

## -The Emperor Needs New Clothes- Failure in Hong Kong will represent a significant setback even if it is dressed in the clothes of success.

**By Mark Halle**

In a Calvin and Hobbes cartoon some years ago, Hobbes points out to Calvin that if you lower expectations far enough, you will reach the point where those expectations are inevitably met. This prediction has characterized international summits and conferences for some time. They begin with great expectations, and progressively settle for less so that, in the end, progress is barely perceptible.

WTO has always been the exception. Either its meetings succeed against the targets set for them (whether these are modest or ambitious) or they end with spectacular failure. Of late, we have had rather more of the latter than the former. Over the past five years, two of the three WTO Ministerial conferences (Seattle in November-December 1999 and Cancun in September 2003) have gone down in flames. The only one to succeed was Doha in November 2001, and that was in part due to the aftermath of 9/11. The only other two Ministerial conferences since the WTO was set up in 1995 (Singapore in 1996 and Geneva in 1998) succeeded, but they had very little to decide.

Given that bleak heritage, Hong Kong cannot be allowed to fail, particularly since a failure would, in all likelihood, sink the current Doha Round of multilateral trade negotiations. There are two ways to avoid a failure: the first and best is to succeed; the second is to agree that a significantly more modest result is acceptable and declare it a success. The first of those options has been all but abandoned,

with one country after another declaring that expectations for Hong Kong should not be too lofty, and that a second high-level conference will be needed in the six months that follow Hong Kong. In fact, even if anyone could locate the political will that has gone missing in the WTO, there would be no time now to prepare the kind of deals and breakthroughs that would represent a real success.

So failure in Hong Kong will be defined as success and we will move on. To what? To a desperate race against time as the clock ticks inexorably towards a time when a deep deal becomes all but impossible – because of the U.S. mid-term elections, because of the renewal of the U.S. farm bill, because of the expiry of the U.S. president's Trade Promotion Authority, because the opportunity for agreeing on a strong mandate for the EU Trade Commissioner will have passed, because Chinese exports will have provoked protectionist sentiment in the West, because the poorer countries work out that they are better off with their current preferences than with an obligation to go through further deep liberalization.

IISD has always felt that there is no necessary incompatibility between an open, rules-based multilateral trading system and the objective of sustain-

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able development. But for the harmony to be realized in practice means reform of the trading system, and this will only take place in an atmosphere of dynamic, forward-oriented movement. Without it there is a risk that WTO will return to being a somewhat lethargic forum for monitoring compliance with existing agreements and dealing with the disputes that arise among parties. If that happens, the political momentum for both trade liberalization and sustainable development will move elsewhere.

Hong Kong is an important milestone, and distracting attention from it by trying to focus everyone on the next one will not change the fact that a failure in Hong Kong will represent a significant setback, even if it is dressed in the clothes of success.

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