

# WTO PUBLIC FORUM

## **A Pathway to Recovery: Further Development of the Multilateral System**

**September 17, 2010, 09.00-11.00 hrs**

**Presentation of Amb. Ujal Singh Bhatia**

I believe sometimes it is useful to begin by stating the obvious: Unlike in the case of the international financial system which has belatedly engaged in an exercise to develop a global architecture of rules, a structure of global governance already exists for international trade. The WTO is regarded as a fairly muscular repository of the rules and regulations governing international trade. While the WTO has played a useful and deterrent role through the TPR mechanism in tracking protectionist trends during the crisis, the more effective deterrence has been through the corpus of binding commitments that members have entered into in successive Rounds of negotiations.

2. Any discussion regarding the further development of the WTO system has to begin with a shared understanding of the reasons for its present stasis. In my view, the underlying issue is the remarkable changes that have taken place in global competitiveness as a result of which a number of developing countries have begun to enjoy rapid growth while the traditional leaders in developed countries are experiencing sluggishness. The present crisis has only served to highlight this dichotomy. Major economies like the U.S. are going through a protectionist phase, with the latest manifestation being the Border Security Bill approved last month which strangely, seeks to transfer, at least partly, the cost of restricting illegal immigration from across the border to skilled professionals through imposition of higher visa charges. On the other hand, the emerging economies are preoccupied with restructuring their economies to maintain their high growth trajectories. As a result, in Asia at

least, domestic consumption is emerging as a key driver of growth. Regional integration has received greater impetus and autonomous liberalization has become a prerequisite to linking with international supply chains. Intra-Asian trade for instance, has become the most dynamic factor in increasing global trade.

3. The short point is that the traditional leaders of the multilateral process are preoccupied with economic recovery, while the emerging economies are preoccupied with adjusting to rapid growth. We are therefore witnessing a leadership vacuum in the MTS. I would not like to speculate on how and when this problem will be fixed. But it certainly will be fixed as all stakeholders in the MTS recognize the implications of a WTO weakened by failure of the Doha Round.

4. Given this situation, one cannot expect easy consensus on initiatives for further development of the MTS. It also has to be recognized that the WTO of today is a significantly different entity than it was a decade ago and a top down work plan, which is perceived to have been drawn up in some backrooms, will not sell with the membership. Such a work plan can only emerge through an inclusive and consensual exercise over a period. In my view, such an exercise needs to be taken up in 2 phases:

5. In the **short term**, concurrent with the Doha Round negotiations, it is possible to obtain consensus on a number of initiatives to strengthen the deliberative processes in the WTO and enhance the usefulness of the WTO for all stakeholders, public and private. These initiatives can be taken without a fresh Ministerial mandate. Such initiatives could include:

- Changes in Committee procedures to make the deliberations more effective and relevant to current market situations;
- A facilitative mechanism to resolve low threshold disputes.
- A bolder programme on RTA's with the ultimate objective of devising principles for best practices;
- An integrated data base for NTM's with access to all stakeholders;

At the same time, an informal process needs to be launched to explore ideas for a post- Doha work programme.

6. As far as the **medium term** is concerned, the launch of a new work programme has to be linked to the conclusion of the Doha Round. For the reasons I have mentioned, it is essential that such a work programme evolves in a fully transparent and inclusive manner and reflects a balance of interests of all members. It is too early in the day to discuss what such a balanced programme should look like, but nevertheless, some considerations would be valid in drawing up such a programme. Some issues like further liberalization in the market access areas of Agriculture, NAMA and Services would continue to be the major anchor of future negotiations, along with work on the unfinished business in agricultural subsidies. However, in order to reflect the significant changes that have taken place in the global economy as well as the global trading system, the work programme would need to focus on some key issues:

- Firstly, the major impediments to market access are no longer tariffs but non tariff barriers. The work programme would therefore need to focus **on regulatory issues** which impinge on market access as distinct from tariff liberalization. This would include a more intensive horizontal engagement on improving the TBT-SPS disciplines to address the issue of Standards in particular and NTB's in general.
- Similarly, a comprehensive work programme on **RTA's** with the objective of mainstreaming them into the WTO disciplines, is essential.
- Thirdly, the remarkable growth being witnessed in several parts of the developing world is being accompanied by a spurt in **innovation** in these countries. The \$2,500 car, the \$25 mobile phone, the \$10 water purifier, the low cost mobile X-Ray machine are only some examples of this. Much more is to come. These innovations have the potential for revolutionizing global manufacturing. The global IPR disciplines must facilitate, not hinder the process. The new work programme should reflect this new reality.

- Fourthly, the issue of **equity** in the global trading system has to be addressed. This would involve dealing with asymmetries in value creation across the world. Trade can only contribute to poverty reduction if it helps in spreading value creation all along the value chain. Africa cannot indefinitely remain only the commodities supplier to the world. Value creation in poor countries has to be a central preoccupation of the new engagement.

7. There would be demands for inclusion of other issues which may not command multilateral consensus but are important for some members. These would include the remaining Singapore issues as well as other issues such as an expanded agreement on global electronic commerce. On these issues, the onus is on the proponents to build consensus by demonstrating that the outcomes will be beneficial for the global trading system.

8. The experience with the UR plurilaterals provides a good basis for designing the format for negotiations on those issues which require the participation of a subset of members. In my view, variable geometry means both, variable in terms of participation and/ or variable in terms of the nature of commitments.

9. As far as climate change issues are concerned, it is important not to allow the tail to wag the dog. If political differences impede an international agreement in the Climate Change negotiations, they will do the same if the WTO takes up work on the issue. Once there is multilateral consensus in the Climate Change negotiations, the modifications in the WTO rules should involve a fairly straightforward negotiation. My impression is that our experience with the MEAs in force today has been pretty good and there has been little, if any, dispute on their trade implications.