

WTO NEWS: SPEECHES – DG PASCAL LAMY

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As trade changes rapidly, you must help guide WTO, Lamy tells global business

Business can drive the WTO and should offer its real-world experience to guide the organization and its members in a rapidly changing trade environment, Director-General Pascal Lamy told an International Chamber of Commerce conference in Oslo on 12 May 2011. This is what he said:

Ladies and Gentlemen,

It is a pleasure for me to be here with you today – the actual “traders” for whom we craft world trade rules. With the **increasing globalization of many of your industries, your need for “global rules” and an effective “global rules-based system” also rises.** This is what the World Trade Organization can offer you. It offers the rules-based anchor that makes your trade relations more open, transparent and predictable. It also offers an organized and orderly process for the settlement of commercial disputes between Members, with an almost unique compliance rate of over 90%.

The WTO has now been in existence for 15 years, but of course, the multilateral trading system (since the days of the GATT) has been around much longer. That system, however, cannot be taken for granted. The WTO’s stakeholders need to guide and stand-up for the system that has served them so well. They need to keep investing in the system. Suffice it to see how the trading system, through its monitoring and surveillance capability, has succeeded in stemming the tide of trade protectionism during the economic crisis we have just been through. With our regular reporting on “any step backwards” that was taken by a WTO member, a sort of “name and shame” system if you will, the WTO succeeded in preventing a return to the 1930’s like Smoot-Hawley Tariff Acts!

But for the multilateral trading system to continue to serve us well, and to respond to your new and changing needs, your involvement and guidance of that system is crucial. In other words, it **no longer suffices that you trade while relying on governments to craft the**

regulatory framework for you in the WTO through which your trade relations would take place. You must provide the “evidence,” through your trade experience, of what is actually happening on the ground, and must guide us in how to make things better.

Today's trade relations do not look anything like yesterday's – something you know much better than I do! In fact, international trade has been growing much faster over time than production, steadily increasing inter-dependency among nations.

Since 1950, world trade has grown more than twenty-seven fold in volume terms. This expansion has been three times faster than growth in world GDP, which has expanded only eight-fold over that same period. As more and more economic activity has become trade-dependent across the globe, the quality of international trade cooperation has had to correspondingly rise. The WTO is the venue for this trade “co-operation” (quote, unquote).

Patterns of trade have also changed profoundly over the last decade, driven partly by market opening, but mainly by rapid progress in the development of transport, communications and information technologies. Developing countries, especially in Asia, have emerged as major players as they harness globalization to “catch-up” to the industrialized West. The share of developing countries in world trade has grown from a third to over half in just fifteen years. Furthermore, the increasing importance of trade between developing countries is striking. In 1990, less than a third of developing-country trade was with other developing countries; today over half of their trade is South-South.

Another significant change in the international trade landscape is the spread of globally-integrated production chains – in effect, “global factories” – as firms locate various stages of the production process in the most cost-efficient markets. An iPod, for example, incorporates Japanese microchips, US design, Korean flat-screens and Chinese assembly. Hence, what we call “Made in China” is indeed “Assembled in China.” In fact, according to American researchers, less than 10 per cent of value added in an iPod actually comes from China.

Industry increasingly locates the different stages of its activities from creation, to production, marketing and distribution in a way that optimizes its value-addition chain. This tends to suggest that the “Made in a particular country” label on the back of a product should really read: “Made in the World”. This new global reality forces us to re-examine how we analyse and measure what we still call “international trade”, as if nations were trading with one another.

It should also lead us to reconsider the very mentality with which we approach trade negotiations. When country A imposes high tariffs on products from country B, it may in fact be imposing these tariffs on none other than its very own producers who have located part of their production in that country B. What we need therefore are

smart and informed negotiations in the WTO; ones that mirror trade relations as they truly exist today.

At present, international trade flows are computed by attributing the full commercial value of a product to the last country of origin. This needs to change. Recently, we hosted a Global Forum on Trade Statistics in Geneva. The theme of the forum was “Measuring Global Trade: Do we have the right numbers?” The answers given by almost all participants were identical. No, we do not have the right numbers on international trade today. Or at least, the numbers we have do not fully reflect the real picture of international trade in a globalized world. According to researchers, one of the main factors for this deficiency is the lack of sufficient firm-level data. I believe there is a lot that we (you the industries, and us the WTO) can do together on this front, to better associate business needs with international trade rule-making. Let us know more about you so we can better help you. We need you to help boost our statistical database. Let me here invite you to visit our website “Made in the World” and share with us your contributions.

For the WTO rule-book to also serve you well, it must be a rule-book that is kept regularly up-to-date. What do I mean by that? If today's barriers to trade lie mostly in non-tariff barriers, if issues like climate change are creating completely new challenges for international trade, if food security is now a central pre-occupation in international agricultural trade, if the link between trade and investment is an essential one, then the WTO rule-book must start responding to some of these questions.

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Of course, there are many other “trade issues” that the Doha Round could have had on its agenda, like the ones I mentioned earlier, and issues such as **investment and competition policy** for instance. But for many, the WTO needed to finish what it started – i.e. the Doha Round – before it could move forward.

Today the Doha Round is struggling, and I make no secret of this. We are stuck over a political difference between some of our Members on the level of ambition in the area of industrial tariffs, an area where our Members have over 60 years of experience.

Notwithstanding the difficulties, a lot is already on the table. But does the political will exist to conclude these negotiations? Currently, that is an open question. It is an open question that I also very deliberately put to you for your reflection, since business is part of the engine of, not only of the negotiation, but also of the WTO.

Can the WTO climb higher mountains, address new and emerging trade barriers, without accomplishing the 10 year negotiating project that it set out to do? Without addressing classical issues such as industrial tariffs? How best can your interests be served through the

WTO in future – a question you need to reflect on.

These are all questions for the WTO Members. I am currently consulting them. What they have told me so far is that nobody wants the death of the Doha Round. And while they all recognise the immense challenge of concluding the Doha Round by the agreed date of end of 2011, at the same time, they are all acutely aware of the need for the WTO to deliver on its legislative function, by the time we gather for the 8th WTO Ministerial Conference in December 2011.

Ladies and gentlemen, let me conclude by drawing your attention to the Public Forum that the WTO will be holding this year. This is the WTO's annual rendez-vous with civil society and the business community, at its premises in Geneva. An occasion for brainstorming and for the tabling of all sorts of creative ideas. This year's forum takes place from 19-21 September and is entitled: Seeking Answers to Global Trade Challenges. May I ask you to bring some answers to the questions I have posed to you at this Forum, and give us an opportunity to discuss your views?

I look forward to hearing your views and to work together with you to ensure the WTO remains strong and vibrant.

I thank you for your attention.