Key note address

The Future of the Multilateral Trading System

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1 This presentation was produced in collaboration with Dr. Patrick Edgar Holzer, Foreign Economic Affairs Directorate, SECO.
Ladies and gentlemen,

Introduction

First of all, I would like to thank the World Trade Institute and its director, Professor Thomas Cottier, for the kind invitation to join the celebration of the 10th anniversary of the WTI. I was asked to deliver an address on the future of the multilateral trading system. Well, I am glad to share with you what I can see in my crystal ball.

Enthusiasm in 1994

Before looking into the future, however, I would like to invite you first to have a look at the Marrakesh Declaration marking the end of the Uruguay Round and establishing the WTO. There was a lot of enthusiasm at the time of the foundation of the WTO. And there was good reason for this enthusiasm.

The creation of the WTO can indeed be seen as a historic achievement. Ministers then welcomed the stronger and clearer legal framework for the conduct of international trade. This also meant a more effective and reliable dispute settlement system.

They further welcomed the global reduction resulting from the Uruguay Round by 40 per cent of tariffs and the conclusion of wider market-opening agreements on goods. Through the expansion in the scope of tariff commitments, they hoped to increase predictability and security. Last but not least, they were proud to establish a multilateral framework of disciplines for trade in services, for the protection of trade-related intellectual property rights and for the reinforcement of trade topics such as agriculture.

Aims pursued by the creation of the WTO

What were the aims pursued by the creation of the WTO? There is an anecdote being told. On a radio discussion on the WTO, participants were full of ideas about what the WTO should do or should not do. One of the participants finally said: "Hang on a minute. The WTO is a table. People sit round the table and negotiate. What do you expect the table to do?"
To tell you the truth, I am not really happy about this anecdote: is it really true that the sole aim of the creation of the WTO was to establish a forum for members to talk? Looking again at the Marrakesh Declaration it becomes evident that the answer is a clear No. The creation of the WTO was not an aim in itself. The conclusion of the Uruguay Round was believed to strengthen the world economy and to lead to more trade, investment, employment and income growth throughout the world.

Ministers in 1994 were convinced that the establishment of the WTO *quote unquote* "ushers in a new era of global economic cooperation, reflecting the widespread desire to operate in a fairer and more open multilateral trading system for the benefit and welfare of their peoples". Have these aims been achieved? Ministers in 1994 also expressed their determination to resist protectionist pressures of all kind. Could they resist?

**Where do we stand today?**

Looking at almost 15 years of existence of the WTO there is no need for pessimism. The situation is not too bad. Today, there is not less trade, investment, employment and income growth throughout the world – very much to the contrary. This in itself is an achievement. Why? The world has just witnessed the biggest economic crisis since the early 1930. There was a real risk that leaders would take short-sighted actions to deal with the crisis at home. To a large extent, WTO members refrained from doing so. This was also due to the fact that the WTO and especially its director general acted quickly. The transparency exercise was a fruitful one. The created peer pressure had as effect that WTO Members more or less resisted protectionist pressures. But, will this always be the case?

Another remarkable fact is that the developing countries seem to have suffered quite less from the crisis than the OECD countries. The overall growth rate of the first category of countries increased in the crisis year 2009 by 2.6% whereas it decreased for the OECD countries by minus 3.5%. The emerging countries Brazil, the Russian Federation, India, China, South Africa and others in particular resisted the crisis quite better than the US and the European States. Does it not
astonish to realize that the debt burden today measured as percentage of the GNP is higher in many developed countries than in developing countries? Who would have predicted such a turn around two years ago?

Globalization helped. Companies integrated their production processes across the world. Most developing countries started to participate very actively in world trade and became member of the WTO. WTO itself was born and grew up as an organization mainly of developing countries – not like the old GATT which was merely a Club of OECD countries. It is important that since 15 years the large majority of countries are discussing trade policy issues on eye-level.

**The way forward**

The WTO cannot afford to rest. We have to move forward. I see three goals we have to achieve if we want the WTO to play fruitfully its role also in the future: 1) a rapid conclusion of the Doha Round, 2) the embedding of new members into the organization and 3) a focus on questions of the 21st century. It seems to me that the achievement of the first goal is of utmost importance. Let me therefore dwell a little bit longer upon this issue.

**Goal 1 – Rapid conclusion of the Doha Round**

I can only repeat what you already heard many times and what you perhaps are already tired to hear. We have to come to a speedy conclusion of the Doha round. The pushing on the conclusion of this round has nothing to do with pride. It has nothing to do with putting the blame for having not yet concluded on others. It has to do with efficiency. It has to do with the fact that the world changes and that we are about to lose ground with the actual multilateral trading problems of this world.

I am not going to elaborate on the different topics of the Doha round as WTO members’ positions in these negotiations are well known. We started negotiations in 2001 and we are still struggling on the modalities how – as was set out in the Doha Ministerial Declaration – *quote unquote* "to maintain the process..."
of reform and liberalization of trade policies, thus ensuring that the system plays its full part in promoting recovery, growth and development”. The problem is that time is running fast and running out. WTO members that are eager to respond to actual challenges their companies face have to act now and cannot afford to wait any longer.

The actual situation is not without consequences. Nowadays, we are already facing a trading system of different speed. There is a proliferation of regional and bilateral trade agreements. I am certainly not against such agreements. They play their role. As was stressed in the Doha Ministerial Declaration, *quote unquote* "they can play an important role in promoting the liberalization and expansion of trade and in fostering development". Switzerland – alone as well as together with its EFTA partners – is engaged in such agreements as many other WTO members are. But the conclusion of such agreements should go hand in hand with progress in the rule-making and liberalization of the trading system on the multilateral level. Otherwise, the free trade agreements (FTA), excellent as they might be, risk losing their significance once they are implemented. We should not forget that FTA rest to a large extent on the basic rules set out in WTO, be it on subsidies, dumping, safeguards etc. If the basic rules are diluted or enhanced the FTA are implicitly affected. As today, there is no sign at the horizon, that we are about to conclude the Doha Round in due time, we should at least ask ourselves what could be the hypothetical alternatives to such a rapid conclusion. Allow me to have a look into coffee grounds crossing fingers that I am not a gifted fortune-teller.

First, we could decide to take a break, waiting till each and all members feel ready again to engage in fruitful negotiations. However, I cannot see the merits of waiting any longer. We would not only lose what is already on the table today but sitting in the waiting room takes the incentive to move or to engage in new trade projects away. Second, we could decide to start it all over again with a different mandate supported by all members allowing a negotiation at different speed. Such a reset would take several years. Remember how long it took to get the Doha
Round off the ground. To put a new mandate together overnight is simply unrealistic. Third, we could wait until big players such as the US feel the consequences of the proliferation of bilateral and regional free trade agreements and the discrimination resulting from such agreements. Such discrimination could convince the US-President and Congress that a comprehensive result at the world wide, multilateral level would serve the interest of America. However, such a change of attitude will not happen soon.

Fourth, there is another possibility: I see a real risk that the level of frustration among some of the WTO members about the absence of any prospect to bring the Doha Round to a rapid conclusion could lead these members into temptation to forming a coalition of the willing. Such a like-minded group could be tempted – in giving up the idea of a single undertaking – to get things settled in some areas among themselves. I do not exclude a priori this plurilateral approach. Indeed in a rapidly changing world it becomes more and more difficult to find common agreements among more than 150 countries serving all their interests. However, it seems to me that the negotiation approach “à geometrie variable”, where countries could chose to participate according to their own interest, should only be considered in the aftermath of the Doha-Round.

Ladies and gentlemen, I have sketched out three alternatives to the Doha Round: take a break, start all over again and hoping of a change of attitude in the US. You will agree with me that these three options are all but attractive. They are no alternative to the Doha Round.

As to the forth option, the plurilateral approach, I think that it is too early to consider this method of negotiation. Once, the Doha Round is finished successfully or unsuccessfully we should however look seriously into this approach. In the future, it may be more promising to solve trade problems in a progressively complex and more diverse world through a process of variable geometry where countries can chose to participate in all or only in a limited number of sectoral trade agreements.
Goal 2 – Enlargement of the WTO membership

Let me now turn to the enlargement of the WTO membership: Since the creation of the WTO some 25 countries and separate customs territories acceded to the WTO. The process of these accessions sometimes took quite a long time. And it was hard work – especially for the applicants. There are at present around 30 governments which have applied to accede to the WTO. Their membership would bring the coverage of the WTO to almost 100 percent of world trade, world GDP and world population. But, we are not there yet.

In my opinion, it is crucial that as many states as possible (the Russian Federation, Belarus, Kazakhstan to name some of the candidates) who are willing and able to fulfil the necessary requirements for an accession can accede to the WTO as soon as possible.

One applicant, the Russian Federation, has more than 1 percent of world trade. Indeed, a rapid accession of the Russian Federation to the WTO would be welcomed as it would strengthen the multilateral trading system – provided this country is willing and able to fulfil all the requirements for its accession. This means coming to a term on market access with all WTO members that engage in bilateral negotiations (including small neighbours). This means also bringing the national legislation into harmony with all the WTO Agreements (including among others the Agreements on trade-related aspects of intellectual property rights, on technical barriers on trade, on the application of sanitary and phytosanitary measures). The creation of the customs union together with Kazakhstan and Belarus added to the complexity of the accession process.

Goal 3 – Answering the questions of the 21st century

I would now like to focus on another important goal which is to find answers to questions of the 21st century such as working conditions, climate and environment. Today's world trade interrelates with these important topics: Can we in the WTO still afford to focus only on trade? One aim of the creation of the WTO was the furthering of the welfare of WTO members'
peoples. Can we still afford to close our eyes on the fundamental question about the conditions in which products are produced or services rendered? I am convinced that the WTO membership is soon called upon to find answers on how different processes should properly interrelate with the multilateral trading system. Would the international community allow working conditions that conflict with fundamental human rights, would it allow production methods that are detrimental to the environment or impact significantly on global warming? We have to address the impact of trade on these issues; otherwise, we will soon have to deal with the reaction of a civil society opposing further trade liberalization.

However, finding answers to the questions of the 21st century does not mean that the WTO should double the work done in the ILO or should take over the Copenhagen process. There has to be an increased and intensified coordination among these Organizations and initiatives. The WTO could go forward with the good example e.g. by granting the ILO the status of an observer.

Finally, I still regret that such important issues as investment and competition were dropped in Cancún in 2003. Access to investment markets and protection of investments have become of the most trade relevant issues today. There exist now several hundred of bilateral Agreements on Investment Protection. I can’t understand why we cannot find a multilateral approach to this question.

And eventually, in a world where multinational enterprises cover a large part of global trade, rules on competition cannot be dealt with successfully only at a national level as it is the case today. After the Doha Round we have to look again to finding ways to combat restrictive business practices which can offset the benefits of trade liberalisation.
The role of academia

Now, let me focus on the role of academia for the future of the multilateral trading system. Undoubtedly, it plays an important role in shaping its future. However, I would like to stress two points.

First, it is not fruitful if academia develops new concepts and approaches in solving problems in isolation. Formulated positively, the most fruitful process for academia to develop new concepts is to do it in constant dialogue with the actual stake-holders in the Doha negotiations. Second: The questions of the 21st century call for multi-disciplinary answers. Of course, we can look at problems solely from an economic point of view. Of course we can tackle with questions from a purely legal point of view. And of course we can discuss ethics without looking at legal and economic implications. But today, only the combination of law, economics, ethics, and natural sciences ensures that the answers to the questions of the 21st century are able to "fly" as negotiators would say. I strongly encourage you to continue and intensify this fruitful dialogue between various scientific disciplines.

In this sense, I warmly welcome the WTO's initiative and efforts in organizing open fora. Having a look at the variety of the countries of origin of the participants of these fora their importance becomes clear and evident. Apart from the WTO itself, the WTI as well as other institutions are most suited in furthering this dialogue.

What is the future of the multilateral trading system?

Let me come back to the topic of my address. What is the future of the multilateral trading system? Looking at you, ladies and gentlemen, practitioners, academics, students from countries all over the world, I come to the conclusion that the future of the multilateral trading system is what you will do about it.

To the students I say: complete your studies in order to be able to add to the capacity building in your home countries or in international organizations or international firms. This capacity building is the basis not only for accessions but also for future
negotiations in the WTO and for taking benefit of the multilateral trading system.

To the academic researchers I say: intensify your research in helping to path the way to find answers to questions of the 21st century such as how to deal with the environment, climate change and working conditions of the ones who produce the products we trade.

To practitioners and to professors I say: intensify the fruitful dialogue between administration and academia in order to ensure that actual and future negotiations in the WTO may take profit of your research results.

To the Director General of the WTO I say: continue and intensify your efforts not only in pushing WTO Members to conclude the Doha Round rapidly, but although through your own proposals and by tabling texts of compromise in your responsibility. You have my strong support in doing that, but also in ensuring that there is no fallback into the times of protectionism.

To the governments of WTO Members I say: do not backtrack on the progress achieved so far in the Doha Round by putting into question what already is on the table. Do not pocket concessions already received. Do not lower the ambition to conclude the Doha Round as rapidly as possible. If you proceed this way, then the WTO is not longer to be considered a table were people engage in endless talks. It will be seen as a table were talks materialize in tangible results helping – as the Marrakesh Declaration stresses it – in creating this new era of global economic cooperation which leads to a fairer and more open multilateral trading system for the benefit and welfare of all of us.

And finally and most importantly to the jubilee, the WTI, I say: congratulations, these last 10 years you did a marvellous job. The WTI is established and known all over the world. This is due to the personal efforts of its founder, Professor Cottier, who did not rest in bringing practitioners and academia together. Professor Cottier, let me express the gratitude of the Swiss government and the audience assembled here for the work you
and your crew have done the last 10 years. Continue to be bridge builders. *Ad multos annos!*

Thank you.

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