

Contribution to the WTO Public Forum 08 – Trading into the Future

Geneva, 24/25 September 2008

Sessions 2, 24 & 34

The following contribution is posted by Bill Carmichael, former chairman of Australia's Industries Assistance Commission and a member of the Tasman Transparency Group (TTG). It is a contribution to sessions 2, 24 and 34 of the WTO 2008 Public Forum, and responds to the question posed in session 24: Why is transparency an important policy tool?

In doing so, it extends a theme running through the Warwick Commission report--the subject of session 34. That theme culminated in a recommendation **“that a process of reflection be established ...to consider the challenges and opportunities facing the multilateral trading system and to draw up a plan of action to address them.”** [Recommendation 10]

It was manifest in the report's conclusion that responsibility for a solution to the difficulties facing the multilateral system rests with individual governments:

“Governments must...confront more directly the vested interests that benefit from protection and the inefficiency it breeds.” [Page 16]

And it led the Warwick Commission to conclude that : **“Innovative solutions, the most salient of which may well have more to do with the reform of domestic policies than with modifying international trade rules, are needed here.”** [Page 9]

A recent WTO study on the experience of 45 member countries in the Doha Round reached the same conclusion:

“This compilation of forty-five case studies ... demonstrates that success or failure is strongly influenced by how governments and private-sector stakeholders organize themselves at home ... Above all, these case studies demonstrate that...sovereign decision-making can...undermine the potential benefits flowing from a rules-based international environment that promotes open trade.” [Managing the Challenges of WTO Participation-45 Case Studies, December, 2005]

Reading through the Public Forum 08 contributions so far available (15 September) on the WTO website, however, one finds three quite limited (and limiting) views about the contribution transparency can make to the problems that have stalled progress in multilateral trade negotiations. One is that it simply involves providing information about the *existence* of each country's trade barriers. Another is that transparency can be imposed from the outside. A third is that the main beneficiaries of greater transparency are each country's trading partners—those in other countries seeking market access.

The Domestic Transparency Initiative proposed by the TTG (representing major Australian and New Zealand industry and business organisations) recognises that:

- trade liberalisation (whether undertaken in a multilateral, regional or bilateral context) involves domestic policy issues that need to be addressed by, and *within*, member countries—rather than imposed from outside;
- information about the *existence* of each country's trade barriers does not provide the information domestic constituents need to understand the effects their own trade barriers have on them; and
- it is a wide domestic understanding of the domestic effects that matter in any strategy to restore progress in the WTO, not the effects on trading partners.

The message from the Doha Round is that the power of protected domestic interests over national decision-making seriously limited the market opening offers participating governments were able to take to the negotiating table. Its significance for the future of the multilateral system is clear. When governments individually succumb to pressure at home to minimise adjustment for their own protected industries, they cannot collectively (through international trade negotiations) deliver the national rewards that provide the reason for liberalising in a multilateral (WTO) context.

It follows that any solution to the difficulties now facing the WTO must recognise that the national gains available from multilateral trade negotiations depend on what participating governments *take to* the negotiating table, not what they hope to *take away* from it. The most important contribution transparency can make to strengthen the WTO system must therefore take place *within* participating countries, by raising domestic awareness of the economy-wide gains at issue in reducing domestic barriers. That domestic awareness provided the underpinning needed for the (unilateral) reduction of Australia's trade barriers. It became widely accepted that reform of domestic protection (trade barriers) is a domestic policy issue, pursued for the resulting gains in national prosperity.

The TTG has proposed a domestic transparency process - designed, owned and operated by individual WTO member countries - to help governments resist pressure from protected domestic interests in future preparations for multilateral negotiations. The proposal reflects a growing recognition that:

- the existing **international** disciplines of the WTO are not providing a persuasive **domestic** reason for lowering trade barriers;
- it is the positive or negative perceptions at home about the domestic consequences of liberalising that determine how much actually takes place; and
- it becomes politically realistic to secure the gains from lowering domestic barriers only when pressure from protected domestic groups, who see liberalisation as detrimental to their interests, is balanced by a wide domestic awareness of the overall domestic benefits from adjusting to the changes involved.

The logic supporting the approach proposed by the TTG is as follows:

- the major rewards available to countries liberalising through multilateral trade negotiations come from reducing their own barriers;
- the domestic barrier reductions needed to gain these rewards are also those needed, in the "offers" negotiators take to Geneva, for the WTO to deliver the additional rewards available from liberalising in a multilateral context;
- both the unilateral gains (from liberalising domestic markets) and the additional gains (*potentially* available from multilateral trade negotiations) therefore depend on improving the performance of trade policy at home;
- the role of the proposed domestic transparency arrangements is to counter the negative influence protected domestic interests now exercise over the market opening "offers" participating governments take to Geneva;
- its contribution to strengthening the multilateral system is to help decision-making on protection (trade barriers) by participating governments reflect the interests of the domestic community as a whole, rather than pressure from protected domestic interests;
- it will do so by enabling WTO member governments to raise community awareness of the domestic costs of maintaining their own trade barriers, and the economy-wide benefits from removing barriers to international competition; and
- as a result, protected domestic interests will find it more difficult to gain community support for resisting market opening commitments widely seen as nationally beneficial.

The domestic transparency proposal brings into account a reality that existing WTO processes cannot address. The WTO has no authority to deal with the domestic pressures threatening its future viability. It simply provides an **international negotiating forum** for participating countries. But the pressures that have prevented meaningful progress operate in the **domestic** political arena, focus on **domestic** policy issues, and exercise power over **domestic** decision-making.

The strength of the TTG proposal is that it addresses directly the domestic pressures threatening the future of the WTO, while respecting the autonomy of national governments over domestic policy. It has particular relevance for progress in opening markets for services, where access is severely limited by opaque ‘behind-the-border’ barriers. These include domestic regulations introduced (often at the local or provincial level) for reasons unrelated to trade policy, but which have important (unintended) effects on market access and competition. By their nature, many ‘behind-the-border’ barriers are unlikely to reach the negotiating table unless the national ‘offers’ prepared for negotiations in Geneva are consciously structured to secure the (unilateral) gains available from opening domestic markets to international competition. It is only in that context, when the focus is on the gains available from opening domestic markets, that WTO member governments (and their domestic constituents) are likely to recognise that dismantling these non-transparent barriers will also increase their gains from trade liberalisation.

Consistent with that logic, the Tasman Transparency Group argues that WTO processes should begin with unilateral decisions taken at home, aimed at securing the economy-wide gains at issue in liberalising domestic markets, and culminate in international negotiations and agreements—not the other way around.

The Warwick Commission’s recommendation for “a process of reflection” provides scope, and an appropriate international forum, for discussing the domestic transparency arrangements proposed by the Tasman Transparency Group. A detailed account of the proposal is on:
www.tasmantransparencygroup.com