

Wrestling with “new” WTO issues in Cancun

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All eyes are on Cancun, Mexico, the venue for the Fifth Ministerial Meeting of the Doha Round of multilateral trade negotiations, under the auspices of the World Trade Organisation (WTO), scheduled to take place from 10 to 14 September. Of course, care is taken to prevent the fiasco of the Fourth Ministerial Meeting in Seattle. However, the main worry is not about any impending demonstrations by activists all out to thwart the meeting, but about the risks of a failure of the trade talks, given the many thorny issues on the agenda.

The so-called “old” issues, such as market access, are unlikely to pose serious threats, although there are many unfinished contentious old issues relating to tariff peaks, tariff escalations and non-tariff barriers, to mention a few. What is likely to generate much heat at Cancun is the way in which the “new” issues – the so-called “Singapore issues”, named after the venue where these issues were placed on the WTO kitchen – will be handled. It is a big relief that the divisive issue of labour standards has been taken out of the Doha menu.

The four new issues relate to investment, competition policy, government procurement, and trade facilitation. Of these four, the first three are at the insistence of developed countries, while the fourth is put forward by developing nations. The new issues are extremely complex with ramifications of sorts and require deep analysis and intensive scrutiny before developing countries can agree on anything. Multilateral agreements will reduce the space for domestic policies that should be taken in national interest. Thus, for instance, the question of national treatment for foreign investments is fraught with pitfalls in pushing the national development agenda. Likewise, a multilateralised competition policy will place all countries, regardless of their differences, in a straight jacket with one size fitting all. In the same vein, a mandatory requirement in multilateral agreement on transparency in government procurement can be burdensome for many developing countries.

Clearly, the trade facilitation issue is far more trade-related than all the rest. And, it makes considerable sense, for trade needs to be not only freed but also facilitated. Tariff cuts alone will not result in increased trade flows, as inter-country differences in customs laws, rules, regulations and procedures tend to hinder freer movement of goods between countries. While there is certainly a case for greater convergence, absolute uniformity enforced

through multilateral agreements is not a practical proposition, given the limited capacities of many a developing country.

It is comforting to note that the Doha Ministerial Declaration clearly states that negotiations after the Fifth Ministerial Meeting are contingent upon “explicit consensus” on the modalities of negotiations. Explicit consensus is possible only if all countries say “yes”, for silence or abstention would only amount to no more than implicit consensus. Thus, it is difficult to anticipate negotiations on these new issues after Cancun. At best, one can expect WTO members to agree on the need for continued educative and clarification process, not to mention technical assistance and support for capacity building, insofar as the new issues are concerned.

How should Malaysia play the cards at Cancun? Malaysia is not an “average” developing country. Its resource endowments, economic structures and market orientations differ markedly from most developing countries. While it is tempting for Malaysia to align itself closely with other developing countries, given the country’s high profile in the South-South arena, there is a need to strike balance between genuine concerns of the developing world and our own immediate national interests. As is often said, charity begins at home and national interests must prevail over all other interests. This does not mean that Malaysia must act in self-interest only, disregarding all other concerns. Indeed, Malaysia shares the concerns of developing countries and is more than morally obliged to articulate these concerns.

It is not what we say but how we say it that really matters. It is important for Malaysia not to portray itself as a hard-liner. More specifically, care must be taken to ensure that perceptions created at Cancun and other international forums do not jeopardise Malaysia’s drive to attract more foreign direct investments or to penetrate more deeply and extensively into export markets. What’s more, Malaysia stands to benefit from a rules-based investment system, as it is emerging as a big time offshore investor.

As is well known, in practice, Malaysia has offered many privileges to foreigners, which developed countries would like to see, such as 100 per cent foreign ownership and foreign participation in government procurement where appropriate, although such discretionary offers cannot be equated with mandatory requirements of multilateral agreements. It will therefore be prudent for Malaysia to show that it only opposes the multilateralisation of such principles in a binding manner at the present juncture, but not the principles themselves.

There is no insinuation that the new issues represent a waste of time and resources. It is just that these issues are too complex to be rushed through. Be all that as it may, the new issues have generated much soul searching in

many countries. In Malaysia, for example, there are now talks of greater transparency in government procurement and a national competition policy to be crafted to suit domestic needs. The WTO factor may have influenced such developing country efforts, albeit at their own discretion.

All said and done, it is quite obvious that the WTO is biting more than what it can possibly chew by venturing beyond pure trade matters to trade-related ones. Thus, there is the perennial risk of the WTO straying into choppy waters, as almost everything is trade-related one way or another. What complicates all this is not just that there is a conspicuous North-South divide but the fear that a lack of progress on the new issues, put forward by developed countries, would derail the entire Doha Round. By implication, much is at stake with respect to old unresolved issues, which are of greater interest to developing countries.

The success or failure of the trade talks will depend largely on what the members' expectations are in the first place. Seen in these terms, it would be wiser to scale down expectations to realistic levels, so as to minimise disappointments. Thus, even if the Doha Round does not go beyond scratching the surface on the new issues, but significant dent is made on the old issues, the WTO can take call it a day with considerable pride in the outcome.

It will be a folly to expect too much from the Cancun ministerial meeting. All indications are that the road to Cancun will be bumpy. Many deadlines have already passed with no concrete results. Besides, the Cancun discussion is no more than a mid-term review of the Doha Round for member countries to get their bearings right and move on after stock taking. To be sure, there will be more ministerial meetings before the Doha Round can be brought a successful conclusion. As the issues at hand are far more complex than was the case with the previous Uruguay Round of multilateral trade negotiations, it is unlikely that the present Doha Round will be concluded by 1 Jan 2005 as scheduled. Again an extension of the deadline does not necessarily connote failure of the trade negotiations by any measure.

No effort should be spared to save the Doha Round, as the future of the multilateral trading system hinges precariously on its outcome. "All or nothing" approach will only spell disaster. Significant progress in some areas leaving some unresolved issues at new crossroads appears to be the best-case scenario that we can hope for under the present circumstances. The Doha Round must succeed one way or another. The alternative is scary, as a collapse of the multilateral trade negotiations would invite bilateralism, resulting in lopsided deals with the stronger side prevailing over the weaker one, or worse still, unilateralism in which case the strong and powerful nations will impose their will on the rest of the world.

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