Chapter II.2

The WTO Ministerial and Asian Integration: A Korean Perspective

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II.2 The WTO Ministerial and Asian Integration: A Korean Perspective

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1. Introduction

The 9th WTO Ministerial Conference (MC9) will be held in Bali, Indonesia in December 2013. Unlike the other ministerial meetings held since the 2005 Hong Kong Ministerial Conference, the Bali Ministerial Conference will be a litmus test for the future of the Doha Development Agenda (DDA) negotiations and that of the WTO itself.

If WTO Members want to succeed in reaching a compromise in Bali, a so-called a 'Bali package', which is vital to avoid a collapse of the DDA negotiations, will be necessary to infuse new life into the dying DDA negotiations thus enabling the talks to get back on track post-Bali. If this does not happen, however, it is only a matter of time until the Doha Round shrivels up. The US will strive for the completion of the ongoing negotiations towards a Trans-Pacific Partnership Agreement (TPP) and the Transatlantic Trade and Investment Partnership Agreement (TTIP) with the EU. The Trade in Services Agreement (TISA) talks and negotiations on a revamped and enlarged Information Technology Agreement (ITA) are even more appealing to the US.

For these reasons, WTO Members have worked hard in recent months to generate a package of deliverables for the success of the Bali Ministerial meeting. The following section advances a number of thoughts to key questions relating to the Bali Ministerial meeting and the role that ERIA members can play in the run-up to Bali. This is followed in section 3 by some concluding remarks.

2. Short answers to seven questions

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2.1. What do ERIA's Research Institute Network (RIN) members expect from the Bali Ministerial meeting by way of tangible outcomes? Are certain negotiating agenda items ripe for early harvesting?

At this juncture, it would appear that the prospects for the Bali ministerial conference are somewhat somber. It is time for WTO Members to engage more directly in negotiating solutions and to move closer to the middle ground in finalizing a Bali package. However, many key WTO Members still stick to their old position and ask other Members to move closer to where they are. There is only a very short working time left during which to reach a feasible and doable compromise. It thus not currently appear realistic to expect the Bali ministerial meeting to be successfully concluded unless there are big changes in the negotiating attitude of major countries, particularly in the political will of the US, India, and China.

However, the window of opportunity for success in Bali is still very much open. WTO Members are now seeking to forge a deal in Bali on the following three core areas: trade facilitation, issues related to agriculture, and areas of special interest to developing countries.

2.1.1 Trade facilitation

Trade facilitation has been viewed by many as a cornerstone of a Bali package, which in turn is considered vital to jump-starting the stalled Doha Round of trade talks. Thus, an agreement on trade facilitation should be the centerpiece of a proposed deliverables package which WTO Members are hoping to conclude in Bali. If the WTO membership is collectively unable to reach a deal on something as beneficial as trade facilitation, it is very hard to see how it can come to an agreement on anything else.

Therefore, WTO Members should focus on reducing and eliminating as many square brackets in the trade facilitation text as possible ahead of Bali. Although there were still more than 500 brackets in the text by the end of the summer, quick progress is within reach on at least half of them. Many of the remaining brackets could be removed following a handful of decisions relating to the level of ambition and the question of whether commitments should be binding or implemented on a best endeavors basis.

2.1.2 Agricultural issues

An eventual deal in Bali will not just depend on trade facilitation. Several issues related to agriculture and special provisions for LDCs are likely to be included, and finding the right balance to make a package acceptable to all is likely to be a challenge for WTO Members.

The fate of the G-33 proposal on food security in agricultural issues is closely linked to progress of a trade facilitation deal. This proposal would allow government stockholding and purchases from low-income farmers at subsidized prices to be excluded from WTO subsidy spending limits. The US, the EU and others argue that it is not possible to agree to such fundamental changes in the WTO agricultural subsidy rules in the short time remaining before Bali, and have proposed instead to establish a work program to address the G-33's concerns.

The G-33 food stockholding proposal has now become a gateway issue for the Bali meeting. India has expressed support for a trade facilitation deal which would generally benefit Members, on the condition of a proper consideration of the food stockholding proposal. The US, together with other developed country members, however, has cautioned against any fundamental rebalancing in the existing agricultural subsidy disciplines. Since there is not much time left to address any amendments, members should focus instead on a post-Bali work program which includes the G-33 proposal.

A peace clause could be an effective and feasible alternative means by which to reflect the interests of both the US and India. Although a peace clause is an interim solution, India and Indonesia could avoid arguments between WTO Members over domestic subsidies on agriculture. At the same time, it does not require any changes to current disciplines on domestic support in the Uruguay Round Agreement on Agriculture (URAA) and could thus serve the interests of developed countries.

On the other hand, the G-20 proposal on agricultural TRQ (tariff rate quota) administration will be part of the Bali package. There has so far been no significant opposition to the G-20 proposal on improving tariff-quota transparency procedures.

However, the US and the EU both have clearly expressed their opposition to the G-20 farm export competition proposal on the grounds that it would upset the balance of the DDA's agricultural package.

Therefore, one can reasonably expect both the G-33 proposal on food security for low-income farmers in developing countries and the G-20 proposal on agricultural TRQ administration to be included in the Bali package.

2.1.3 Addressing the special interests of LDCs

The least-developed country (LDC) group has put forward a proposal on duty-free and quota-free (DFQF) treatment on imports from LDCs. They have also called for a Bali decision on simplified and flexible preferential rules of origin to enhance LDC exports under the DFQF system, and the convening of a signaling conference in order to operationalize a 2001 waiver granting preferential treatment to LDC services and service suppliers. It is reported that a further proposal on cotton can be expected from the Cotton 4 countries.

Although DFQF is key to the interests of LDCs, it is a very sensitive issue for the US, which is under pressure from its domestic textile producers not to cede additional market access to major LDC textile exporters. As it has throughout the DDA, the US continues to oppose the proposed DFQF market access initiative for the LDC package. Furthermore, the US insists that any future DFQF commitments would have to be made not only by rich countries, but also major by emerging economies, such as Brazil, China, and India. It would appear unlikely that developed countries unilaterally open their markets without some sort of reciprocity from the highly competitive emerging economies.

There seems at this stage little likelihood of forward movement on DFQF or on agricultural export support measures in Bali. However, such LDC interests of LDCs could usefully be included in a post-Bali work program**.** A similar outcome appears likely on the cotton issue.

The Doha Round being a development round, it is not realistic to expect a compromise without genuine advances on issues of priority LDC interest. There are, as it happens, several potential items for the LDC pillar of the Bali package. These include: the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS) waiver as well as the services waiver for LDCs. Fortunately, WTO members have already agreed to extend the TRIPs waiver for a further eight years – until 2021 – for its poorest members. The services waiver for LDCs is ripe for a meaningful outcome in Bali and responds to a strong push by the LDC grouping. Tangible deliverables on Aid for trade could usefully complete the Bali package for LDCs.

2.2. How can WTO Members use the Bali Ministerial meeting to impart renewed vigor to *multilateral* cooperation (including not only rule-making but also monitoring and dispute settlement functions) in the trade field?

The Bali ministerial meeting in December cannot be a mere 'housekeeping' exercise like the last ministerial in 2011. The inability of Members to secure a credible package will not only mean failure in Bali but spell the end of the Doha negotiations and seriously jeopardize the multilateral system as a whole. Thus, the Bali ministerial meeting will not be able to impart renewed vigor to multilateral cooperation in the trade field without a successful outcome of Bali itself.

Accordingly, WTO Members need to apply pressure on major members, and particularly the US, India, and China to commit more resolutely to an intensive and serious engagement in the Bali Ministerial conference.

On the other hand, WTO Members need to agree a standstill in Bali. The global economic recession, which was triggered by the global financial crisis and has dragged in the wake of the euro-zone's fiscal turmoil, is projected to continue for longer than expected. As the world economy languishes and growth in emerging countries decelerates, protectionist pressures are mounting in many quarters. A commitment to eschew such backsliding and stand still would send a strong signal in Bali. Growing concerns are indeed being expressed that the more recent wave of trade restrictions is no longer a temporary response to the crisis, but is rather becoming a means for countries to reclaim policy space with a view to providing industry support measures while shielding them from external competition. Not only have traditional trade remedy measures such as anti-dumping and safeguard measures grown but other import restrictions, such as measures in the form of technology standards, government procurement or customs clearance, are also on the rise. In order to respond effectively to the increasing number of trade restrictions, it is important for WTO Members to draw up preventive action plans. In particular, the Bali ministerial declaration should emphasize a substantial reduction in trade-restrictive measures accompanied by strong enforcement and surveillance, including under the trade policy review mechanism.

2.3. What priorities should ASEAN and East Asian countries pursue at the Bali Ministerial?

It is vital for ASEAN and East Asian countries to recognize that the Bali package is just an interim agreement, not the final outcome of the DDA negotiations. A number of ASEAN countries belong to both the G-33 and the G-20. East Asian countries group together countries that are both developed and developing. Indonesia, for instance, is not only a key member of the G-33 alliance, but also one of the major players in ASEAN. Taking all these facts into account, ASEAN and East Asian countries are well placed to serve as mediators between developing and developed country Members in the DDA talks.

Accordingly, ASEAN and East Asian countries should give priority to reaching a compromise on a balanced set of deliverables in Bali. For example, Indonesia could persuade India to move towards the middle ground in finalizing a Bali package on the food security issue. A compromise on the issues of trade facilitation and food security between the US and India would likely unblock negotiations and pave the way for a successful conclusion of the Bali ministerial meeting. On the other hand, it is important to adjust the level of ambition of Members on every key issue, precisely because Bali is not the DDA's final destination.

2.4. How relevant does the WTO remain to the process of deepening economic integration in ASEAN and East Asia, and to the trade governance priorities of ERIA member governments more broadly?

With the WTO's DDA negotiations languishing, the world has witnessed a proliferation of preferential trade agreements (PTAs) all over the world in the past two decades. More recently, efforts towards regional economic integration have intensified, particularly in East Asia, by some ongoing negotiations on PTAs involving several countries, such as the TPP, the regional comprehensive economic partnership (RCEP), and the China–Japan–Korea (CJK) FTA negotiations. While such regional economic integration efforts are somewhat decoupled from the WTO, they are not irrelevant to the WTO and to the Doha Round.

The multilateral trading system retains considerable relevance to the process of deepening economic integration in ASEAN and East Asia by virtue of its non-discriminatory and comprehensive moorings. In pursuing regional economic integration, therefore, ASEAN and East Asian countries must keep these principles in mind and embed them as much as can be in the trade governance of ERIA member governments.

The benefits of multilateralism and the limitations of regional deals are well known. Any meaningful advance of the WTO's DDA negotiations in Bali will have a positive influence on regional economic integration in East Asia by providing useful guidelines on future directions for trade and investment liberalization and rule-making in the region.

2.5. How and in what areas can multilateral advances in Bali best serve and complement ASEAN's march towards the realization of the ASEAN Economic Community by 2015?

As already mentioned above, trade facilitation, services and DFQF for LDCs will help ASEAN's efforts to form the ASEAN Economic Community. One of the outstanding issues for ASEAN in forming the ASEAN economic community is how to resolve issues that stem from the development gap among its member countries. A successful outcome in Bali would mean that the WTO would provide a potential solution to the development gap issue for ASEAN countries. If the Bali Ministerial Conference can deliver a credible outcome on issues dear to LDCs, it will help ASEAN to find a way to narrow the development gap among its members and to accelerate the pace of negotiations on the ASEAN Economic Community.

2.6. Can soon-to-begin RCEP negotiations facilitate the process of multilateralizing regional advances?

The process of multilateralizing regionalism is obviously related to the promotion of the non-discriminatory extension of preferential trade agreements (PTAs) to other countries that do not participate in such talks. Issues taken up in a novel manner in PTAs should help to facilitate the process of multilateralizing preferential agreements.

With 10 ASEAN members plus 6 countries in its membership, successful RCEP negotiations will shed light on multilateralism and help advance the WTO Doha Round negotiations. RCEP can serve as a test bed for multilateral trade negotiations since it has countries that vary in terms of the development levels, including major WTO players such as China and India as well as developed countries such as Japan and Australia, and some LDCs such as Lao PDR, Cambodia, and Myanmar. Considering the representativeness of RCEP's membership, RCEP negotiations can be relatively easily reflected in the WTO negotiations.

Nonetheless, there are many challenges ahead for the RCEP negotiations. One of the most significant challenges is the lack of political leadership in RCEP negotiations. ASEAN on face of it is supposed to be a leader in this initiative. It is unclear however which members of ASEAN will drive the negotiations. Although China, Japan, and Korea are potential candidates for positions as a leader or mediator, they all remain silent at this point. Consequently, the facilitation effect of RCEP negotiations in the process of multilateralizing regionalism is still blurry.

2.7. Can ongoing negotiations towards a TPP facilitate the process of multilateralizing regional advances?

By the same token as discussed in the previous question and answer, the TPP will work similarly to the RCEP in facilitating the process of multilateralizing regional deals. Unlike RCEP, however, TPP involves members outside Asia. In particular, TPP is driven primarily by the US with the ambitious goal of achieving a WTO-plus agreement, emphasizing new rules and regulations and deeper market opening commitments. The negotiations are more or less concentrated on rule-setting and promoting the coherence of regulations including the adoption of region-wide rules of origin, intellectual property rights, and many other behind-the-border issues.

If the TPP can produce a high quality outcome with high standards – touted by the desire of the US craft a "21st century comprehensive trade agreement" – the impact of the agreement on the WTO and the multilateral trading system will likely be significant. A WTO-+ TPP agreement will work as a potential stimulus for the WTO negotiations by putting more pressure on other Members to follow suit.

Since details of the TPP negotiations are not publicly available, however, the facilitating effect of the negotiation on the process of multilateralizing regionalism will be limited until the TPP agreement is finalized and opens its negotiation texts. As is well known, the transparency of PTAs is an important element in the process of multilateralizing regionalism.

If both the RCEP and TPP negotiations are concluded separately, the remaining question will be how to converge or harmonize them so that the benefits from those deals can be maximized for participants. Another issue is how to extend the agreements to other countries that have not been a part of the two PTAs, so that more countries can benefit from them. In this respect, APEC's vision of a Free Trade Area of the Asia Pacific (FTAAP) may play an important role in merging RCEP and the TPP.

3. Concluding remarks

WTO Members have fallen behind in their efforts to forge a deal on a package of deliverables for the December 2013 Ministerial Conference in Bali. Delegations still hold on to their earlier positions rather than engaging meaningfully in negotiations on the issues to be addressed in Bali. Thus, at this juncture, without accelerating the work on all fronts, shifting to a higher gear and showing greater determination, WTO Members seem unlikely to arrive in Bali with a relevant package of deliverables in hand.

Such an impasse is largely due to the lack of engagement among Members on three pillars – agriculture, the LDC package and trade facilitation. Political will is needed to end the impasse. In particular, major countries should demonstrate some political will and take the lead in promoting policy convergence in Bali.

Everybody knows that failure in Bali is not an option. Failure to agree on a balanced package of concrete deliverables in Bali will make it extremely difficult to find a way forward for the Doha Round. Indeed, failure to secure a package in Bali will likely further erode the credibility of the WTO as a forum for negotiations and possibly spell the end of the moribund Doha Round of trade talks. Thus, the deliverables package must be designed to rebuild confidence in the WTO and serve as a stepping stone to an eventual Doha Round deal.

In this respect, WTO Members must recognize that the time has come for all of its influential Members to show flexibility and respect for each other's proposals. The key to bringing convergence to all three potential items is 'honest' engagement by all Members to ensure that the outcome delivers what is intended without undermining overall disciplines.