues. Many are asking the WTO to engage actively in various areas in order to manage international spillovers, as in the case of investment and competition policies, or global concerns, as in the case of environment or labour standards. Peter Eigen (Chap. 8) advocates the need to proceed with multilateral trade negotiations to reach an agreement on government procurement, which in turn

¹ B. Hoekman, *Economic Development and the WTO After Doha*, World Bank Policy Research Working Paper 2851 (Washington DC: World Bank, 2002).

could help address the dangers of corruption. Konrad Von Moltke (Chap. 1) concentrates on the interface between trade and the environment, stating that there are linkages "everywhere" between trade and the environment in the WTO's present Agenda.

LeRoy Trotman (Chap. 2) examines the WTO's institutional contradictions which he considers determinants of the disaffection towards the Organisation. Among such contradictions he includes the lack of protection of core labour standards within the WTO. Another way to alleviate disaffection towards the Organisation would be to improve the Organisation's external transparency. Sylvia Ostry (Chap. 6) offers concrete proposals for addressing this problem. She argues that the Organisation has much to do to assure that both member governments and civil society are better informed and participate more. According to Ostry, not promoting external transparency could engender important systemic costs for the WTO.

The external challenges

Two chapters deal with external challenges to the WTO: one by Patrick Messerlin (Chap. 9) focuses on the impact of EU enlargement on the WTO negotiating stance; the other by Koichi Hamada (Chap. 3) concentrates on the consequences of China's accession to the WTO.

The accurate study proposed by Messerlin evaluates whether the EU's enlargement process will have an impact on the "pro-liberalisation"

forces/countries within the Union. To that end, he evaluates the interests of traditional and new members in the more sensitive sectors (that is, agriculture, textiles and clothing, etc) in order to assess whether the EU's negotiating position at the multilateral level will change. The author fears that the EU-25 equilibrium will result in a less ambitious EU negotiating position in the WTO.

Hamada offers a picture of China's historical efforts to integrate in the world economy. The interesting feature is the author's perspective. Usually, when dealing with China's progressive integration into the world trading system, the focus is on the challenges, the risks and opportunities for *Western* economies. Hamada points out that, since the consensus on the economic liberalisation effort within China is not that strong, WTO members should accord the country a certain degree of flexibility in implementing its WTO commitments in order to sustain the transition process.

While this book addresses the key challenges facing the WTO and raises a number of questions, the relevance and importance of the Organisation are beyond question. The authors believe that both developed and developing countries can still reap substantial benefits from the WTO system, and that the multilateral trading regime is an important means for assuring a system of global governance.