

## Securing the right agreement

### Future Challenges for the Multilateral Trading System

Wednesday afternoon, 4 June 2008

*Moderator:* **Anthony Gooch**, Director, Public Affairs and Communications, OECD

**Simon Crean**, Minister of Trade, Australia

**Phil Goff**, Minister of Trade, New Zealand

**Anne-Marie Idrac**, State Secretary, Foreign Trade, France

**Alejandro Jara**, Deputy Director-General, WTO

**James P. Leape**, Director-General, WWF International

**Beatriz Leycegui Gardoqui**, Undersecretary for International Trade Negotiations, Mexico

**Néstor Edgardo Stancanelli**, Deputy Secretary, International Economic Negotiations, Argentina

Over the last 50 years, the volume of trade has multiplied by 27 times at the same time that industrial tariffs have dropped from 40% to just 4%. Moderator **Anthony Gooch** opened one of the final conferences of the 2008 OECD Forum with this impressive figure. Since the creation of GATT—right up until the WTO—trade has been crucial in reducing poverty and creating wealth globally. But, as Mr. Gooch added, the recent turbulence in financial markets, which has caused a price spike in commodities, fuel and food, may endanger a consensus in the Doha Round. “For the pessimists” he remarked “it is now or never. For the optimists, it is now or not for a long time.”

**Anne-Marie Idrac** highlighted the WTO’s achievement of two important goals: no country has thus far rejected WTO regulations, or questioned the relevance of Doha—although, concerning the current Doha round, she felt that neither competition nor investment were being sufficiently addressed. Nor was there enough transparency in markets. The risk is that the WTO would suffer from “attrition” if it ignored food safety, human development, technological transfer, financial instability and climate change. Yet she expressed “total confidence” in the WTO and the multilateral trading system. What it must not lose is momentum.

The present Doha round was also a concern for **Simon Crean**. Although the round cannot include everything, he agreed that “multilateral trading was vital for prosperity,” but added that Doha could not include everything. Over the last five years, growth in trade has been twice that of output. However, in times like these, protectionist policies he said, the importance of multilateral agreements are ever more important. Yet if the current round of Doha fails to achieve all it has set out to achieve, protectionist policies may be the result. While acknowledging the importance of bilateral trade agreements, he pointed out that they could become a stumbling block to multilateral agreements. Doha would provide a solid platform on which other bilateral agreements can be built, he

argued. Finally, Mr Crean remarked on the importance of the changing nature of trade and the resolution of behind-border issues.

Evidence for the changing nature of trade is the way questions of sustainability are brought into the argument. For **James P. Leape**, trade and sustainability issues cannot be tackled separately. He came down strongly against certain subsidies, particularly of the energy and fishing sectors—support to the latter means there are two or three times more boats than there would be otherwise. Sustainability, he said, was the only neutral basis on which good and bad subsidies could be discriminated. He added that the WTO is not in a good position to define sustainability and that to set international norms it should partner with expert groups such as the FAO and relevant climate change agencies in the UN.

**Beatriz Leycegui Gardoqui** shared her fellow panelists' views on the tremendous contribution of the multilateral trading system to global growth and prosperity, and also the serious challenges currently facing the WTO, notably the rising cost of food and oil, and turbulent markets. She lamented that in times of crisis protectionist tendencies often undermine open markets. The current Doha round would be a success if more deeply integrated emerging countries in the multilateral trading system. She underlined the fact that developing countries may need to make structural reforms to benefit from opening of their markets, which would contribute to lowering greenhouse gas emission through foreign competition and energy-effective products imports. She pointed out that Mexico has proposed the creation of a world fund for climate change.

Subsidies came under fire again from **Phil Goff**, who criticised the use of certain “perverse” subsidies provided by developed countries that damage development opportunities of less developed ones. He reminded the audience that his country, New Zealand, was once the most subsidised country in the world; today it grants none. In response to criticism about leaving a big “carbon footprint” by transporting livestock from New Zealand or Australia to Europe, he pointed out that in fact it produces three times less CO<sub>2</sub>, even taking into consideration the fuel used in flight. There are numerous reasons, among them being use of greener technologies and because New Zealand livestock is pasture- rather grain-fed, this latter requiring energy-intensive production. In light of these remarks, Mr Goff urged the trade community to address the problem climate change more directly. If Doha negotiations are to succeed, “flexibility must be shown” by all parties. He also cautioned against a proliferation of bilateral agreements, which could end up as a “spaghetti bowl” that hinders multilateral agreements.

**Néstor Edgardo Stancanelli** echoed other panel members' concern over the present Doha round. Ironically, agreements on agricultural products seem to be progressing while those of NAMA (Non-Agricultural Market Access) have all but come to a halt. The trade-related negotiating ability of several national cabinets has been reduced and the flexibility necessary to conclude a successful trade agreement is lacking. Although the Argentinian government has made several proposals to enhance trade, many of them

have been rejected by larger, developed economies. He concluded that flexibility was essential to ensure the success in the coming round of trade negotiations.

The WTO's **Alejandro Jara** said that a great deal of progress had been made in the multilateral trading system, although protectionism has all but disappeared. Subsidies and the dumping of waste are still problematic issues and transparency needs to be improved. Sanitary problems and poor infrastructure were also obstacles: without these, he said, what good are the agreements?

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