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What future for the WTO?

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MAKING TRADE WORK FOR DEVELOPMENT AFTER NAIROBI

Discussion paper presented by Mr. H. Scholz (European Parliament)

I. MC 10

Nairobi was widely regarded as a watershed for the perspective of the WTO as institutional structure that has to deal with the deep changes in the international political, social, economic, and commercial arena. It was and is considered as an answer to the challenge to all WTO Member States to both finalize the DDA as a precondition for the further development of the WTO, and to deal with new challenges towards the multilateral trading system.

The 3 Facilitators of the WTO Trade negotiations Committee had stressed in their report to MC10 (29-10-2015, JOB/TNC/55), presented after consultations with 58 delegations (incl. groups of MS) in October 2015, that "a large number of delegations to the WTO said, that the MC 10 declaration should reaffirm the centrality of the multilateral trading system and the WTO as the preeminent institution for global trade governance", while also the "views on the future could have been divided into 2 broad categories, i.e. on the one hand in those, who see the 'future' anchored on the wider work of the organization – that means all its functions and its relevance in the global world economy/global governance, and not an emphasis on its negotiating function alone. On the other hand were those favouring to address the question of the negotiating function of the WTO and in particular the future of the DDA negotiations as preserving this negotiating function of the WTO, especially in the light of a proliferation of plurilaterals/mega-regionals that do not include all Members provoking eventually a possible paralysis in the DDA round concluding negotiations", what should be prevented.

Also from the European Parliament's perspective it was clear: MC 10 would become a watershed between those countries - and the EU is part of this grouping within the WTO - which want to reaffirm the vital role of the WTO and give guidance on the future work in each of its functions, incl. monitoring, trade policy review, negotiations, dispute settlement, accessions, development – all this being the core tasks of future work of the WTO.

On the other hand there are those countries, which emphasised before Nairobi that only the reaffirmation of the commitment to the DDA would allow to preserve the legal architecture of the WTO and its ability to fulfil all those WTO declarations still not implemented and which therefore referred in particular to the para 45, 47 and 48 of the Doha Declaration as being the central issues for the future work of the WTO after Nairobi.

The expectations to MC 10 had been at the same time very high and very low - considering on the one side that the Bali agreement had been a first breakthrough after several years of a stagnating Doha round through which better grounds had been created to work towards a complex and final solution of the remaining Doha Tasks, while on the other side certain parties were deeply reluctant regarding the continuation of these Doha negotiations which had in their view not been able to deal with today's reality changed by economic and technological developments in the second and third decade of the 21st century. These changes are about to include all countries into global value chains, which is deeply influencing and at the same time limiting their own economic development by requiring adjustment to the needs of other actors in the value chains.

Nairobi reaffirmed the responsibility of the WTO to continue to work on solving the remaining DDA issues, but weakened the political backing and narrowed the time frame for achieving that task. Indian daily The Hindu quoted trade experts and NGOs as saying that the 'Nairobi package' has "effectively killed" the fundamental objective of the WTO's Doha Round negotiations, which was to improve the trading prospects of the developing and the poor world, or in other words a 'development agenda.'

Indeed, discussing the future work of the WTO after Nairobi requires first to remember the international frame in which the Doha-Round became the cornerstone of further WTO development. The DDA was a response to 09/11, the commitment to end poverty by making trade work better for developing countries was intended to be a counter strategy to the rise of terrorist organisations. And it must be analysed and named in public why there is still such a lack of determination to implement the jointly defined aims and efforts. But since the days when the DDA round was agreed and started, the economic parameters have changed. Today's world economic situation is very different.

There is an unwillingness in particular in the US government but also from several other developed and developing countries to deal with the changed reality in the economic and technological developments in the second and third decade of the 21st century, which are characterized by the growing incorporation of all national economies into global value chains, with economic conditions often being defined by the power of the global financial markets.

There are consequences for developing countries, which are different from the situation for least developed countries. These developments are further diminishing and destroying the basis as well as the perspective for many developing countries to participate as equal partners of the developed countries in the international economic cooperation and international trade. The adaptation of their economic setup to merely fulfilling their role at a certain position in a global value and production chain is limiting and in fact undermining their ability to make independent political decisions on their economic and social future. Issues such as defining and addressing their own sustainable development goals, encouragement schemes for participating in education and in society, extending access to health care, etc., are at stake.

From a perspective of Least Developed Countries, the Nairobi Ministerial Conference did deliver. All WTO Member States decided to agree on several issues of importance for the Least Developed Countries - i.e. the so-called LDC package, incl. the commitment to abolish export subsidies for farm exports, to have rules for public stockholding for food security purposes, a special safeguard mechanism for developing countries and measures related to cotton. Decided were also preferential Rules of Origin and extension of the services waiver for LDCs. Nairobi MC 10 stressed the will of WTO MS to speed up the ratification and by that the implementation of the Bali package, in particular the TFA. But such important themes as the Transparency and Special and Differential Treatment for all developing countries couldn't be pushed to an agreement. The Information Technology Agreement (ITA) was concluded, eliminating tariffs on 201 information technology products (=1,3 trillion \$ trade volume per annum), which will lead to reduced consumer prices, but will in itself not be enough to encourage IT production in LDCs.

II. Globalisation and new economic developments

Globalisation, technological revolution and the era of growing digitalisation in production and consumption as well as industry 4.0, and global services provisions are some of the key words in new economic developments. Along with them come new challenges and questions related to global economic interdependencies, including the impact on forms of international trade and the measuring of trade, profits, and taxes. Given these changes we observe rather limited results of the WTO MC 10 and an obvious inability to formulate responses in the interest of both the developing and the developed countries, bearing in mind broader expectations of people worldwide regarding the WTO contribution to the creation of decent jobs and the protection of the environment as main priorities to achieve and maintain economic and social stability. We need to agree in order to prevent new crises which could lead to further destabilisation of the world economy. These are the actual challenges in the debate about the Post Nairobi WTO tasks.

The WTO operates under the general assumption that trade benefits everybody. And the Doha Development Agenda was intended to rebalance the world trading system in favour of the population of developing countries. Twenty one years after the formation of the WTO we have the right to ask whether the organisation could deliver on its founding promises.

A number of scientific reports published in recent years indicate rising inequality: The latest World Bank Report and the publication of the Oxfam report "Economy for the one percent" show that the greatest beneficiaries of the globalised economy are the few richest people in the world. Today, 62 people own as much as half of our planet's population. This figure is mirroring a wrong distribution of wealth and badly functioning structures of economic development.

In this context, the growing number of bilateral trade agreements is alarming, in particular those concluded by the strongest economic nations and blocs, including FTAs of leading OECD countries among themselves, and with certain Third countries, which remain being the hub in their network of bilateral agreements with their respective periphery, influencing and determining the domestic economic policies of those countries. Additionally, the protagonists in this era of a new kind of Bilaterals / Mega-regionals aim at establishing a set of rules and definitions for commercial and economic relations tailor-made to their own interest.

These developments - and the Nairobi declaration is opening the door for a working mode of the WTO in line with these developments - are challenging the overall approach and universal character of the rules-based multilateral trading system of the WTO and the equality of all WTO Member States in future decision-making processes.

Sixty million refugees in the world portray the grave impact of mistakes made in international trade policy since the formation of the WTO. India, Bangladesh, China, Brazil, Ecuador or Kenya should not be blamed, if these governments chose to prioritise their own economic development and the fight to provide food for their own population, over the principles of free trade and the freedom to speculate of food prices in the globalised markets.

The WTO Member States should discuss and determine their approach to deal with the new value chains, the role of Transnationals and Multinationals, and the specific needs for domestic, regional and international forms of regulation of economic developments, as well as for commercial co-operation. This is necessary in order to achieve the DDA goals, as well as the post-2015 goals and in the light of new economic and technological developments.

Nobel prize winner Joseph Stiglitz describes in his book "Creating a Learning Society – a new approach to growth, development and social progress" (N.Y., 2014) that there should be today a comprehensive and broad analysis of the comparative advantages regarding the growing mobility of qualified labour forces and capital flows. It is not any more the markets alone and therefore a growth-orientated free trade impetus, that are guaranteeing economic and social progress, but the state interference with its political regulation achieves higher and sustainable growth. He judges that industrial policy, including trade policy interference, should be the priority and become a core pillar in the general macro-economic development.

Taking such thoughts seriously into account when defining the Post Nairobi WTO task No 1, we should mainly focus on the future contribution of international trade to the macroeconomic development of WTO MS and what that means for the institutional restructuring needs for the organisation itself, including the will to keep the institution alive.

The Post Nairobi agenda must be the development of proposals and constructive multilateral solutions regarding industrial standards, taxation, IPR, but also regarding pollution and environmental standards, and concerning the promotion and safeguarding of labour and other social and individual rights. We have specialised organisations and fora in place where these issues are debated, but this is not sufficiently translated into our trade rules. Let me mention forms or environmental or social dumping as an example, or the difficulties or our national judicial systems to deal with corporate tax crimes or human rights violations. If we are not able to work out solutions multilaterally, meaning in the WTO and in the specialised international institutions, we are strengthening those profiting from the absence of rules. We would be only continuing the old power relations and economic dependencies, which have always ignored the growing needs of

developing countries, and which are not capable of coping with new global tasks like for instance the demographic challenges. Africa alone is expected to host at least 2.5 billion human beings by 2050, many of them young and full of expectations regarding a knowledge-based economic development in their countries. The old structures will also continue to fail to provide the women in WTO Member States an active and equal role in the new definition of economic and trade related policies needed for the 21st century.

III. Democratization of the WTO and the international trading system

It is necessary to speed up the process to improve the political and democratic grounding of the WTO. In particular the negotiation processes within the WTO must become more transparent by better linking them to the parliamentary and public debates and decision making processes in the WTO Member States themselves. The growing gap between negotiation rounds in the WTO frame (Geneva and WTO MCs), characterised as a closed shop, open only to highly specialised lobby groups, must be overcome by strengthening democratic control of the negotiation processes, and by establishing transparency and responsibility through establishing a strong and institutionalised parliamentary dimension of the WTO and the multilateral trading system.

What Honourable Owona Kono from Cameroon said in our Parliamentary Conference at the WTO in Geneva in 2015, remains true: "The role of parliaments is to represent and defend the interests of all peoples. (...) Enhance parliamentary oversight, defined as "the analysis, monitoring and control of action by government and public agencies, including the implementation of policies and legislation". Such oversight focuses on the objective and nature of the activities concerned. In order to promote peace through international trade, parliaments must, in exercise of oversight, ensure that agreements are negotiated based on the interests of the people, and that government authorities effectively and equitably apply the policies negotiated."