

## **Outlook 2015**

### **World Trade Organization**

As the WTO prepares to return to negotiations on the Doha round following agreement on the Trade Facilitation Agreement, many observers and participants remain uncertain that further progress can be made. The four-month standoff between the U.S. and India left many disconcerted and questioning whether members will seek to block further multilateral deals or derail plurilateral deals.

Meanwhile, observers disagree on whether negotiations on regional trade agreements will distract efforts at the WTO or help move discussions forward.

#### *Outlook 2015: WTO*

### **Future WTO Accords Remain Uncertain In Wake of U.S.-India Standoff on TFA**

**T**he World Trade Organization grabbed headlines in late 2014 by approving the first multilateral deal in its nearly 20-year history, but many observers disagree about whether that milestone portends more extensive deals to ease cross-border trade internationally or increased conflict among members and further reliance on alternative avenues for negotiation.

“The worst has been averted,” Gary Clyde Hufbauer, a senior fellow at the Peterson Institute for International Economics, told Bloomberg BNA after WTO members in late November stamped their approval on a deal drafted in Bali the previous December. Hufbauer’s statement reflected the intense debate concerning the legitimacy of the WTO as a trade negotiating forum when a U.S.-India dispute left the Bali deal on the table for four months beyond the July 2014 deadline for passage.

The standoff ended in November when the U.S. pledged support for a peace clause providing protection for India’s food security programs in return for that country’s vote on the Trade Facilitation Agreement (TFA) to improve and expedite customs processes among member countries. Believing the agreement

would revive efforts on a range of fronts, WTO members planned to move toward a July 2015 deadline for determining how to complete negotiation on the remainder of the Doha Development Agenda of 2001.

But Hufbauer also indicated a lingering frustration—echoed by other industry observers as well as a WTO ambassador interviewed off the record—that one country such as India could keep a trade deal from moving forward. “These wounds will heal but will leave a scar,” Hufbauer said.

Many such observers and participants question whether the WTO will be able to complete more multilateral deals or plurilateral accords—those negotiated among a subset of members and technically outside the formal WTO framework. Nongovernmental organizations that warn against corporate greed in international accords commend India’s success but question whether it will pave the way for future negotiations they can support.

Even WTO Director-General Roberto Azevedo tried to temper the celebration after members voted to approve the TFA, suggesting they consider tweaking the process to make negotiations easier and quicker.

**Bali's Impact Unclear.** Azevedo had pushed strongly for passage of the Bali package in order to prove the WTO's ability to negotiate multilateral trade deals. The package contents were pulled from the so-called "low-hanging fruit" of the Doha round—those items expected to necessitate least negotiation.

However, the lengthy stalemate that ensued between India and the U.S. left many wary. Teresita Shaffer, a nonresident senior fellow at Brookings Institution, said after the deal was announced—and before the final vote—that India's use of brinkmanship harmed the WTO. "It will take some work to reverse the damaging impact of the four-month standoff that preceded it, and avoid a repeat," Shaffer wrote in an online commentary.

"It was a searing experience for a lot of people in Geneva," Hufbauer said.

John Murphy, senior vice president for international policy for the U.S. Chamber of Commerce, told Bloomberg BNA he thinks the successful negotiation of the Bali agreement, which included a general accord regarding export subsidies, "opens the door" to future agreements. However, he added, "the big question ahead is whether the membership will embrace or accept plurilateral agreements as a way forward as a negotiating path." He suggested that a single WTO country—including any country not part of an accord that is negotiated among a subset of members and technically outside the formal WTO framework—potentially could derail such a plurilateral agreement. Members have been working to complete, among other deals, the 1996 Information Technology Agreement (ITA) and the Trade in Services Agreement.

Deputy U.S. Trade Representative Michael Punke said the preference among members is to proceed with multilateral accords. "Obviously the broadest results are theoretically the best." He added, "If we are not successful with fully multilateral agreements, I think that members will continue to explore plurilateral options because for many that appears as a next best alternative."

Bill Reinsch, president of the National Foreign Trade Council (NFTC), said he would prefer further multilateral trade liberalization. "The next best is plurilateral. The worst is do nothing," he said.

Meanwhile, devising a path forward for the remainder of the Doha round will be a challenge, Hufbauer said. "One of the things they will have to look for: How has the world changed since Doha was launched?" He said many emerging markets like Brazil and India hoped to use the Doha negotiations to limit agricultural subsidies in the U.S., Europe and elsewhere. Now the use of subsidies in the U.S. and Europe have declined, while emerging countries like India and Indonesia are providing farmers increasing subsidies.

Hufbauer said members would need to accept terms on market access laid out in 2008 that benefit developing countries in order to gain their support for plurilateral deals. "If they don't, then I see objections by developing countries as being much more strident."

However, the Congressional Research Service said in a November 2014 report that market observers believe developing countries would have to accede to calls for market access.

**NGOs Praise India.** Nongovernmental organizations (NGOs) remain strongly opposed to an international trade negotiation process that, they say, invariably will benefit major corporations at the expense of developing countries. And many such critics say India's stance was justified.

Deborah James, director of international programs for the Center for Economic and Policy Research, said India had not derailed the negotiations. James, who also represents Our World Is Not For Sale—a network of groups and activists that battle corporate influence in global trade deals—said the U.S. ignored a request in 2013 by more than 40 countries to discuss the clause regarding protection for food stockpiling programs.

"It's pretty clear there's not really any other countries that can stop [the U.S.] from moving forward," she said. "India only wanted clarification of the agreement, and the U.S. refused. You could just as easily say the U.S. blocked negotiations. And India said, 'Fine, we'll take the blame.'"

She said continued negotiations of the Doha round will be promising if the agenda is reprioritized to refocus on concerns of developing countries, but she doubted that would occur and said NGO protests would increase.

The Transnational Institute (TNI), an international group of research activists, issued a report saying transnational corporations are the "clear winners" in the Bali deal. And it forecast an increasing momentum toward further trade deals, ranging from the TISA to regional accords such as the Trans Pacific Partnership (TPP).

Timothy A. Wise, director of the research and policy program at Tufts University's Global Development and Environment Institute, said that regardless of the Bali deal, "It is very hard to be optimistic about the Doha round as far as a full single undertaking agreement."

Wise said the U.S. and other developed countries likely will intensify their focus on plurilateral deals. "They just want to negotiate with the countries they need to be involved on issues they are concerned about," he said. And those issues do not include food security, he added.

However, Brookings fellow Joshua Meltzer told Bloomberg BNA that developing countries are becoming increasingly aware that their wealthier counterparts have other options, such as the TPP. "Most of the world really wants to move forward," he said.

**Negotiations Vie for Attention.** Well before the Bali agreement seemingly broke the nearly two-decade WTO stalemate, dozens of countries had launched negotiations on regional trade agreements such as the TPP and the Transatlantic Trade and Investment Partnership (TTIP). Many attribute interest in such regional free trade agreements, as well as bilateral free trade agreements, to the WTO stalemate.

Hufbauer said more free trade agreements have been considered in the last 10 years than in the previous 10 years, largely due to a desire to find ways to reduce trade barriers in the face of a WTO stalemate. "This is the turnpike method. It's not the best," he said. However, he said, TPP and TTIP could provide inspiration for further movement at the WTO level, with countries not at the table for such negotiations likely to later adopt some of those deals' provisions in the WTO as multilateral agreements.

Many U.S. firms may employ more resources toward lobbying on TPP and TTIP, he said, but they should maintain interest in the WTO and the opportunity to address trade with major market countries outside those regional deals—such as South Africa, Brazil, China and Indonesia.

“With regard to companies we work with every day, these are all of profound interest in different ways,” Murphy said. “It’s good to have several options moving forward.”

“But trade liberalization at the multilateral level is always preferable because it will reach far more markets,” he said.

Brookings’ Meltzer also said the momentum of TPP and TTIP could help instigate progress at the WTO, pro-

vided their ultimate goal is to expand multinational trade. “Without it, there is a risk they can sap more incentive and attention away from doing multilateral trade negotiations.”

“So the WTO faces institutional competition, which is a good thing,” Hufbauer said. The NFTC’s Reinsch agreed. “I think [such] agreements can be an incentive to better behavior [among WTO members].”

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