

## The Multilateral Trading System after Doha

### *Some Threats/Obstacles and Possible Solutions*

*The rules-based multilateral trading system under the aegis of the WTO has completed a decade. Unlike its predecessor, GATT, it is dealing with a much larger and politically sensitive agenda. This has resulted in multilateralisation of sovereignty and it is one of the major reasons behind its vicissitudes. Doha is promising a lot in terms of balancing 'development' with 'trade liberalisation' and unless Doha delivers on development, confidence in the WTO system will erode further. While Doha's ability to promote development would be tested once the final agreement is in place and implemented, the following are some systemic issues, covering the threats/obstacles and potential solutions to those.*

Threats/Obstacles	Solutions
<p><b>1. Democratic deficit:</b> In principle WTO is a democratic organisation, where each member has one vote but the reality is different. There have been some positive changes in the recent years when large developing countries like Brazil and India are engaging with developed countries on more equal terms. LDCs, however, still do not have much say in the decision-making process.</p>	<p><b>Emphasis on the development agenda of trade liberalisation:</b> WTO has not done enough to liberalise trade and linking that with development. The farm goods market is still highly distorted. In services, developing countries have not been given market access under the modes of their interest, particularly on temporary movement of semi-skilled and unskilled workers. In industrial products most of the WTO Members have undertaken unilateral liberalisation. Thus, all-round trade liberalisation should be the main driver of the multilateral trading system. Only through meaningful trade liberalisation, developing countries can obtain their due share in world trade. Moreover, the civil society has to be pro-actively engaged by the WTO and its Members. Its non-inclusion is deepening the democratic deficit in the system. It is only through civil society's engagement that "effective partnership for development" can be operationalised and democratic deficit can be minimised. While the rich world will have to make its aid policy coherent with trade policy, the poor should make trade policy coherent with their poverty reduction strategies. The result would be a better social and political buy-in for trade liberalisation driven by the multilateral trading system. WTO Members have made a commitment in the Doha Declaration (Para 10) in this regard: "We <i>shall</i> therefore at the national and international levels continue to promote a better public understanding of the WTO and to communicate the benefits of a liberal, rules-based multilateral trading system".</p>

Threats/Obstacles	Solutions
<p><b>2. Poor governance:</b> WTO has not really succeeded in bringing in large developed countries to the terms of its agreements. The non-fulfillment of several Uruguay Round commitments by rich countries proves that they have been successful in manipulating the process to deny developing countries their rightful space in the world trade system. There is no systematic mechanism (other than the costly dispute settlement mechanism) by which the WTO can evaluate the fair implementation of its agreements.</p>	<p><b>Improve decision-making process:</b> The membership of the WTO has crossed 150. Hence, it is not feasible to involve all members in the decision-making process. However, the core negotiating group has to be representative in nature. During the GATT days it was the Quad – EU, USA, Canada and Japan – who ran the system. In the Doha round this practice has been changed and large developing countries like Brazil and India are involved in core negotiations – a new Quad has emerged. Even this is not truly representative, and it needs LDC representation (Chair of G-90).</p>
<p><b>3. Supply side constraints:</b> Many least and medium developing countries suffer from serious supply side constraints, both soft and hard, which prevents them from exploiting any advantage that arise from negotiated deals/agreements.</p>	<p><b>Augment the supply side hardware and software:</b> Focused attention and incentives need to be provided to willing developing countries to strengthen their infrastructure and governance, like the Investment Climate Facility in Africa. To also focus AFT programmes to do it, and to raise awareness in the people to demand better infrastructure and governance.</p>
<p><b>4. Proliferation of regional and bilateral trade agreements:</b> Opinion seems to be divided whether the PTAs are building blocks or stumbling blocks in the multilateral trading system. However, the current phenomenon of “spaghetti bowl” is definitely not helping the functioning of the multilateral trading system. Furthermore, this is causing a massive burden on the scarce resources of poor countries. Moreover, in many North-South PTAs there exist WTO plus commitments on the part of Southern countries, which is further eroding their domestic policy space.</p>	<p><b>Bring better disciplines to govern PTAs:</b> The existing rules under Article XXIV of GATT/WTO are very flexible, which has resulted in mindless proliferation of PTAs. It is being projected that by 2010 there would be at least 400 PTAs in operation. These PTAs may not be in direct conflict with the multilateral trading system but they definitely shift Members’ focus away from multilateralism and thereby reduce the urgency and importance of the latter.</p>
<p><b>5. Dispute settlement system:</b> It suits rich and large developing countries. Though the dispute settlement mechanism is one of the hallmarks of the WTO, poor countries often find it difficult to use it because of: low/non-existent capacity, no capacity to cross-retaliate and huge expenditure.</p>	<p><b>Reform the dispute settlement system:</b> An alternative and cost effective dispute redressal system, like the Swedish proposal for an Ombudsman, is to be in place along with capacity building of poor countries to take effective part in the dispute settlement mechanism. Secondly, the system could make financial compensation award to a poor country, which cannot use a retaliatory mechanism.</p>