

Public Lecture on
“The Importance of the WTO System: Present and Emerging”
by
Harsha Vardhana Singh
Deputy Director General, World Trade Organisation

A Brief Report

Venue: Patel Bhawan, H.C.M Rajasthan State Institute for Public Administration, Jaipur;
August 10, 2010

Background: CUTS International organised a Public Lecture by Harsha Vardhana Singh, Deputy Director General, World Trade Organisation entitled, "The Importance of the WTO System: Present and Emerging" on August 10, 2010. The objective was to deliberate on the importance of the WTO system in addressing major present and emerging global issues in regard to use of trade as an engine of economic development and poverty alleviation.

The lecture was attended by over 35 persons including many leading trade experts, government officials, media and civil society representatives.

Agenda

Welcome Address: Bipul Chatterjee, Deputy Executive Director, CUTS International

Address by the Chair: B. K. Zutshi, former Indian Ambassador to the GATT/WTO

Lecture by the Keynote Speaker: Harsha Vardhana Singh, Deputy Director General, World Trade Organisation

Discussion

Bipul Chatterjee extended a warm welcome to Harsha Vardhana Singh, Deputy Director General, WTO; B K Zutshi, former Ambassador to the GATT/WTO; and other distinguished participants. In his opening remarks he highlighted the significance of the Public Lecture by emphasising that the WTO has emerged as one of the most reliable multilateral organisations responsible for global economic governance. Chatterjee highlighted the shift in global emphasis to innovation and investments from demand side factors, thus hinting at the need for and importance of the multilateral trading system to usher in supply side changes in developing countries.

B. K. Zutshi, former Indian Ambassador to the GATT/WTO, in his opening remarks, reiterated the importance of the multilateral WTO system by highlighting the fairness of the WTO's dispute settlement mechanism. This mechanism, he added, is a unique feature of the WTO and one of the key contributors towards enhancing its credibility among nations. He wondered whether the WTO dispute settlement system would continue to be able to resolve all issues or break down in the future. The question set the stage for meaningful discussion on the WTO system.

While emphasising the dynamism of the WTO system, he said that the US and the EU are no longer in a position to take major decisions without due consultation with developing countries. This change in the balance of power, he added, has been possible only because of the effective functioning of the WTO. Such change in the balance of power has helped in ensuring the smooth conduct of trade in the wake of the global economic crisis.

On the Doha Round of negotiations, Zutshi opined that significant commitment to negotiations by the major trading powers, especially the US, is still missing. The developed countries need to think beyond greater market access and should work towards closing the remaining gaps in facilitation of fair trade. Reconciliation of the interests of developing countries with those of developed countries is the key to the successful completion of the Doha Round, he added.

Harsha Vardhana Singh thanked CUTS for organising the lecture. He deliberated on the various facets of the WTO such as its working as a system; the various opportunities provided by that system; its functioning as an insurance mechanism; and the benchmark/models used by the WTO to review its own performance and that of its member countries.

Singh elaborated on the interdependence generated by trade among countries across the globe and its economic impact on various sectors including the social sector, thus stressing on its utility for bringing about global economic development through economic synergies among nations. However, he added that this scope for enhanced economic development is obtained at the cost of instability as economic disturbances could possibly be transmitted from one part of the world to the other. Therefore a system that could lessen such instability, such as the WTO, is vital.

The WTO as a multilateral body, he added, provides positivity and predictability to the global trading system and by doing so enhances the availability of viable economic opportunities for nations. The subsequent economic development manifests itself in poverty alleviation, India being a prime illustration in this regard.

Singh emphasised that the trading system is characterised by inequality in terms of incomes/development across countries. In this context he added that the WTO is the only multilateral body providing the much needed non-discriminating and level playing field to its member countries, with greater but justified benefits for the less developed countries (LDCs) and other developing countries.

One important pillar in this regard, he pointed out, was the WTO's highly credible and effective dispute settlement mechanism – all member countries are equally empowered in the WTO and all disputes are adjudicated on the basis of the provisions laid down in the various agreements of the WTO. The WTO system enhances the power of the weaker economic nations. In the context of dispute settlement this is illustrated by the internet gambling dispute between the US and Antigua and Barbuda which went in favour of the latter, a very small economic power in comparison to the economic and demographic muscle of the former. This is also an example of the credibility and fairness of the WTO dispute settlement system. The US would not have accepted to litigate its gambling laws and regulations if it were not for the WTO Agreement. Such fairness in dispute resolution by the WTO system has thus enabled poorer and weaker nations to catapult into the mainstream of the global economy.

This feature, he stressed is supplemented by the role played by the WTO in augmentation of trading opportunities – various committees/councils under the WTO ensure benefits from trade for its member countries by providing relevant information as well as forums for raising and discussing trade concerns.

In this context he said that, in addition to generating a fair and predictable trading environment as well as catalysing trading opportunities for nations, the WTO, he added had played a significant role in global recovery from the recent economic crisis. This was done through the Monitoring report of the WTO DG which provided quality information to the Members and allowed them to track and monitor what others were doing. Furthermore, the presence of WTO disciplines ensured that countries were aware of the type of actions which would be questioned and even taken for dispute settlement. Thus, the WTO contributed in reducing economic tensions among countries and preventing knee jerk protectionism which was not compatible with present trading rules, thus facilitating the continuation of openness by economies the world over. Such openness ensured that the sum of economic opportunities available to various economies did not contract. Contraction would have meant the deepening of the economic recession instead of the recovery that we are now witnessing, he added.

Another initiative was to stress the importance of trade finance in facilitating trade, especially for smaller businesses and poorer economies. The WTO had made a useful contribution in this field by calling for less stringent regulation of such finance, given its shorter repayment period and certainty in payment; and its facilitation with international support, especially for countries not capable of raising the money due to scarcity of funds and capital flight. These efforts supplemented by those of international institutions, he apprised the audience, had helped the G20 set aside finance for facilitating trade worth \$250 billion.

Elaborating on the experience during the recent economic crisis, Singh mentioned that the crisis has brought renewed focus and awareness about the rules based, stable and predictable WTO system. Member countries realise that the WTO provides an effective insurance mechanism against protectionism. Members also realise that the WTO can play an even more significant role and the Doha Round is an effort in this direction. He stressed that the Doha Round is the lowest hanging fruit in terms of possible economic stimulus and its conclusion can provide significant benefits for all countries.

Whilst priority has been given to trade liberalisation in agriculture and industrial products through the Doha Round, Singh stressed that it is important to make progress in other areas of the agenda which includes Services, Trade Facilitation, Trade and Environment and Special and Differential Treatment provisions for developing and least developed countries. The stock taking exercise on negotiations in the Doha Round has revealed major movement on most of the mentioned issues.

There are a large number of issues in agriculture where we have results on the table. Some key issues in agriculture which still require much more progress and focused negotiations include disciplines relating to cotton, special safeguard mechanism, tariff caps, and tariff simplification. In NAMA, the basic structure and its several components are largely settled. Issues which call for greater attention include greater flexibility for some Members than provided in the formula approach, and the treatment of non tariff measures.

A key present concern of some of the developed countries is the inadequate level of market access in certain key markets. In services, little movement is expected in regard to Mode 4 negotiations; however consensus is likely to be achieved in regard to movement in Mode 1 (cross border supply) and Mode 3 (commercial presence). This likely boost in Mode 1 and Mode 3 services will be beneficial for both India and China due to significant FDI (foreign direct investment) inflows for such services.

Thus, Singh concluded that 80 percent of the targeted achievements of the Doha Round have been ensured through consensus. For the remaining 20 percent, considerable progress is being made on some issues though there is still a need for increasingly focused engagement on others to the satisfaction of all countries. He also stated that the next leg of the negotiations, to be conducted from September 2010 onwards, would offer immense opportunities for developing countries and that India is set to gain from talks on services, trade facilitation and environmental goods and services.

In this regard, Singh also pointed out that though Members do not have settled views in a number of areas, they have been able to identify the gaps in understanding. The focus is now on ascertaining and closing these gaps and in concluding the Doha Round. He was confident that successful conclusion of the Doha Round will certainly have some global systemic effects, including in relation to the achievement of Millennium Development Goals. The success in the Round will also underline, he claimed, that fairness and overall balance in global trade is achievable only under the multilateral WTO system. Singh in this regard mentioned that issues such as agricultural subsidies, anti-dumping, non tariff measures, removal of tariff peaks by developed countries, and tariff escalation concerns of the developing countries can only be addressed through the multilateral WTO negotiations.

Singh moved on to highlight a number of global concerns, the first being that related to access to natural resources. The concern in regard to accessibility originates from the unequal distribution of natural resources across countries and frequent volatility in their prices which may be a source of international tension. While the share of natural resources in world trade is significant and growing, the volume of such trade has been quite steady over the past decade. In this context, the multilateral system under the aegis of the WTO will have a significant role to play, given its responsibility of providing stability and predictability in trade.

Many other global concerns such as climate change, the food crisis, energy crisis and so on entail co-operative multilateral efforts, he added. No single nation is in a position to deal with these concerns on its own. It is important to note that the participants in the Doha Round of negotiations at the WTO are also participants in other efforts to deal with major concerns. Therefore, countries will have to demonstrate commitment on the smaller set of issues dealt with by the WTO in order to prove their ability to generate consensus on the larger set of relevant issues which apart from trade includes the other mentioned issues

Discussion

The observations made by Harsha Vardhana Singh and B. K. Zutshi provided ample scope for discussion. During the discussion, the attendees actively commented and put forward questions about the scope for equitability in the WTO system; the relevance of multilateral trading system in the context of the increasing number of free trade agreements; ways in which exchange rate policies of China can be enforced/addressed through trade sanctions in the WTO; facilitating role of the WTO in technology transfer; and whether developed countries have receded from any of their demands or have changed their positions in the Doha Round. It was also pointed out that many of the developing WTO member countries lack the preconditions in terms of domestic preparedness that need to be met in order to take advantage of multilateral trade liberalisation.

Singh responded to all these queries, including explaining for example that consensus-based decision-making and the principle of non-discrimination provides the WTO a strong foundation for ensuring equitability. Besides the practice of allowing 'less than full reciprocity' in the exchange of concessions with developing country members and LDCs based on their special development needs takes account of different interests of these countries. Trade opportunities will over time help these countries catch up with the advanced economies and thereby further enhance equity in the multilateral trading system. He said that the WTO is not a super organisation with solutions for all global issues. There are a number of multilateral organisations, with their specific areas of mandate. It would be undesirable at this stage to use trade restrictions for correcting currency manipulations, enforcing labour standards etc.

On the issue of domestic preparedness, he said that the WTO recognises that lack of supply side capacity prevents many members from effectively participating in the global trading system, which it therefore seeks to address through the streamlining of Aid for Trade and related Technical Assistance and Capacity Building (TACB) programmes as well as by exempting poor countries from making high level of binding obligations. Commenting on the aspect of technology transfer, Zutshi said that raking up this issue in the WTO may not be fruitful as private enterprises own most of the technology rights and developed country governments participating in the negotiation process may fail to mediate low cost transfer of technology and honouring of commitments taken up through a technology transfer agreement.

While concluding the session **Bipul Chatterjee** made an appeal for greater emphasis by the WTO on consumer welfare issues associated with trade. He suggested the fine tuning of Aid for Trade initiatives to assist poor countries in coping appropriately with adjustment costs associated with trade liberalisation. He thanked all the attendees and resource persons for their valued participation and contribution.