

## E CONCLUSION: PRESENT AND FUTURE CHALLENGES

The World Trade Report 2007 has traced sixty years of multilateral trade co-operation, starting with the birth of the GATT on 1 January, 1948. The world has changed a good deal over those six decades and so too has the multilateral trading system. Globalization has brought economic interaction among nations closer than ever before, thanks in no small part to revolutions in information and transport technology and growing openness in government policy. The trend towards increased inter-dependency has rendered international economic co-operation more complex and multi-faceted. Co-operation among nations has become harder to manage and more influential in shaping the circumstances in which people live. The subject matter covered by the system has expanded significantly and many more players are involved in shaping the system. The 23 original signatories of the GATT have now become the 151 Members of the WTO.

This report has attempted to provide a better understanding of why countries have chosen to cooperate with one another in trade matters down the years. This may seem a simple question, but it turns out to have several answers. Governments embrace varying objectives at different times, reflecting, among other things, the relative standing of their economies in the international order, and the priorities imposed by their level of economic development. By demonstrating the sheer heterogeneity of interests at stake, the report highlights the fragile and incomplete nature of cooperative endeavours in a changing and uncertain world – in other words, the continuing challenge of shaping and maintaining mutually advantageous co-operative arrangements. Effective co-operation among diverse economies with differing priorities requires clarity of thought and foresight, as well as a willingness to seek accommodation. A failure to secure co-operative outcomes may well disadvantage all parties to a potential agreement in one way or another, but deals can nevertheless prove elusive. An additional requirement for sustainable and stable co-operation is that governments find ways of addressing adjustment costs and the re-distributional impact of change – in other words, of managing the challenges of globalization. Adjustment and income distribution have not been explored here, and they pose challenges that go well beyond the impact of trade policy changes in an economy.

An historical review of trade relations prior to the establishment of the GATT/WTO strongly points to the importance of building and sustaining institutional arrangements to underwrite international trade relations. International institutions can become moribund, with shrinking relevance, if governments do not take care of them, and institutional decline will likely be harder to reverse the further it goes. At the same time, it has been repeatedly demonstrated that if institutions do not adapt to change, they will wither, becoming increasingly regarded as vestiges of an older world driven by different interests than those that shape the present.

Even when governments show willing to adapt and refashion their co-operative arrangements in recognition of changing circumstances, there will always be a sense in which trade agreements remain incomplete. Agreements cannot foresee every eventuality. So while institutions and contractual provisions can mitigate the uncertainties connected with contractual incompleteness, they can hardly eliminate them. This brings with it two implications. One is that disputes are a natural outflow of contractual incompleteness. The other is that dealing with incompleteness requires a delicate balance between flexibility and adaptation on the one hand, and the preservation of predictability and stability on the other.

The report has reviewed a rich history of change and institutional adaptation in the multilateral trading system. It has identified lessons from past experience as well as a number of challenges to come. History shows how the multilateral trading system's focus of purpose proved to be its strength in the early years. The system expanded inexorably over the decades, in terms of membership, issue coverage and institutional purpose, culminating in the establishment of the WTO in 1995. A rather uniform set of issues has tended to dominate the multilateral trading agenda over the life of the institution. Sometimes the idiom has changed and the details may differ through time, but many of the essential challenges involved in searching out mutually beneficial cooperative arrangements remain much the same.

Moving beyond the general requirements of successful cooperation – adaptability and flexibility in the face of change, effective management of increasingly complex agendas among ever more numerous and diverse economies, and an ability to manage the effects of change on domestic populations – mention may be made of specific challenges that are still with us and others that may emerge. Among the greatest challenges that the multilateral trading system faces is how to integrate developing economies into the system in a manner that contributes to their growth and development aspirations. Managing the relationship between the multilateral trading system and regional/bilateral trade agreements is another continuing challenge. Thirdly, over at least the last thirty years governments have had to manage a continuing debate on the shape and content of the multilateral trading rules, especially around the question of whether and how to bring new topics onto the agenda. The world changes and institutions have to find new accommodations within this shifting environment. Fourth, the system has had to manage trade disputes among parties that centre on their perceptions of acquired rights and obligations. Notwithstanding a continuing interest among some parties in modifying the GATT/WTO dispute settlement system, it has done an impressive job of this over the years. These are all issues we have taken up and analyzed at some length in the report.

But what of future challenges, of issues that are beginning to emerge and that call for new co-operative efforts? These are not issues we have explored in this retrospective on the trading system, and any listing of future challenges is inevitably speculative and incomplete. It is nevertheless interesting to consider briefly what might demand the attention of the international trading community in the years to come. Multilateral, plurilateral and unilateral actions to reduce tariffs have raised the profile of other measures that determine trade flows, the conditions of competition and opportunities to gain from trade. Often referred to generically as non-tariff measures, these cover a wide range of interventions. They have long been a GATT/WTO concern and the subject of negotiated agreements. These concerns will probably assume greater prominence in the future. More generally, there is the whole question of how regulation affects economic conditions and what challenges are implied in regulatory co-operation internationally, not least in terms of minimizing discrimination among countries.

Another issue bound to increase in prominence is trade in services. Indeed, the WTO's efforts to provide a framework for co-operation in the services area since 1995 – which we have dealt with only scantily in this report – provides a good example of creative international co-operation in a new field, but also a stark illustration of how much remains to be done. The complexity of services transactions complicates the architecture of institutional arrangements for co-operation. But there is growing realization of how vital services are in the workings of all economies, and what the role of trade might be in providing opportunities to benefit from an efficient and well priced supply of services. Trade in services has become even more important in recent years in light of evolving business practices, including growing trends in production sharing and off-shoring.

A final issue that might be mentioned here is not a new one, but one that will almost certainly assume greater prominence. We refer to environmental issues and their relationship to trade. While we arguably understand better today than we did two or three decades ago how environment and trade interact, many new and more intensified environmental concerns, such as global warming, are assuming greater prominence in the public mind and in policy circles. How trade and the multilateral trading system will contribute to managing environmental challenges is doubtless an issue about which we shall hear a lot more.

Continuing and future challenges notwithstanding, the shared international experience of sixty years of the GATT/WTO is a positive story. Plenty of governments, non-state actors, commentators and critics want to improve the system, but very few would gainsay its core contribution to a more stable and prosperous world. An unvarnished look at the less than fully resolved issues of the past, the outstanding challenges, and the successes – as attempted in this report – will, we hope, stimulate thought on how best to manage the future.