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## **WTO's Legitimacy So Diminished that Simply Agreeing on *Anything* Is Touted as Success, Even as Doha Round WTO Expansion Agenda Remains Deadlocked for More than a Decade**

### ***The "Big Breakthrough" – Developing Nations Force Waiver of Existing WTO Ag Rules, Nations Agree to Finish Deal by July to Update Customs Procedures, Previously-Agreed Trade Benefits for Least Developed Nations Adopted***

WASHINGTON, D.C. – After nearly two decades of futile efforts to expand the authority and scope of the World Trade Organization (WTO), another WTO Ministerial meltdown was averted in Bali today when the United States agreed to a waiver for existing WTO agricultural rules that developing countries had demanded to help ensure food security for their populations.

Countries also are poised to agree to finalize a "trade facilitation" deal by July 2014 that would require countries to update customs procedures, and to formally adopt a package of trade benefits for the poorest nations that was agreed to years ago. The other texts issued from the meeting merely "affirm" past agreements. Notably, agreement could not even be reached to force compliance with a 2005 WTO decision that all countries must eliminate agricultural export subsidies by 2013, which has not occurred.

"Any hype about this outcome 'saving' the WTO reveals just how dire its crisis of legitimacy has become, given the actual deliverables were a rollback of *existing* WTO agricultural rules, a commitment that countries will update their customs procedures and implementation of trade benefits for least developed countries that had been agreed to years ago," said Lori Wallach, director of Public Citizen's Global Trade Watch. "Reviewing the actual text of the agreement, it appears that the biggest 'breakthrough' was simply that yet another WTO Ministerial meeting did not melt down altogether."

Perversely, the Obama administration is trying to push many of the same terms that have been repeatedly rejected at the WTO in regional pacts, such as the Trans-Pacific Partnership and a Trans-Atlantic Free Trade Agreement.

"The fundamental principle of the WTO – that 160 countries should conform their domestic food, financial, health, energy, patent, procurement and other policies to terms favored by the world's largest corporations – faces growing opposition worldwide," said Wallach. "It's not surprising that the 'Doha Round' proposals that would have expanded the WTO's power have been rejected, given the damage WTO has caused so many people around the world, and that developing countries have instead insisted on rolling back of some of the existing WTO rules."

The WTO's agricultural rules, which required all nations to open their markets to food imports but did not ban agricultural subsidies, caused many developing countries to become net food importers. As a

result, recent spikes in global food prices have led to increased hunger and food riots in scores of nations. Since the WTO's establishment in 1995, the U.S. trade deficit has grown from \$166 billion in 1994 to last year's \$741 billion deficit. The G-20 has identified such massive global trade imbalances as a major factor of global economic instability.

The "price" extracted at the Bali meeting for developed countries' agreement to waive existing WTO agricultural rules for developing countries was new "trade facilitation" obligations favored by developed nations. Many developing nations declared that they could not fund new customs systems and other programs to ease trade flows, with limited resources needed for essential health, education and other needs.

The WTO's remaining function – enforcing the body's existing rules – is also coming under increasing attack. WTO enforcement tribunals have ruled that domestic policies violated WTO terms in 92 percent of the 186 cases decided since the organization's 1995 establishment. Of the 54 cases involving public interest, non-trade policies, WTO tribunals have ordered countries to eliminate or alter their policies in 98 percent of cases.

Recently, the WTO has ruled against U.S. laws that ban candy-flavored cigarettes to curb smoking among young people and that provide consumers with information about the country of origin of the meat they purchase and whether tuna fish was caught with dolphin-safe methods. The WTO also ruled against U.S. auto fuel efficiency standards, endangered species and clean air rules, and an Internet gambling ban. Nations' attempts to apply WTO exceptions, ostensibly designed to safeguard health and environmental policies, have failed in 36 of 37 uses.

**Background:** The WTO was established in 1995 after U.S. and EU officials reached a trade deal to which many other nations objected. The deal replaced the 1948 General Agreement on Tariffs and Trade (GATT), which was limited to cutting tariffs and quotas, and established a powerful new global commerce agency that set rules on many non-trade matters. All signatory nations must make their domestic policies conform to WTO rules; failure to do so is punishable by trade sanctions.

The idea that nations should be required to provide long monopoly patent terms on drugs and seeds, deregulate their financial and other services and provide special privileges for foreign investors was controversial. Additionally, the WTO's agriculture trade terms only exacerbated ire about being required to adopt this "Washington Consensus" policy package as a condition for enjoying the market access that GATT had long provided. Those terms required countries to eliminate various domestic food security policies and open their markets to agricultural imports, while wealthy countries were allowed to maintain agricultural subsidies. However, the geopolitical power dynamics of the era meant that the United States and European Union could largely dictate terms and the WTO was established.

Almost immediately, a small bloc of wealthy countries tried to further expand the WTO's powers and scope.

At WTO Ministerial meetings in Singapore (1996), Geneva (1998) and Seattle (1999) this ploy was rejected. At a 2001 Ministerial meeting in Doha weeks after the September 11 attacks, a WTO expansion agenda disfavored by many nations was launched. But at Ministerial meetings in Cancun (2003) and Hong Kong (2005), that agenda came under withering attack. The "Doha Round" agenda was so deadlocked that the WTO did not hold a Ministerial session again until 2009, despite rules requiring biannual meetings of member countries' trade ministers, who are the WTO's official governing body.

Even after major portions of the WTO expansion agenda were jettisoned, the Doha Round agenda was so widely disfavored that the 2009 Ministerial was explicitly announced not to be a negotiating meeting. Elements of the Doha Round agenda face such deep opposition from different blocs of countries that the agenda for the Bali Ministerial was limited to only a few items from the overall Doha agenda – an agreement to update customs procedures to facilitate trade, enforcement of a past agreement to eliminate agricultural export subsidies, new flexibilities for developing countries to stockpile food for public feeding programs and adoption of a package of trade benefits for least developing countries that had been agreed to years ago.

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