

Hang together to bargain better

The cost of WTO's failure for South Asian countries will be too high

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When the Uruguay Round became a fait accompli and knowledge about the World Trade Organisation (WTO) was little, a common position for South Asian countries in the WTO looked ideal. And this is precisely what the Group of Eminent Persons report (1998) on Saarc stated, i.e., to formulate a common position in international negotiations.

South Asia attempted a common position for the WTO Ministerial in Seattle (1999) and Doha (2001), and these positions clearly stated that the WTO agenda should not be overloaded and new issues should not be brought in before implementation issues are fulfilled, the TRIPS agreement should be made compatible with the Convention of Biodiversity, and so on.

But South Asia soon realised that with new issues emerging in the WTO, such a common position was becoming increasingly difficult. This realisation was aggravated with the differences among South Asian countries, viz., four LDCs (Bangladesh, Nepal, the Maldives and Bhutan) having different concerns from the three developing countries and the small developing country (Sri Lanka) having differences with the large developing countries. For instance, before the multi-fibre agreement (MFA) abolition, some South Asian countries preferred an extension of MFA beyond 2004, but not India and Pakistan.

The net food-importing countries have different concerns from food-exporting countries. When some South Asian countries attempted to work out a free trade agreement with the US around 2002-03, they even considered toying a WTO-plus path on some issues such as TRIPS. Clearly, there are different interests and all South Asian countries want to individually gain from the WTO. These factors worked against formulating a common position for the WTO Ministerial in Cancun in 2003.

Once the July 2004 package dictated the negotiations, South Asian countries found it even more difficult to harmonise their position on an issue-based package. The fact that there is no common ground on Special and Differential Treatment became crystal clear when Pakistan and Sri Lanka opposed duty-free and quota-free market access to LDCs at the Hong Kong Ministerial. The fact that India wanted something more than a plurilateral watered-down arrangement on liberalisation of services clearly showed that common ground in services liberalisation is difficult to work out.

Even in the most optimistic scenario, South Asian cooperation is bound to be limited now than it was during the Uruguay Round and the first five years after the WTO. The common denominator of the past no longer works. All these issues obviously raise the question whether South Asia really needs a common position in the WTO? Critics will say that, after all, WTO has become weak after Cancun and at present it is

in a limbo. With 90-odd developing countries, WTO resembles a UN system having to accommodate a plethora of interests and preferences — making effective decision-making elusive. In such a situation, with all these differences in South Asia, why bother about a common position and unity?

The answer to the critics is that the cost of failure of the WTO is too high for South Asia. In the event WTO fails, the EU and the US will form regional trade agreements (RTAs) with friendly countries and world trade will get further fragmented. These RTAs will operate more on the basis of power relationships and less on the basis of rules, hence squeezing the majority of South Asian countries. Trade disputes will rise; non-tariff barriers will be higher — all these will be too costly for South Asia. South Asian countries together can play a more effective role to prevent this. They could bargain better by hanging on together, but what is needed now is a different approach to form a common position.

Asean, too, cannot find a common position now with four LDCs (Cambodia, Laos, Vietnam, and Myanmar), and Singapore having its own WTO-plus agenda, among others.

Asean thus follows a two-track approach, i.e., first track on common agenda and the second track on issues where Asean agrees to disagree, i.e, members going their separate ways, working through issue-based coalitions.

South Asia could think of a similar approach. Deeper economic integration in South Asia will certainly assist this approach. And if Bangladesh soon elevates its status from LDC to a developing country and Bhutan obtains its membership in the WTO soon, it will be more favourable for a common position.

Let us not forget that the EU Commissioner, Peter Mandelson, who came to the WTO Ministerial in Hong Kong saying that he has no mandate to discuss EU agricultural subsidies, had to change his mind and agree to the 2013 deadline only when he realised that G-20 had got together with G-90 to form a G-110 to speak with one voice on this issue. There lies the strength in unity at the WTO.

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