

# The WTO's Last Stand in Bali

By Paul Blustein, December 5, 2013

In speeches, press briefings and published commentaries, proponents of global free markets are proclaiming that a really big deal is on the table this week at the World Trade Organization meeting in Bali, Indonesia.

“People world-wide would benefit from the job creation and increased opportunities that would follow,” WTO Director General Roberto Azevedo wrote in a Wall Street Journal op-ed this week. “In times of unemployment and slow growth, this boost is sorely needed.”

Actually, what's sorely needed is a dose of realism. The Bali meeting is a rescue exercise, an effort to keep the WTO from collapsing into total ignominy as it struggles to salvage a minimal result from the series of international negotiations known as the Doha Round. The most optimistic argument in favor of an agreement this time is that the achievable gains are so modest that delegates must be aware that failure could doom the trade body to permanent irrelevance.

For all its flaws, the WTO is the central pillar of the system established after World War II to prevent a reversion to 1930s-style protectionism and trade wars. It is intended to keep a lid on member countries' import barriers, and allows its 159 member states to take their trade disputes to WTO tribunals rather than imposing tit-for-tat sanctions.

## Doha Round

To understand what's at stake in Bali, it's worth recalling the tense period a few months after the Sept. 11 terrorist attacks, when the WTO began the Doha Round in Qatar.

The anxiety about terrorism soon gave way to the sense that a decision of historic significance might be in the making. On the sixth day, after all-night haggling, delegates announced an agreement for a round that would finish in 2005. Its focus would be transforming the global trading system so that it would work better for developing countries.

A key objective was to lower the high import barriers maintained by a number of rich countries on agricultural products, improving opportunities for farmers in poor countries to export their crops. In return, countries in the "Global South" would lower their own barriers to goods manufactured in the "Global North."

The negotiations quickly ran into obstacles as the biggest players -- chiefly the U.S., European Union, India, China, Japan and Brazil -- sought to advance and protect the interests of powerful domestic constituencies. Instead of reaching breakthroughs at ministerial meetings, WTO members scaled down the round's ambition and discarded large portions of their agenda.

Resolved to avoid yet another humiliating stalemate, the WTO's main "deliverable" at the Bali meeting is "trade facilitation," a relatively uncontroversial effort to streamline the customs and other bureaucratic procedures that in many countries impede the flow of goods when they reach the border. A study commissioned by the International Chamber of Commerce claims that a pact on trade facilitation could eventually add \$1 trillion to global annual economic output.

Before putting too much store in such estimates, though, consider how grossly inflated previous ones have proved. The

World Bank, which in 2001 published rosy projections of the poverty reduction that would result from the Doha Round, issued a drastically downsized revised estimate in 2005.

If the Bali meeting ends in an agreement, as many insiders are predicting, the temptation will be for trade ministers to preen for the cameras and pat themselves on the back. When they return home, however, they will devote their full attention to negotiating regional accords including the Trans-Pacific Partnership (a proposed deal among the U.S., Japan and 10 other countries on the Pacific Rim) and the Transatlantic Trade and Investment Partnership (joining the U.S. and EU). The WTO will remain in parlous condition because progress on the regional deals will only accelerate the global trade body's decline into insignificance.

### Currency Manipulation

Almost two decades have passed since the rules of global trade got a thorough overhaul. In that interval, new problems have arisen in the trading system that demand mutually agreed rules. One is currency manipulation: Should countries -- China being an obvious example -- be allowed to hold down their currencies' exchange rates to gain competitive advantages? Another is climate change: Should countries that strictly curb their carbon emissions be allowed to impose countervailing tariffs on imports from countries that lack similar controls?

The longer the WTO fails to address these urgent questions, the more policy makers will be likely to dismiss its principles and tribunals as obsolete.

(Paul Blustein, a former correspondent for the Washington Post, is a senior fellow at the Centre for International Governance Innovation in Waterloo, Canada, and a nonresident fellow in the Global Economy and Development Program at the Brookings Institution in Washington. He is the author of "Misadventures of the Most Favored Nations.")

