

The future of WTO: two perspectives

Pascal Lamy
EU Trade Commissioner

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Thank you for the friendly introduction and to the Kangaroo Group for inviting me back here. "The future of the WTO" that is of course a vast subject and could keep us here well beyond lunchtime. But I'll try to keep the crystal ball gazing element to a strict minimum, by focusing mainly on the immediate future of the WTO, and venture only a few reflections on longer-term issues at the end.

The Doha Development Agenda

So let's start with the immediate future of the WTO, and that is of course the DDA negotiations. As you all know, the EU, after Cancun, spent some time soul-searching and asking some really fundamental questions regarding the overall orientation of EU trade policy.

The first question was about the scope for pursuing new rule making in the WTO, and the relationship of "rule making" to "market access" negotiations: The result of our reflection was that the EU should continue to insist on both a strong trade liberalisation and a strong rules-making component in the WTO. We cannot dismiss the importance of rules in the WTO or those developed in other areas of international policy making. Existing rules in areas such as agriculture or trade defence, for example, show how fundamentally intertwined rule-making and market access continue to be. Rules lock in and ensure market access.

It is however clear that we need to heed the lessons from Cancun and to be more flexible on the Singapore issues (investment, competition, trade facilitation, government procurement). These issues need to be treated on a case by case basis.

We remain as convinced as before of the value of WTO rules on these issues, and we are looking to try to ensure they remain addressed by WTO participants. This being said, priority for us clearly is trade facilitation and transparency in government procurement.

I have also been authorised to take, on behalf of the EU, a more flexible attitude on environment and on the issue of geographical indications in order to ensure the continuation of the negotiation process. On agriculture we have reaffirmed our willingness to negotiate seriously, including by eliminating export subsidies on products of interest to developing countries. But it would be refreshing if others were to consider just how far the EU has moved on agriculture, and to make their own concessions in this important part of the negotiation.

Finally, let me add that services and market access for industrial products remain evidently absolutely crucial for the EU and its industry and we will continue to make intense efforts to ensure an ambitious outcome in line with the interests of the EU.

The second question that the Commission considered was whether more emphasis should be given to bilateral and regional trade negotiations, following Cancun. After Cancun, many WTO Members including the US and some Asian countries have announced that they will seek to intensify their networks of FTA relations in parallel with the WTO negotiations, or as a possible alternative, given the absence of progress at the multilateral level. The trend towards bilateral trade deals was in fact apparent already before Cancun. For our part, the EU has launched no new FTA negotiations since Doha, although we have continued to work hard on our existing mandates, such as on Mercosur.

The question we posed was whether the EU should switch to the bilateral road as a priority: the conclusion we drew is that in order not to undermine progress in the DDA we should be careful not to shift the balance significantly further towards bilateralism.

At the same time we also concluded that this continuity in approach was quite consistent with a possible future expansion of our network of agreements if persuasive economic or other reasons present themselves, and preferably on a region-to-region basis, like the current EU-Mercosur negotiations.

The third issue concerned the best means to further the developmental objectives of the WTO and the Doha agenda. On the question of development some developing countries have disputed whether the new Round sufficiently supports development objectives. Our view remains that the WTO remains fundamentally fair and pro-development, and indeed that the Uruguay Round was not an unfair deal. The DDA should therefore not aim at removing all responsibility from all developing countries. Indeed, developing countries should also consider quickly how they can contribute to successful market-opening and better rules including the important dimension of improved "south-south" trade. The DDA needs to further the integration of developing countries into the world economy, rather than leaving them on the sidelines. The biggest developmental gains will, after all, come from both ambitious trade opening and the strengthening of multilateral rules and it is here that the most significant potential for fulfilling the development dimension resides.

Finally on the need for improving the workings of the WTO as an organisation, we have concluded first to pursue modest, but feasible reforms on the preparation and management of Ministerial conferences and other means to improve the efficiency and inclusiveness of WTO negotiations. More systemic questions, which are crucial in my view, will have to wait for the moment, given the limited appetite of other WTO members for changes in this field.

I am very pleased that these positions have received the strong support of Member States and the European Parliament, and that the feedback we got from business, trade unions and the larger part of civil society is rather positive.

Of course, it is all very well for the EU to be flexible, but we all know that the EU cannot achieve the success of the DDA alone. Real flexibility from all WTO members - and the Commission has made this clear since Cancun - is indispensable. The WTO, with now 148 members, is a pretty big orchestra. There have been plenty of solos from the EU, some dramatic playing of G20 trumpets or from G90 cellos. Not so much from the Japanese flute, and recent good noises from the US drums. But certainly not enough ensemble playing, and the absence of a clear conductor hurts.

But after the WTO General Council meeting in Geneva on 15 December, it seems that at least everyone agrees on the hymn sheet we should play from: there was a clear expression by all WTO members of their political will to continue the DDA negotiations. And we have recently had further confirmation of this political commitment from a number of countries.

I have just come back from a trip to Bangladesh, India and Indonesia, where I held talks with a large number of trade ministers from South and South East Asia, and I was encouraged by the shared sense of necessity, urgency and opportunity to move negotiations forward not as a matter of months, but of days and weeks.

There is clearly a shared sense that 2004 must not be a lost year. Even though there will be "distractions" during 2004 (such as the Indian elections in April, the Canadian election in May, the European Parliament elections in June and the US elections in November) real progress in 2004 is possible if the members are ready to achieve this.

The first important deadline is in March/April, where we need to arrive at the point where we should have been at the end of the Cancun conference: this is the goal endorsed by all WTO members at the WTO general council on 15 December.

For our part, we will do all in our power to move these negotiations forward rapidly and satisfactorily. We will then be able to see whether negotiations are sufficiently advanced for scheduling a WTO Ministerial before the autumn.

WTO Reform: short and medium term

Let me pick up in more detail the question of WTO reform, because progress on substance also requires, at least on some issues, progress on procedures and internal workings of the WTO. What we want is a modest, but feasible set of organisational improvements to the WTO, focusing first and foremost on the preparation and management of Ministerial conferences, and other means to improve the efficiency and inclusiveness of WTO negotiations and the decision-making process. The areas for short term improvement should be: the conduct/management of Ministerial Conferences; the facilitation of the participation of Members, notably smaller developing countries; the establishment of a consultative group to prepare work on behalf of Members

In relation to the conduct of Ministerial conferences a key point is to ensure an earlier start of the negotiations: In Cancun, we spent a total of 150 hours, among which only 3,5 hours of negotiations. Whichever view of efficiency one has, this ratio is appalling and deserves urgent attention. The negotiating forum was established too late so that conference days that could and should have been used to negotiate were effectively wasted in formal meetings that were used mainly to restate well-known national positions. This might have been avoided with a clear, advance decision on the meeting schedule to be followed during the Ministerial, i.e. a clear timetable indicating the start of discussions/negotiations for each agenda item and clear information for WTO Members on the meeting format.

For future Ministerial meetings, the EU suggests that the informal negotiations at Ministerial level start immediately. We also want that in future the structure for negotiations and the complete agenda be set in advance of the Ministerial Meeting and in a way that all necessary time is given to the actual negotiation of texts. This works well in other international organisations no reason why it should not work in the WTO.

Another issue concerns the ministerial facilitators. These persons have heavy responsibilities in steering specific issues towards balanced solutions. At Cancun there was no clear advance decision on the choice of Ministerial facilitators. It took place in Cancun itself, with the result that facilitators had to master their dossiers in an unreasonably short time and the legitimacy of some such appointments was questioned. In future the names of facilitators must be agreed well in advance of the start of the Conference to allow them to play their role.

We also need a clear delineation of the role of the Chairperson, the Director General and Members: The Cancun "experience" suggests that key substantive decisions should be taken in a more collective way so as to reflect the will of the WTO membership. The Director General, the Chairman of the General Council, the Vice Chairs, the facilitators and the Members could all have a stronger role in the management of the Ministerial meeting.

We also need to address the challenge for many members, in particular those that do not have resident representatives in Geneva, to cover the many issues on the WTO agenda. In the short and medium term, progress can be achieved through practical measures for improved working methods, better management of meetings, and increased technical assistance with better indication from recipients of their needs.

The final short term issue concerns the possible constitution of a consultative group. The Geneva-based preparatory and negotiating processes - before Cancun as before Seattle have not always proved adequate in reducing divergences sufficiently. The standard mixture of formal sessions punctuated by informal restricted negotiating sessions ("Green Rooms") does not seem to have provided an effective negotiating environment which can produce results - despite the man-hours dedicated. Some countries did not feel sufficiently involved or that their interests had really been taken into account. While formal transparency has increased, negotiations themselves have not gained in effectiveness. I think that a consultative group, with representatives that reflect the diverse membership of the WTO, could provide a good middle way between formal meetings of 148 delegations and the informal Green Room processes.

You see that our ambitions for short term improvements in the working of the WTO are limited. This is because we do not want this debate to become a distraction from the substantive negotiations. But let me today flag at least some of the more medium-to-long term issues I personally believe should not lose sight of. I think that we need to take a hard look at the size of the WTO secretariat. Given the importance of the agreements that they administer and the organisation that they service, it is a question whether a staff, roughly a quarter of the size of the OCED is really enough. Should the secretariat remain basically a note taker or should we at some point help to create a staff of the size and with the mandate required for some thinking and initiatives independent from members? This of course raises the question of whether the WTO should remain a purely member driven organisation or whether some sort of "supranationality" at least in terms of process and co-right of initiative should be given.

This evidently also beckons the question of what role the Director General should have. Currently the Director General of the WTO has only very limited formal power. He has no right of initiative, he cannot even convene a meeting of the General Council in Geneva and decide himself what the agenda of the meeting will be. He does not have the right to put a paper on the table on an issue that he thinks members need to address. In an organisation of 150 members, I think there is no alternative to strengthening the formal powers of the Director-General, if we want to avoid paralysis.

And what about better access and clearer rules for involvement of parliamentarians and civil society into the work of the WTO? As traditional trade barriers such as tariffs and quotas have been gradually dismantled through successive trade rounds, regulatory barriers (in the form of technical standards, environmental or consumer protection for example) have hit the radar screen of trade policy makers. These, however, are deeply embedded not only in the institutional infrastructure of an economy, but also reflect the collective preferences the moral choices or the values of a society.

Trade policy today impinges on every area of public concern - and it therefore deserves the attention it now receives from people in all walks of life. The WTO needs to be able to interact in a structured manner with all those who today want a say in trade policy making. But we also need to know who these people and organisations are, who and what they stand for. This is of course self-evident for parliamentarians, but I think we will need to reflect on setting some rules of the game for NGOs.

Global Governance: the long-term challenge

So far I have focused on the short and medium-term future of the WTO. But let me at least point out some of the more fundamental challenges that I see ahead for the WTO. I have often said that our global governance system is unbalanced in several respects:

1. Imbalance between economic vs social and environmental pillars
2. Imbalance between industrialised vs developing countries in the system.
3. Imbalance between mobility of goods, services, capital on the one side, and people on the other side.
4. Single issue institutions - no forum able to consider the broader picture and address the interlinkages that exist, for instance between trade, environment, labour and development questions.

These imbalances and deficiencies have contributed to undermining both the effectiveness and the legitimacy of many international institutions. We have not focused sufficiently in previous years on building political support for institutions or their rules. This has tended to leave the field entirely clear to anti-globalisation protestors to claim that the WTO, the World Bank and the IMF are all part of the problem, not the solution, and that the ILO or UNEP are toothless tigers. I think that we need to work much harder to strengthen and rebalance the various pillars of global governance (for instance by considering the item of a World Environmental Organisation) and to promote coherence between them. In short, the future of the WTO depends largely also on what happens elsewhere in global governance. Because the WTO has to steer clear of two mistakes: it cannot simply focus on trade opening while ignoring the interlinkages between trade and the environment, social development, health, corruption, corporate governance I could prolong the list. Nor is for the WTO to decide by itself on environmental rules or to define core labour standards. But an irresponsibly single-minded WTO that pursues trade opening without considering its impact on other policy areas, and a WTO suffering from imperial overreach, i.e. the ambition to become the World Governance Organisation, is a chasm, and in between we need to find a better balance than we have at present.

Speech at the CII Conference New Delhi, 19 January 2004

Thank you very much for this kind introduction, and let me briefly return the compliment by saying how nice it is to be back in New Delhi. If only unfortunately briefly on this occasion, as I find myself sandwiched between a visit to Bangladesh, and a trip to Indonesia for meetings with the ASEAN group of nations. But I am very pleased that despite our mutually difficult schedules, I have had a substantial bilateral meeting with Minister Arun Jaitley.

So overall a very busy start to the new year, in some ways a bit like a tour with the Indian cricket team: racing through airports, carrying large bags around, people asking whether you can beat Australia...! Though there the parallel must end. It is a bit less glamorous, the press is somewhat less interested, and if I can extend the metaphor briefly, and honestly, thus far in the Doha Development Agenda, we in the WTO have collectively put rather fewer runs on the board than Sachin Tendulkar and the rest of the gang. But the good news is that the WTO's second innings is yet to come, and we are ready to tame the bowling!

The secret of course to progress is to explain the laws of cricket to the Americans and the French. At that point, the whole DDA will suddenly appear much less complex.

One of my new year's resolutions is to set to one side the analysis of what happened in Cancun. One of the advantages of our meeting in Geneva on 15 December 2003 is that we are now officially out of the post-Cancun era, and perhaps we are now in the pre-Hong Kong era, the site of the next WTO Ministerial I hope later this year. So let me move straight into "what next?"

For our part, the EU spent some time in serious reflection and soul-searching, consulting our constituencies in the Member States and European Parliament on some fundamental questions, including even on whether multilateralism should remain our first preference. I am glad to report that the EU is not leaving the multilateral table: indeed, the exercise has been a fruitful one, resulting in a rather open discussion about where we need to show a bit more flexibility, where we need to reassess our priorities, and so on, in order to contribute to a successful re-launch of the DDA.

However, it goes without saying that it is our strong view that all members need to participate and contribute to this re-launch the other developed countries, but of course also India and the other G20 countries. Briefly, in this context, I should mention that I am very pleased that the US has come out of the clubhouse so strongly just last week, indicating that even though it is an election year, 2004 is not to be considered a lost year.

Let me briefly run through the key issues. There is no better place to begin than market access, a staple WTO issue which is inherently good for development, and unsurprisingly so countries like India with competitive export sectors are rightly pushing hard in this area. Moreover, the WTO offers progressive trade opening so that each country can define what it can handle in terms of its domestic and international competitiveness and development priorities, accompanied by the necessary safeguards. The EU is willing to do its part here and to work on a basis that allows all Members' concerns to be met.

But as we move forward, a quick plug for South-South trade. This seems to me essential for development, and it is the area where the greatest gains are currently being made (40% of DC exports go to other DCs and South-South trade grows twice as fast as global trade).

It seems that the recent SAARC Summit (South Asian Association for Regional Cooperation) recognised this fact by making great strides towards free trade in South Asia, which is welcome news indeed.

But in all these developments, the more advanced DCs have a key role vis-à-vis weaker and smaller DCs. That is why I have also been floating the idea of whether the largest G20 countries, such as India, might consider further market opening for the least developed countries, for example. The best way to do so is, of course, on a multilateral level. But as a first step, doing it regionally, here in Asia, would give an important signal, and I understand that the Indian government is thinking along such lines.

On industrial market access, we are mainly concerned with fairness and what would lead to uneven results for WTO members depending on their current tariff rates. Of course, the circumstances of developing countries need to be taken into consideration, through Special and Differential Treatment, and in this area, we are ready to look at a developing country "rebate" to help countries like India. Yes, we want an ambitious outcome: of reduced tariffs across the board, and a major effort to tackle both tariff peaks and tariff escalation, which would

increase opportunities, and not just for north-south, but also for south-south trade. But we are not in favour of moving to zero for all tariffs. What we do want is a serious effort at increased, not total openness in this area. Not least, this would have a major impact in terms of the south-south trade, and that would be a great outcome for the Doha Development Agenda. To ensure effective export growth for developing countries the trade barriers of both developed and developing countries need to be tackled together.

On agriculture, another absolutely key issue, I hope we in Europe have now sufficiently demonstrated our willingness to move forward. We have tabled a proposal which would not only slash our import tariffs by more than a third; zero our export subsidies for products of interest to developing countries like India; and reduce trade distorting farm support by more than half, but which also contains specific actions to give developing countries a better deal. Such as the idea that the rich countries should ensure that access at zero duty should be applied to at least 50% of their imports from developing countries, and a special proposal which would allow crops which are key to a developing country's food security to be protected through a special safeguard. All this when the EU is already the world's largest importer of farm products from developing countries, taking more than the US, Canada, Japan and Australia - combined.

Needless to say, the EU does not agree to totally dismantle the Common Agricultural Policy (CAP). Like India, we believe agriculture is somehow different - intimately tied up with how we run our rural economy society, and landscape. But we do accept that if we support agriculture, we should seek to do so in ways which do not distort trade. The most recent changes to the CAP are fundamental, and will result in a new and much improved agricultural policy in Europe. Good for us, and good for the rest of the world. But you will understand that we are keen for others to move as well.

The third market access issue, the ongoing GATS negotiations under the DDA, aim at opening up trade in services to foreign providers, which is of core interest for both European and Indian business. The Indian software industry, to quote but one of the many success stories, has seen an annual growth of its exports of 50% over the last decade. So we have interests on services. And you have interests.

But while we have tabled an ambitious offer for access to our services market, including notably on the temporary movement of persons, which is a key demand of India and other developing countries, the recently tabled Indian offer is frankly a disappointment it fails to redress the current low level of Indian GATS commitments, and in some areas, doesn't even reflect the current level of openness in the Indian market. It sends the wrong signal not only to WTO partners but also to potential foreign investors.

I understand tactics in negotiations. It's inevitable. But it is dangerous in areas where you have fundamental interests, and where others are trying to address those fairly! So I urge the CII to take another look at this.

That brings me to the issue of new WTO rules. We all know that the existing WTO acquis is a complex mixture of market access and rules. In many areas, the WTO needs new and strengthened rules to ensure that market access is delivered, and that the WTO can continue its transition to a pro-development organisation. Consider, for a moment, anti-dumping. If India is worried and I can see why she might be that textile quotas will be replaced by a dramatic increase in the use of trade defence instruments then it makes perfect sense to firm up the existing rules on trade defence in the WTO. It does not make sense to say: the DDA must be about market access, not rules. On Singapore issues, curiously, I rather think that India's position is better known and understood than the EU's position, at this stage. Post-Cancún, we have proposed a fairly major change of tack.

We are ready for any or all of the SIs to be taken out of the Single Undertaking ("unbundling" is the elegant word we have used); and/or for any or all of the negotiations to be negotiated plurilaterally or multilaterally. So there is a large menu of options to explore, and we want to get down to this in Geneva. Frankly, I would be surprised if we could not agree on some combination of menu choices at the end of the day, and I also fervently believe that new rules on the SIs can and will make a huge contribution to development, not least because the basic GATT principles of transparency and non-discrimination are at their very core. And I have also made clear, after numerous internal consultations within the European Union that our main priorities are trade facilitation and transparency in government procurement.

We have also shown additional flexibility on geographical indications and on trade and environment where we are looking for a more political and less technical approach. And we have shown real interest and flexibility on area where India is looking to change the balance of rules, namely on Special and Differential Treatment. We have for instance, suggested special transitional periods for developing countries for implementing new rules, so DCs are better able to apply any new rules that will be negotiated in the Round, and to better integrate into the

global economy as a result. But we have, of course, made clear that this also requires some degree of differentiation between developing countries and we make no apology for that.

In this area, it is absolutely evident that the EU and India still have strong differences of position, reflecting differences of thinking. What frustrates us is that we don't believe we have such strong differences in terms of our interests. So perhaps in our discussions, we need to refocus: not on whether or not to develop new rules in the Doha Round (because we evidently will have to do so); but how to get the level of ambition right. On this account we can - and should - do better than we did in the past regarding flexibility, time and transitional periods. There is ample scope in the DDA for tailoring the implementation of rules to the individual circumstance of each member, rather than arbitrary transitional periods. And there is scope for coupling those personalised transitions to our aid packages a notion we are pioneering in key areas like trade facilitation.

The Development Dimension

This neatly leads me to the need to create a stronger link between the Round and development aid or provision of resources. In the rules area, for example, if future rules are to imply positive action then of course better configured assistance has to be part of the deal.

We are doing better on trade related assistance we have spent around 700 million euros on around 100 trade-related projects in the last 5 years, including a 15 m euro Trade and Investment Development Programme in India.

But we can still do better on technical assistance - both developed and developing countries - and there are clear lessons from past ex-periences. Most of the time, the resources are sufficient, but they need to be redirected and put to better use. Sometimes, the identification of real bottlenecks to trade flows is slow, sometimes the absorption capacity of recipients is insufficient. So both on the demand and supply side, there is room for work, even if overall, recent developments are positive.

Conclusion

All very well, you might say. Both sides continue to make the case for their reasonableness I hope I have been reasonable and the gap remains. How do we bridge this gap?

Well, there are no magic solutions, but my own view is that on all fronts - a constructive dialogue with business is crucial to underpin the ambitious but feasible - objectives set for these negotiations. You in the Indian business community may be able to play a role in convincing the public here that rules-based multilateral trade opening is not zero-sum, but is indeed a positive-sum game which constitutes the foundation for sustained prosperity and growth, for developed and developing countries alike, for all members of the WTO.

And remember that when we decided to call for a Development Round, we raised the stakes. We weren't trying just to ram through more of the same, and dress it up in fine development clothing. And the risk was and is that we thereby increase the cynicism which inevitably surrounds multilateral negotiations.

The fact is that we were and still are trying to make a step change in terms of both process and substance. On process, we want to ensure that the Round moves forward rapidly. 2004 is a year of opportunity. The EU is ready to move; so is the US, we understand. So let us negotiate substance, in order to ensure that the DDA does bring real advances to development, via better rules, via better market access.

That, at the risk of being simplistic about it, is still what the Doha Development Agenda is about. And at the risk of a truism, it won't happen unless the EU and India can come to grips with more of the agenda, and agree on more of it. This is urgent! This is possible! So, back to the negotiating table. Not next week, not next month, not next year. Tomorrow!