

Chapter **II.5**

Towards the WTO's Bali Ministerial Meeting: a view from Phnom Penh

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II.5 Towards the WTO's Bali Ministerial Meeting: a View from Phnom Penh Vannarith Chheang, Cambodian Institute for Cooperation and Peace (CICP)

1. Expectations

The upcoming WTO Ministerial Meeting in Bali, Indonesia, will be a milestone event and an important step towards the strengthening of the functions and practices of the global multilateral trading system and its increasing linkages with regional economic integration in East Asia. It is expected to deliver concrete results with practical and clear action plans based on the political will of WTO Members. It is time to seriously reform the WTO. It needs to better respond to the dynamic changes in international trade and strengthen the nexus between trade liberalization, poverty reduction and sustainable development.

Early harvest is an initiative to reap low-hanging fruits first before agreeing on other more complicated issues. The WTO should identify certain areas for early harvest, such as concrete measures to link trade with poverty reduction, further promote pro-poor trade initiatives and their implementation, closely link trade with job creation and social protection systems, and integrate trade with an inclusive and green growth agenda.

ASEAN and the WTO have intermittent but mutually beneficial relationships. The successful reform of the WTO will greatly benefit regional arrangements and integration. In return, successful and inclusive regional integration will contribute to promoting the global trading system. However, there are still challenges that need to be addressed. In the wake of the global economic crisis, trade protectionism through non-tariff barriers (NTBs) is on the rise in certain countries and there is a lack of political will to deepen the linkages between trade openness and investment and services liberalization.

2. WTO reform

As a member-driven organization, the WTO is consensus based. The expansion of its membership reflects the relevance of this institution in promoting development and peace through trade facilitation and openness. Cambodia was the first least-developed economy to join the WTO. It has shared some experiences and lessons learned with other least developed economies.

Surveillance and dispute settlement are the core functions of the WTO. They have contributed to enforcing rules of international trade under the organization. However, the WTO needs to provide more and better technical support to the least-developed and developing countries.

The negotiating function of the WTO has not progressed well due to the stalling of the Doha round, which was launched in 2001. Progress is mainly constrained by a lack of political will. The road ahead remains uncertain depending on whether the WTO Members can reach consensus on various trade- and services-related issues, particularly on non-tariff trade barriers and agricultural products.

The WTO needs to improve the functioning of its governance system with collective and consensual coalition or a coalition of the willing on certain complicated issues.

Preferential trade arrangements complement the slow progress of global trade negotiations. These arrangements are easier to negotiate and can more easily generate advances on new areas such as trade facilitation, with higher standards and levels of commitments.

3. ASEAN priorities in Bali

Trade openness and liberalization is the key driving force in economic development in East Asia. As the economic center of gravity shifts towards East Asia, it has greater

stakes and more responsibility for promoting the free-trade-based common rules and standards of the WTO. It is believed that through the promotion of preferential trade arrangements and negotiations, East Asia contributes to implementing and strengthening the rules and regulations of the WTO and, more importantly, facilitates common positions on certain complicated global trade issues, such as trade in services and agricultural products. In addition, economies in the region also challenge the global trading system to keep reforming in order to respond more promptly and effectively to the new dynamics of the international trade–investment–services nexus.

As regional production networks are closely interlinked with global supply chains, realizing the East Asian Community will require not only stronger internal integration but also strengthened ties between the region and the rest of the world. It is therefore necessary for the countries of the region to operationalize the roadmap for linking regional economic community building with the global trading system.

The Doha Round needs to be re-energized with new momentum and commitment. Trade in agriculture plays a crucial role in poverty reduction and in narrowing development gaps. Non-tariff barriers (NTBs) need to be collectively addressed otherwise they adversely impact on the development of international trade and investment. Small and medium-sized enterprises (SMEs) are the key to economic development and poverty reduction in the region. ASEAN and East Asian countries need to follow a common approach to linking the multilateral trading system with regional production networks, mainly supported by SMEs.

Inclusive and green growth should be the ultimate goal of international trade. ASEAN, as a regional grouping, should take the lead in facilitating dialogue and building consensus within the wider Asia-Pacific region to promote pro-poor trade and green growth. A widening development gap is threatening peace and stability in the region.

It is therefore necessary to link trade with development in the region through the provision of technical support and market openness to pro-poor industries and sectors such as the agricultural sector and SMEs.

4. The WTO: still relevant for ASEAN and East Asia?

The WTO has played a significant role in facilitating trade liberalization and increasing the capacity of its member states to adapt to trade rules and norms. The member states of ASEAN have benefited significantly from their membership in the WTO. The ASEAN Free Trade Agreement (AFTA) and other regional economic integration schemes use WTO rules as basic guiding principles.

Due to the increasing need for trade and investment liberalization, ASEAN and East Asian countries have moved beyond the WTO by introducing a more open and preferential regional trading arrangement among themselves. However, ASEAN and East Asian integration is inclusive and has played an important role in promoting the norms and rules of the global trading system.

5. Bali and the road to the ASEAN Economic Community

Regional economic integration is part of global economic cooperation and norms. Adherence to the rules-based global system of trade and investment is required more than ever in a world of PTA proliferation. Sustaining open and inclusive regionalism forms an integral part of the ASEAN community building process. By closely linking a single regional production network and a single market within global supply chains of production, services, and investment, ASEAN can maximize its economic potential and realize its inclusive regional economic integration aims.

The upcoming multilateral trade discussions and negotiations in Bali should focus on reforming the WTO, especially in the field of linking trade with investment and services; with regional and global production networks; with exchange rate

governance; as well as linking trade with poverty reduction and green growth. It is necessary to find new ways and means to revive the Doha Round negotiations. This requires bold leadership with strong political commitment to push for an inclusive negotiation based on trust, mutual benefits, and transparent and fair rules.

Linking trade with a reduction of development gaps in the region is fundamental to maintain peace, stability, and sustainable development. Trade and development need to go hand in hand with economic and social inclusion in order to be sustainable.

6. Multilateralizing regional advances: RCEP and TPP

The deadlock in the WTO's Doha Round negotiations has led some countries to look for alternative trade arrangements at the bilateral and regional levels. The Asia-Pacific region, regarded as the most dynamic region in the world, has developed different layers of regional economic integration frameworks, such as the Regional Comprehensive Economic Partnership (RCEP) proposed by ASEAN and the Trans-Pacific Partnership (TPP) proposed by the United States.

However, it is necessary to ensure that such PTAs do not become protectionist blocs. Such arrangements need to remain open, inclusive and outward-oriented. RCEP and TPP can complement each other in promoting regional economic integration and production networks although differences in standards and compliance levels may be expected to flow from them. It is expected that the realization of RCEP and TPP will help to boost trade and investment in the region and to tackle the issues of rules of origin and non-tariff barriers (NTBs). The positive steps and developments taking place in trade and investment liberalization in East Asia and the Asia-Pacific will put pressure on the WTO to quickly reform and become more responsive to the demands for more trade openness and liberalization.

7. How can regional trade arrangements complement the WTO?

Preferential trade arrangements need to be inclusive and open so that they complement the WTO. By producing a high-standard trading environment, the Asia-Pacific region will inspire other regions to follow suit. The inter-regional economic cooperation mechanisms, such as those between East Asia and Europe or East Asia and Latin America, can play an important role in linking different regional economies. Such trans-regionalism contributes to global trade and investment cooperation and integration. Moreover, regional trade negotiations can help to build consensus at the global level.

The regional institutions need to have a section within their secretariats mandated to deal with WTO affairs. For instance, within the ASEAN Secretariat, a new section on ASEAN–WTO coordination should be created to ensure that WTO rules and regulations are observed and to facilitate discussions on WTO reforms at both the regional and multilateral levels.