



A 'Pretty Big Deal' for the World Trade Organization

Gary Clyde Hufbauer says the trade facilitation agreement forged at the WTO Ministerial Conference in Bali was a step forward that could yield major gains for the world trading system.

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Steven Weisman: Members of World Trade Organization meeting in Bali have concluded at least part of what was envisioned in the original Doha Round of trade negotiations a dozen years ago. But how much of a step forward was it? Gary Hufbauer of the Peterson Institute for International Economics is here with me, Steve Weisman, to discuss the answer to that question. Gary, first, what did they accomplish in Bali?

Gary Hufbauer: There were two parts to the agreed package. The first and biggest part was the agreement on trade facilitation, which -- translated into plain English -- means cutting back on red tape, which is just terrific at ports and airports for goods shipped across borders, and thereby, cutting back on corruption, which is absolutely pervasive at ports and airports, especially in developing countries. [Corruption] adds 10 to 15 percent to the cost of the shipments. So it's a pretty big cost. In fact, it's higher than tariffs today and this trade facilitation agreement is meant to, over time, cut that down to a much smaller figure.

Steven Weisman: Over how long a period of time?

Gary Hufbauer: It depends on the alacrity, the speed of implementation by countries. I think a reasonable period of time is a decade. We're not talking about problems in Singapore or Hong Kong or Vancouver. We're talking about problems in Alexandria, in Lagos, in Cape Town, Jakarta, and Calcutta. I mean, these countries which have signed this agreement, it's up to them to faithfully implement. They're not going to be beat over the head with a stick if they don't implement, but it's certainly to their own benefit to implement.

Steven Weisman: What was the problem that finally was overcome -- some of these countries were resisting the changes?

Gary Hufbauer: Yes, they were and there were a couple of reasons for that. The biggest reason is that India led a group of countries which wanted, essentially, a buyout from disciplines on agricultural subsidies. It's as straightforward as that. They called the agreement Food Security. I think that's a mis-label. But what they want and what they got is that for an indefinite period of time -- to be reviewed in 2017 -- they can subsidize whatever they wish for the so-called purpose of stockpiling essential food grains, whatever that means. So that's what the developing countries and in particular, India wanted and that was the main obstacle. But in addition, I think there are several countries who are not really too keen about reforming practices at their ports and airports.

Steven Weisman: What was the second part of the accomplished agreement?

Gary Hufbauer: That was this food security agreement.

Steven Weisman: Oh I see.

Gary Hufbauer: I wouldn't call it an accomplishment, but it was the second part of the grander Bali package.

Steven Weisman: Why did they even need that? I mean, since there was no overarching Doha agreement calling for a reduction and subsidies, why did they want some kind of preemptive buyout?

Gary Hufbauer: This goes back how the WTO does business, which I think is an anachronism. In order to get an agreement on anything, all countries have to agree. That's 159 countries, soon to be 160 countries. So if you have a naysayer, even a handful of naysayers -- and at the last moment; Cuba, Venezuela, Bolivia, Nicaragua were naysayers, even after India agreed -- you don't get a deal. So you have to bring everybody along and that means that a determined group, even if it's a minority, can get some quid pro quo out of the bargain.

Steven Weisman: Some trade advocates in the United States hailed this trade facilitation agreement as a big deal. Others said it was trivial. Where are you? Somewhere in between?

Gary Hufbauer: I may be in the camp of a potential big deal. We calculated back in April that a robust trade facilitation agreement could be worth to the world economy, a trillion dollars when implemented over the space of five to ten years, and that's a big deal. The way the agreement came out it leaves a fair amount of flexibility for countries to not energetically implement. So it really depends on their own level of ambition and how big it is. But I think it could, in time, be actually a pretty big deal.

Steven Weisman: Okay, Gary, a pretty big deal in Bali.

Gary Hufbauer: Yes, a pretty big deal out of Bali.

Steven Weisman: Okay. Thanks very much.

Gary Hufbauer: Thank you.

