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Is the World Trade Organization “fit” for the future?

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Bonn, 7 December 2009. Last week the World Trade Organization (WTO) ministers met in Geneva for a summit, their first in four years. This would have been a good opportunity to launch a reform of the multilateral trading system. The current standstill in the Doha marathon supplies both a set of good reasons and the breathing space required for such an endeavour. But this is not the only opportunity that was missed in Geneva.

The aim of the 7th Ministerial was not to advance the Doha negotiations. Instead, a plenary session and two working groups conducted discussions on the WTO's role in the current global economic crisis as well as on the spectrum of WTO activities. “FIT” was the motto chosen for the Ministerial – “Full Participation, Inclusiveness, and Transparency.” These, in other words, would seem to be the principles to which the WTO adheres when there is not much at stake. But is the WTO really fit to meet current and upcoming challenges?

The strong protectionist wind blowing at the moment shows that the WTO is in good form when it comes to this issue. True, the WTO's body of rules has not fully immunised the world economy against protectionism, and at present, in response to the ongoing economic crisis, numerous countries are raising their tariffs and devising new subsidies. However, it is to the existence of the WTO that we owe the fact that the current economic situation has not led to higher and escalating tariff barriers, possibly even precipitating a disaster comparable to the one that followed on the heels of the crisis in the 1930s. Also, the WTO's dispute resolution and monitoring activities have been quite successful.

But that is by no means to say that the WTO as a whole is in good condition. The trade round launched by the WTO's members in Doha in 2001 already features a patient history worthy of note. In 2008, in the wake of the Doha Round's last collapse, a BBC article tossed up the question whether it would ever again be possible to breathe life into the trade round. The ministers at the Geneva summit pledged to do just that in the year to come – although a successful conclusion of the round in 2010 is not particularly likely.

With the negotiations of the Doha Round having been put on ice in their seventh year, it was thought important to do whatever possible to avoid controversy at the 7th Ministerial. In keeping with an informal agreement reached by the member countries, the only proposals to be tabled in Geneva were those with prospects of reaching consensus. However, the goal of invoking only consensus at the meeting claimed its toll – in particular from a development perspective.

To cite an example, the ministers, eager to show unity, refrained from voting on a proposal by the least developed countries that was geared, among other things, to special market access for products from this country group. Precisely a step of this kind would have been important in the present situation. After all, the WTO needs to accord more attention to the concerns of developing countries. On the one hand, this would be more than appropriate from the perspective of development concerns: One of the most important elements of a long-term, worldwide poverty reduction strategy must be seen in efforts to help developing countries to benefit from international trade. On the other hand, virtually no movement is possible in the WTO without the consent of the developing countries, and listening to the concerns they voice is therefore also a dictate of political reason.



That, though, is not necessarily such a simple matter. The developing countries in the WTO, over 100 at present, do not constitute a homogeneous group, and they represent in part divergent standpoints. However, the three following elements would be worth pursuing: First, the least developed countries should be granted, without further delay, duty- and quota-free market access. In cost terms, this would not be a very bitter pill for the industrialised countries but it would send a powerful message. Brazil announced in Geneva that it is set to open its market for the poorest countries, providing an excellent example for the other heavyweights in the developing world.

Second, cotton subsidies should be dismantled as quickly as possible. In West Africa over 15 million people live directly or indirectly from cotton production – one of the few economic areas in which Africa is able to produce and export on competitive terms. However, the world market price for cotton is heavily distorted downwards by cotton subsidies, in particular in the US. Dismantling these subsidies would be an important signal that the development dimension pledged for the Doha Round is really being taken seriously.

Third, since the positive effects of trade on economic development do not materialise automatically, Aid for Trade must be seen as an essential element here. Such assistance includes, among other things, support for the building and development of roads, ports, and customs facilities, but also for efforts to implement international health and safety standards and to develop trade strategies. By assuming an active leadership role in its Aid for Trade initiative, the WTO should support developing countries in their efforts to make use of the benefits offered by global markets.

In order not to endanger consensus, the ministers also did not vote on India's proposal on "strengthening the WTO," which called for a platform for discussions on improving the organisation's functioning, efficiency and transparency. There is no consensus when it comes to diagnosing problems and coming up with proposals on a course of treatment for the WTO. But what is called for to make the multilateral trading system fit for the future is a systemic process of reflection on reform goals and measures. And in this sense, all that remains is to wish the WTO a speedy recovery.



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