



**WTO PUBLIC FORUM 2008
- TRADING INTO THE FUTURE -
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“First Things First”

**KEYNOTE ADDRESS BY MR. PASCAL LAMY
WTO DIRECTOR-GENERAL**

Ladies and gentlemen,

Welcome to the WTO!

This year the WTO opens its doors to the public against a background of newspaper headlines heralding a potential *Great Depression "Two."* But policy-makers in the United States, who have seen several giant financial institutions sound their alarm bells last week, as well as policy-makers across the globe, are desperately seeking to avoid the series of mis-steps that accentuated the financial crisis of the 1930s.

They are all stressing that lessons from the Great Depression have been learned, and that the many policy mistakes that were associated with it, will be avoided. But one of the important lessons of the Great Depression, which we must not forget, is that "protectionism" and economic isolationism, do not work. They are policies of the past, which should have no place in our future.

As tempting as it is in moments of crises to give our producers comfort that we are shielding them from competition by shutting our borders to imported goods or services, this course of action must not be pursued. In fact, the infamous *Smoot-Hawley Tariff Act* of the 1930s that raised US tariffs on over 20,000 imported goods to record levels, led to nothing but a trade war between nations. In so doing, it ended up impoverishing us all; proving that protectionism, and beggar-thy-neighbour policies, are a dead-end road.

In a financial crisis, and at times of economic distress – in particular at a time of soaring world food prices, what impoverished consumers desperately need is to see their purchasing power enhanced and not reduced. What is needed in times of crises, is to enable consumers to purchase *more for less*. The temptation to shut our borders does exactly the opposite. There is no doubt therefore that the current hurricane that has hit financial markets, must not dissuade the international community from pursuing greater economic integration and openness. But in order to be both sustainable and fair, this integration has to be based on rules. And the rule-book needs to be updated regularly.



This year's Public Forum is aptly entitled "Trading into the Future," and in that title lies a question: *What kind of an international trading regime do we bequeath to future generations?* Do we want a strengthened multilateral trading system, based on rules and regulations, as well as an effective dispute settlement mechanism between members, or do we want a spiral of free-trade agreements? Those who favour FTAs point to the inefficiency of the multilateral process. They argue that a multilateral trading system that runs a round of negotiations – in this case the Doha Development Agenda – for 7 years, without closure, is a failed system.

But to them I say: And how long does it take you to negotiate an FTA? Often, the answer is the very same number of years, but with an outcome limited to only two or very few players, and to a narrow set of topics. Surely, therefore, more credit needs to be given to an international attempt aimed at updating the World Trade Organization's rule-book, an attempt whose coverage would span all of its 153 members.

To skeptics of the multilateral process, I would also say: And where is the FTA that has delivered "subsidy" reductions? Isn't the reduction of subsidies that distort trade vital to truly levelling the playing field in international trade relations? While FTAs may have their *forte* in the reduction of tariffs, subsidy reduction surely is not their area of strength. Thus, I do not quite frankly see many alternatives to the WTO – as imperfect as the WTO system may be today!

If any one is in doubt as to the importance of subsidy reduction for the world's poor, I would point them to the many subsidy disputes that have been brought to the WTO; such the *Cotton Case* against the United States, or the *Sugar Dispute* against the European Community. It is such subsidies that have now led the developing world to place agricultural negotiations at the forefront of the Doha Development Agenda. In doing so, the developing world has asked developed nations to "walk their trade-opening talk," if I may say so. This is the importance of the WTO as a platform for negotiations. A platform, I hasten to add, in which members with only a few million can bring disputes against entire continents, and win them.

But if the multilateral trading system is this useful to us all, how then do we take it into the future? My answer to that is that we can only make a success of the WTO's future, if we are able to make a success of its present. The Doha Development Agenda must be completed to the satisfaction of all its participants, if a strengthened WTO is to move forward. In other words, "*first things first,*" to put it plainly.

What the world has before it today in the Doha Round of trade negotiations is a package that includes: the reduction of unfair agricultural subsidies; the reduction of tariff walls on industrial and agricultural goods; the reduction of barriers to trade in critical services, such as banking, energy, and environmental services; and beyond that, a myriad of new trade rules in areas such as trade facilitation, anti-dumping or fishery subsidies to name a few. This, in order to bring the trading system up to speed with new market realities.

But beyond this lies a more fundamental political objective. The Doha Round is about renewing the "*affectio societatis*" - the vows of the original WTO contract. Its two fundamental principles being: one, that contributions to more open trade be made on the basis of a member's level of development and, two, that members be bound by a set of international obligations.

Despite the setback that Doha negotiations suffered last July, talks have once again been restarted with the aim of completing a deal on the parameters for tariff and subsidy reduction, by the end of this year (in our jargon, "modalities"). There is no doubt that this important milestone must be crossed, before considering either an enlargement of the WTO's agenda or a changing of its decision-making practices.

Three principal constraints today represent a challenge to our work: the first is the *bottom-up approach*, under which Members must themselves always take the lead in tabling negotiating proposals and compromise solutions; the second is the concept of a "*single undertaking,*" which implies that in a round of negotiations with 20 different topics, nothing is to be agreed until all is agreed; and the third is decision-taking by *consensus*, which is reasonably close to unanimity.



These three factors combined have no doubt slowed the negotiating process. But they are also essential for the legitimacy and the balance of any negotiating outcome. And, I am firmly of the view, that with these factors, the Doha Round must simply make do! I personally do not believe that it is the time to launch a parallel negotiation on how to negotiate! That's for later!

The Doha Round represents an important opportunity for civil society to make its voice heard. Several of the topics on the negotiating agenda, are topics that civil society has fought long and hard for; such as the lowering of rich world agricultural subsidies; the lowering of environmentally-harmful fisheries subsidies; trade-opening in environmental goods and services; and ensuring greater compatibility between WTO rules and multilateral environmental agreements. With these topics now firmly on the agenda, civil society must continue to engage the WTO. I would argue that your work – ladies and gentlemen – is cut out for you. You must help us bring each and everyone of these topics to closure.

Some of these topics, if successfully addressed, can already go a long way towards addressing problems such as the food price crisis, and climate change. The reduction of agricultural tariffs and subsidies, would allow agricultural production to shift more towards the developing world; enabling supply to better adjust to demand; easing the structural causes of the food crisis. Similarly, trade opening in environmental goods and services, in particular in climate-friendly technology, can make vital pollution prevention and reduction equipment more accessible to countries in need; thereby easing the climate crisis.

At our Public Forum last year, I cited to you some of the success stories that civil society has had in influencing the WTO; most notably in the area of TRIPS and access to medicines. Just yesterday we saw the first shipment of AIDs generics from Canada to Rwanda under the provisions resulting from the Doha mandate. Today, I call on civil society to continue bringing its ideas and solutions forward. It is only with your active participation, that the WTO can come to reflect the type of institution you seek for the future.



This forum, organized through the usual bottom-up approach, is *your* forum. You have set the agenda, and organized the many sessions that will take place over the course of today and tomorrow. All we have given you is the venue. But the most important thing we give you in these few days, in my view, is our attention. For WTO members, and Secretariat staff alike, this is listening, and learning time. So, let me conclude by thanking you for making this year's Forum possible.

Pascal Lamy

WTO Director-General



