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The WTO in the 'noodle bowl' world

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The WTO in a “Spaghetti Bowl” World

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Introduction

Questions prompted by:

- **Blockages in the Doha Round**
- **Ongoing proliferation of PTAs**

Has the centre of gravity shifted from WTO to PTAs in relation to

- **Trade liberalisation?**
- **Rule-making and maintenance?**

If so,

- **To what extent?**
- **Implications?**
- **Potential responses?**

Evidence from Asia-Pacific FTAs

WTO v PTAs (1)

WTO

- **value to international community unquestioned**
- **successful liberalisation of industrial tariffs on trade between developed countries but less successful in moving further**
 - **Industrial tariffs of developing countries**
 - **Agriculture**
 - **Services**
- **value of rule making/maintenance role independent of trade-liberalising role?**

PTAs

- **ongoing proliferation**
- **multiple motivations and characteristics**
- **many Asia-Pacific FTAs Article XXIV compliant**
- **self-reinforcing momentum from “domino effect” and major power rivalry**
- **elevated importance of market access**

WTO v. PTAs: Trade Liberalisation

WTO

- **slow progress and doubtful/modest outcome in Doha Round**
 - pros and cons of broad membership
 - legitimacy versus substantial progress?
- **“package deal” approach not delivering desired results**
- **prospect of lengthy hiatus before any post-Doha progress**
- **persistence necessary? (“only in the WTO” issues)**

PTAs

- **routinely discounted but many contain commitment to zero applied tariffs on majority of trade (over time) plus extensive trade facilitation**
 - some progress even on difficult issues e.g. agriculture
 - question mark over offsetting effect of rules of origin
- **increasing number of countries with FTA partners covering substantial percentages of total trade**
- **prospect of two groups of WTO members**
 - proven liberalisers (members with multiple “high quality” FTAs)
 - reluctant liberalisers
- **alternative possible outcomes**
 - reluctant liberalisers succumb to pressure to liberalise faster
 - blockages continue and proven liberalisers lose interest in the WTO as liberalising instrument

WTO v. PTAs Rules

WTO

- continued support for WTO's DSM
- self-enforcement means support must coincide with self-interest
 - is it contingent on effectiveness in liberalisation?

PTAs: do PTA rules supplant WTO rules?

- PTAs often reiterate WTO rules/rights/obligations on applicable issues
 - may extend/supplement/complement WTO rules but generally do not seek to over-ride them
 - some voluntary commitments not to exercise WTO rights e.g. antidumping
 - Asia-Pacific FTAs extending reach of WTO's GPA
- going beyond the WTO
 - alternative approach to services and services/investment linkage
 - healthy competition or challenge
 - extraction of concessions unattainable in the WTO e.g. IP
 - competition policy, investment, labour environment

Assessment

- PTA rules not yet threatening to supplant WTO rules?
- Threat may increase in future?
- Will sub-systems of trade rules develop around the FTAs of the US, EU, Japan, China?

Wider Concerns on WTO Rule Making and Rule Maintenance Role

- **rules are very difficult to change**
 - **even when manifestly unsatisfactory**
 - **negotiations over rules even more difficult than negotiations over market access**
 - **“package approach” essential here also**
- **prospect of lengthy delay before “left-over” business from Doha can be addressed even more worrying**
- **risks: members may become less committed to rules that are**
 - **increasingly mal-adapted to current international trade conditions**
 - **unable to adequately address new issues e.g. climate change, private standards, trade in natural resources, food and energy**
- **introduction of carbon tariffs in context of responses to climate change may be a critical test for adaptability of system of multilateral rules**

Conclusions

- **centre of gravity in trade liberalisation has shifted from WTO to PTAs**
- **WTO rule making and maintenance role not yet threatened by PTAs but may be threatened in future**
- **increasing capacity of WTO processes to adapt to rapid changes in international trading environment is essential for:**
 - **revitalising WTO as liberalising instrument**
 - **maintaining support for WTO's rule-making and rule-maintenance role**