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## Balancing competing interests: The future role of the WTO

*H.E. Dr. Supachai Panitchpakdi*

Deputy Prime Minister and Minister of Commerce, Thailand

The world economy has become more and more integrated and interdependent through increasing trade and capital mobility. Global trade and financial liberalization are believed to be the driving forces of world economic growth. The world's total output is now about 5.5 times what it was in 1950, but the volume of world merchandise trade is 16 times as large. The problem is how to distribute the gains from increased global trade among countries in order to convince them of the benefits from further liberalization.

To many countries, greater trade flows have apparently brought gains, including greater per capita income and higher export earnings. However, obstacles and barriers to trade still exist, especially against the poorer countries. These must receive closer and greater attention in the global trade talks to ensure that open trade can concretely—and not just potentially or ideally—benefit all economies in the direction of free trade and efficient production.

If the future trade agenda of the World Trade Organization (WTO) is to be sustainable and is to command the support of the whole international community, then the WTO's members, both great and small, must be equal partners in its formulation and must be able collectively to claim ownership of it.

In particular, to sustain the primacy of the multilateral trading system for developing countries, which account for two-thirds of

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WTO member countries, work has to be embarked upon in order to achieve a more equitable distribution of gains from international free trade, which will have a positive impact on these countries. The WTO must be able to prove to the world that the rule-based multilateral trading system can contribute to reducing income inequality and yielding sustainable development. To achieve our objective of making the system work for all members on a more equitable basis, we may need to look at the working mechanisms of the WTO to see whether or not there is some room for improvement.

### Balancing interests

For the benefits of trade liberalization to be distributed as evenly as possible between developed and developing countries, a forum is needed in which all interests can be balanced. This requires, first and foremost, that the markets of the developed and developing countries be open to each other.

Although trade liberalization has stimulated growth and employment, not all countries have felt the benefits, nor have all restrictions to trade been eliminated. In addition, many countries believe that important trade concessions granted by developing countries under the Uruguay Round agreements have not been matched by sufficiently improved access to the markets of industrialized countries. The benefits of trade liberalization have been unevenly distributed among individual countries as a result of distorting policy measures, such as the use of contingent protection measures that limit access to markets. Many countries feel increasingly marginalized from the mainstream of the globalizing world economy.

One of the reasons cited for this apparent shortcoming was the lack of effective participation by many developing countries in the Uruguay Round. This resulted in many developing country members, particularly the least developed countries (LDCs), signing up to commitments whose consequences and implications were not assessed in terms of their applicability to the LDCs' level of economic development. Furthermore, the clash of fundamental interests with regard to issues of priority between developed and developing countries has

resulted in an impasse, with many countries now refusing to embark on further trade liberalization.

The WTO was created as a forum in which every member has an equal voice. Compromises therefore have to be sought. Before any further liberalization is possible, members have to perceive the WTO as an arena where competing interests can be balanced so as to be able to forge coherent multilateral trade policies.

### Effective participation in negotiations

To attain this balance of interest, it is necessary for all members to be able to project their concerns and views in such a manner that positive action can be taken. The WTO is after all a negotiating forum for legally binding commitments. To be in a position to take advantage of this, all members need to participate effectively in the process. To date, however, most issues have been steered by a handful of members and this at times has resulted in a slanted view of the issue at hand. To achieve a more coherent view, the WTO must ensure the full and effective participation of the developing countries and LDCs—which constitute the majority of WTO members—in its trade agenda through the process of institution- and capacity-building.

For example, in the ongoing mandated negotiations on agriculture, improved market access, and reduced competition from richer countries, subsidies are crucial for most developing countries, both to develop their present structure of trade and to diversify into products for new development. Increasing participation in these negotiations could work in favour of the developing countries by giving them a greater voice. Ideally, developing countries need to put forward their own positive negotiating agenda, instead of adopting the negative approach of merely blocking any proposal, as in the past. In order to do this, they must know what they want and what they can offer in the negotiations. They should also be able to make use of the dispute settlement system to enforce their rights.

To benefit from being part of the global trading regime, some reforms and institution-building in these countries will be needed.

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At a basic level, this should include the training of administrators and policy makers, as well as legal reform, ranging from intellectual property and bankruptcy laws to financial law. Capacity-building for developing countries should focus not only on meeting obligations under the WTO but also on the capacity to produce, which encompasses infrastructure, financial resources, appropriate trade policies, and other supply-side capacities. Supply-side constraints will have to be eliminated through domestic restructuring policies that are predictable and transparent to foreign direct investment. Technical assistance needs to be more focused and efficient and include such important areas as negotiating capacities. In this regard, there is a clear need for strong coordination and coherence between the activities of international institutions.

Many of the developing countries and LDCs cannot afford to have representation in Geneva, so financial assistance may be given, either in cash or in kind, so that they can be present at important meetings on a temporary or a permanent basis. No doubt, new technology such as video conferencing and information technology could be used to keep non-resident representatives abreast of the issues.

In addition, to enable developing countries and LDCs to benefit fully from the dispute settlement procedures, a group of developed and developing countries have together established the Advisory Centre on WTO Law. The aim was to reduce the cost of participating in a dispute, which often entails legal fees that are prohibitive for most developing countries. This would allow developing countries to make use of the dispute settlement procedures to protect and enforce their rights garnered under the Uruguay Round agreements. This is a form of investment in technical assistance that is very welcome because the users of the Advisory Centre are able to develop their own capacity-building in terms of enhanced WTO knowledge at the same time.

### Improved transparency

An effective consensus-based decision-making process could be achieved by increasing the transparency with which decisions are taken. It is often said that the consensus principle is at the heart of

the WTO system, and is a fundamental democratic guarantee that is not negotiable. Recently, criticism has been levelled at the WTO for the secretiveness of its decision-making, which results in the exclusion of most developing countries and LDCs from its key decision-making processes.

Although the WTO needs to address these concerns and should strive to make the process as transparent and as inclusive as possible, the problem is perhaps not as terrible as it is made out to be. The membership has agreed that consultations should be held in which all would be able to express their views. From these consultations, it appears that radical reform might not be necessary. Rather, the practice of decision-making by consensus should prevail and be maintained with simply some fine-tuning. In short, what is required is a system by which the state of play of any ongoing negotiation in any group is immediately communicated to all member countries for information sharing and ultimate decision-taking.

The problem regarding the external transparency of the WTO is not as acute as that of its internal transparency, but there may be room for improvement. Today, the public near and far would like to see the WTO more open and more accountable. Because the success of the WTO will partly depend on public support, greater efforts should be spent on making information readily available to all interested parties. In this regard, the WTO should expedite the derestriction of its documents and most information should be available online. All of these steps will make the public better informed about WTO negotiations and operations.

## Representation in the WTO

The WTO membership has increased from the original 125 to 138, and in the foreseeable future is expected to expand to 160–170, with a greater role and more participation by developing countries. Improvements to the management structure of the WTO may be necessary in the future to allow the WTO to be more responsive to the needs of members. Although the idea of an executive board has not found favour with members in the past, the time may come

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when such a concept, with appropriate modifications, will be the most effective way of managing the WTO. Even though an arrangement along the lines of the World Bank's Development Committee or the IMF's Interim Committee may not be acceptable to the WTO membership, several ideas have been floated in this respect. Prime Minister Tony Blair has already suggested the appointment of a group of eminent persons to advise the General Council on the future path of the WTO. Back in 1983, Director-General Arthur Dunkel established a panel of seven distinguished persons to report on problems affecting the international trading system. The panel, representing industrialized and developing countries, made 15 specific recommendations to support a more open multilateral system as a counter-measure to the crisis prevailing in the trading system at the time. We should not preclude the possibility of resorting to such a panel to help us resolve some of the threatened divisions over the pending trade and non-trade issues facing the WTO at present.

#### **Involvement of the private sector and NGOs**

The active participation of private sectors and NGOs is a welcome development and we may have to take their legitimate concerns into consideration in our future deliberations. The NGOs could provide valuable inputs and share their thoughts and main concerns to improve the working of the WTO process.

There are, however, many stages at which interest groups and stakeholders can participate effectively in the formation of their government's trade policies. In addition, the WTO has held a number of symposia with NGOs. At Seattle in 1999, for instance, immediately before the opening of the third Ministerial Conference a symposium was held in which 672 accredited NGOs participated. The strong dynamism of NGOs makes them increasingly influential in all areas and they should be given an appropriate role to play in the constructive formation of our New World Economic Order.

## Coordinating with the IMF and the World Bank

The very close linkage between trade and finance in the unstoppable process of globalization makes it essential that the WTO coordinate more closely with the IMF and the World Bank to ensure that their policies are cohesive and mutually supportive.

In the new global electronic economy, it is easy for fund managers and international investors to move vast amounts of capital instantaneously, sometimes affecting even seemingly strong and sturdy economies. Financial dislocation can therefore impinge upon the flow of trade. Liberalization of the financial sector should be done gradually and only when sound macroeconomic policies, a healthy banking system, the right timing, and adequate supervision and regulation are all present. However, a sufficiently open trading regime and efficient product markets can help prevent the adverse impacts of excessively volatile financial flows.

Globalization affects not just one particular country that has to restructure itself in time to reap the benefits of the process, but all the international bodies. The IMF, the World Bank, and the WTO all have to devise every possible means to share in the monumental task of making trade and finance work for development.

In conclusion, to ensure that faith in the rules-based multilateral trading system is maintained, members need to work together to make it strong and equitable. A new development paradigm must be gradually evolved so that the WTO can take account of the differing interests of its members. Members can do this not by imposing an ideological agenda but rather by balancing competing interests and both increasing transparency in the decision-making process and attaining effective participation of all members.



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