



FOREIGN POLICY ASSOCIATION
www.fpa.org

Remarks by Pascal Lamy

Director General
World Trade Organization

October 25, 2007

“The Doha Development Agenda: Building a Stronger WTO System”

Ladies and Gentlemen,

I am grateful to the Foreign Policy Association for giving me an opportunity to address this distinguished audience. You have are an organization dedicated to inspiring the American public to learn more about the world. Internationalism is at the heart of your action.

The World Trade Organization, which I have the honour to head, is also founded on the principle of international cooperation, and in my remarks this evening I would like to highlight the ways in which it helps improve growth and security across our world. I also want to underline how much is at stake in the current Round of WTO negotiations – the Doha Development Agenda (DDA).

The WTO was established in 1995, in the wake of a long and arduous series of negotiations known as the Uruguay Round. Its creation marked a major turning point in international trade relations, and the US had a major role in bringing it to light. Compared to the GATT which preceded it, the WTO provides trade rules covering a wider range of areas, including goods, services and intellectual property, regulating trade among more countries, and providing a forum where they can settle disputes about trade, and negotiate more and better rules.

So why does trade matter? Why does it matter so much that the international community decided to create a new international organization in the 1990s? Trade underpins much of modern society. For the consumer, it promotes wider choice and lower prices. For the business community it provides more commercial opportunities. For national economies,

it offers growth and development. And in the sphere of international relations cooperation between countries is the only path to sustainable development and growth for all of them, and trade is a major component of that cooperation.

Trade is one very visible manifestation of a term which has now become a buzzword for many – globalization. Over recent years, we have witnessed a new stage in globalization – the accelerated expansion of market economies, like the one experienced in the 19th century with the industrial revolution. It is a fundamental transformation in society, and this time around is again the result of a technological revolution. Globalization and increased market opening have had some very positive effects, but undeniably there are also some less positive side-effects.

Globalization has enabled individuals, corporations and nation-states to influence actions and events around the world – faster than ever before – and to derive benefits from them. It has the potential to expand freedom, democracy, innovation, and social and cultural exchanges, while offering outstanding opportunities for dialogue and understanding.

But the global nature of an increasing number of worrisome phenomena – scarcity of energy resources, deterioration of the environment and natural disasters, the spread of pandemics, the growing interdependence of economies and financial markets and migratory movements provoked by insecurity, poverty or political instability- are also products of globalization.

At the same time, there is a widening gap between global challenges and traditional ways of working out solutions via existing institutions. Globalization is also a reality and an on-going process that cannot be faced by nation-states alone. We therefore need to contemplate new forms of multilateral cooperation at the global level to ensure that our growing interdependence evolves in a sustainable manner.

The answer to this is, I would suggest, a combination of global ambition with pragmatic suggestions. Building multilateral cooperation is a gradual process, involving changes to long-standing practices, entrenched interests, cultural habits and social norms and values. The example of trade sheds light on both the opportunities and the difficulties of this multilateral cooperation. Although international trade is no the only one, it is, as I said, a very visible dimension of globalization. The WTO, as trade regulator, is definitely at the heart of the multilateral arena.

In terms of multilateral cooperation, the WTO's role is based on equality. The principle of equality is also reflected concretely in the rules of the WTO. For example, in the form of the principle of non-discrimination it can be found in the most-favoured-nation clause and the national treatment rule. It also underlies the principle of reciprocity, which is at the heart of the negotiating mechanism.

Beyond the principle of equality, the basic value underpinning the WTO is that market opening is good. The multilateral trading system helps to increase economic efficiency, and it can also help reduce corruption and bad governance. Trade has played an

increasing role in the world economy over past decades as illustrated by the fact that the growth of real trade exceeded that of world output. The ratio of world exports of goods and services to GDP rose from 13.5% in 1970 to 32% in 2005 and preliminary figures for 2006 show trade expanding faster in real terms than output also by a large margin.

The impression has also arisen that the multilateral trading system has evolved to the disadvantage of a certain part of the WTO Membership – developing countries – undermining the principle of equality. There is, in many quarters, a feeling that it is necessary to correct this if we want the multilateral trading system to assist in raising living standards and alleviating poverty in developing countries, and to lead to more stable political systems at a time of geopolitical instability. And this brings me to the current round of trade negotiations which we launched in 2001, and which is known as the Doha Development Agenda.

The challenge of market opening and globalization for developing countries calls for enhanced international action. For many, a fundamental aspect of the current Doha Round is to correct some of the remaining imbalances in the current trade rules in favour of developing countries and to improve rules that will provide all Members, and in particular, developing-country Members, with authentic market opportunities. This is one of the reasons why we call this round the Development Round. The development dimension is not a stand-alone item in the negotiations, it is rather an element that permeates all negotiating areas.

No one disputes that completing the Doha Round is crucial for both developed and developing countries as a fundamental tool to control and harness globalization and to ensure sustainable development. But concluding it is understandably difficult. It is the most ambitious attempt that governments have made to open trade multilaterally – because of its scope and because of the number of countries that are negotiation and that will share in the results. In 1994, the Uruguay Round wrote the modern rule-book for the trading system, and the Doha Round is now aimed at revising it to open trade and lock-in reform on an unprecedented scale.

So why are the Doha negotiations more difficult than expected? Some people believe it is because there is no business interest. Some say that it is because there is too much media interest. Others say it is because of a lack of leadership or because of NGO opposition. In my view, the reason why the current negotiations are so difficult is because this Round aims at a higher level of ambition than previous rounds, notably the Uruguay Round. This Round is deeper, larger, and fairer across the board. IT therefore presents political complexities for all participants – and it will take some political courage to bridge the gaps that still remain among the key players.

This Round is deeper. It is deeper because the level of reductions on subsidies and import tariffs which are already on the table are double those of the previous round. Developed countries are being asked to reduce their agriculture subsidies and open their markets to exports from other countries; some developing countries are being asked to

reduce their import tariffs on industrial products both to developed as well as other developing countries.

We have moved from cutting tariffs according to averages – as we did in the Uruguay Round and which allowed countries to protect tariffs on specific products – to a general reduction formula which will cut high tariffs more and lower tariffs less. The end results should be impressive. For example, the highest agriculture tariffs will be down by 60%-70% compared with a 36% average during the Uruguay Round.

On agriculture subsidies what is on the table today is already twice what was accepted in the Uruguay Round. There should be no more export subsidies by 2013 with a substantial part of them already gone by 2010. In Services, 30-40 big players have engaged on a request- and-offer process to liberalize trade in a variety of sectors – from telecoms to distribution services, from financial to legal services, which is a much broader negotiation than ever before.

This Round is larger. It is larger because we have included new issues in the WTO edifice, such as trade facilitation. Trade facilitation is crucial for the business community, because it tackles day-to-day problems such as customs procedures, transit of goods and bureaucratic border requirements. A successful conclusion of the trade facilitation negotiations will make a significant contribution towards lowering transaction costs in trade of particular importance to many small and medium enterprises.

So this Round is deeper, larger and, not least, it is fairer. Fairer because this current Round will not only remove obstacles to trade and improve the level playing field, but it will also make the development dimension more central to the system. It has already been agreed that developing countries will have to make fewer concessions than developed countries.

In agriculture, specific flexibilities for developing countries will be available in the form of “Special Products” and a “Special Safeguard Mechanism”. There will also be flexibilities for developing countries to protect some sensitive sectors from industrial tariff cuts. There will be a duty-free-quota-free market access for most products originating from the Least-Developed Countries. There will also be flexibilities for small and vulnerable economies, and recently-acceded Members.

In parallel with the DDA, we are also putting in place an Aid for Trade package aimed at addressing developing-country bottlenecks. The initiative is an essential complement to help developing countries build the capacity to reap the benefits of the new trade opportunities offered by the Round. The Aid-for Trade package will also provide support toward adjustment costs that developing countries will incur as a result of further trade opening through the Round. But Aid for Trade can only be a complement to, and not a substitute for, an ambitious outcome of the Round.

At the time of the creation of the WTO, a key element of the new organization in the eyes of its founding fathers, including the US, was the Dispute Settlement system. This

peaceful means of settling disputes became enforceable under the WTO, underscoring the rule of law, and making the trading system more secure and predictable. The high level of recourse to the Dispute Settlement system – around 370 complaints – is testimony to the confidence that WTO Members have in its ability to deliver effective rule-based outcomes to their trade disputes. It is generally acknowledged that the system has, overall, functioned well so far, but there is also wide acknowledgement that there is room for improvement. The entire Membership agreed to improve and clarify the system – proof, as if it were needed, that the system protects all Members, not just the large, strong or rich.

What remains to be done to conclude the Round is quite modest compared to what is already on the table, which represents two or three times what was achieved in the Uruguay Round. But it is also modest compared to the cost of failure – the loss of huge economic benefits for all countries involved, and the weakening of the multilateral trading system with the risk of an increase in protectionism. I do not think anyone with an interest in international affairs needs reminding where protectionism has led the world in the past.

It is useful to put the concessions needed to conclude the Round into their proper perspective. For example, reaching agreement on subsidies depends on additional concessions from the US equivalent to less than a week's worth of transatlantic trade. It depends on an additional handful of percentage reduction in the highest agriculture tariffs by the EU and Japan. It depends on an additional handful of percentage reductions in the highest industrial tariffs by emerging economies such as Brazil and India, who will have to implement these concessions, not by tomorrow, but over a transition period of several years to leave space for a smooth adjustment.

Although it is not alone in being solicited to make large concessions to reach a deal on the Round, there is a perception in the US that a lot is being requested of it. But the US stands to gain a lot from it too. The US is the world's richest economy and a major architect of the multilateral trading system. A credible and effective multilateral trading system is not an optional extra for the US. It is an irreplaceable insurance policy against protectionist surges at home and abroad which could severely damage the dynamism of the US economy.

Developing countries are growing rapidly and their integration into the world economy would create new market opportunities for American companies and create high-paying jobs in the US, ensuring its continued prosperity. The WTO needs the leadership and active participation of the US in order to strengthen the multilateral trading system for the benefit of all countries.

Strengthening the multilateral trading system is the very point of the DDA. The WTO rule book, although not very old, needs updating. The world is now moving at an increasingly fast pace, and globalization is forging ahead. Every country is feeling the effects of this, and the WTO can help harness it and ensure that all countries and their peoples reap the maximum benefit from it. But to do that it needs to move with the

times, and the only way to do that is to conclude the Doha Round rapidly and ambitiously in line with the mandates governments have signed up to.

You will all have seen in the news media that the negotiations are at a critical stage. On the principle that bad news sells better than good, there is no shortage of stories about looming failure. I am here to tell you that those stories are far from the truth. They can only come true if apathy and indifference win out over commitment and courage. The reasons why the US advocated a strong multilateral trading system are even stronger today than they were sixty years ago. The need for the advances promised by the DDA is even stronger than it was in 2001. And the importance of US leadership in this great effort of international cooperation remains, and will remain, absolutely vital.

I value very highly the strenuous efforts the Administration has been making to reach agreement in these negotiations, and I also want to express my gratitude to all those in Congress and in the private sector who continue to stand up for the multilateral system. Your voices need to be heard more than ever. If we fail to conclude the Round, it will not just be a failure for the WTO, but for the world community as a whole. On the other hand, if we succeed, as I know we can, it will light a beacon of hope that the world can work together to overcome its divisions in the interest of humanity.