

**Governing Trade for an Evolving Global Agenda:
A Practitioner's Perspective on Governance Challenges**

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19 March 2009

Special Address

Geneva Lectures on Global Economic Governance

Jointly hosted with the Graduate Institute of International and Development Studies,
University of Geneva





The Geneva Lectures on Global Economic Governance

Speaker Biography

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Ambassador Valles Galmés is a career diplomat with over 30 years of experience. He has served in several bilateral and multilateral diplomatic missions in Latin American, European, Asian and U.N. posts, and has held several relevant political positions including that of Deputy Foreign Minister of Uruguay

Ambassador Valles Galmés has participated in numerous bilateral and multilateral trade negotiations including those leading to the establishment of MERCOSUR, the conclusion of the Uruguay Round and the launching of the Mercosur-EU trade talks. In 2004, he was appointed Uruguayan Ambassador to the United Nations, the World Trade Organization (WTO) and other international organizations in Geneva. Since 2007, he continues to head the Uruguayan diplomatic mission to the WTO and its sister organization the International Trade Center. In that capacity, he represents his country's interests in WTO and in the Doha Round. In addition to his diplomatic responsibilities as Permanent Representative of Uruguay to the WTO, Ambassador Valles has also been Chair of the WTO's Rules Negotiating Group for the Doha Round for three years (i.e., the negotiating group that seeks to clarify and improve WTO rules related to antidumping, subsidies, fisheries subsidies and regional trade agreements). Since 2004, he has also been the Chair of the Working Group for the accession of Algeria to the WTO.

Ambassador Valles graduated from the School of Law of the Universidad de la República in Uruguay with the title of Doctor in Diplomacy.

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Let me start by sharing with you why I decided to accept this kind invitation to participate in this cycle of lectures. There are three good reasons. First I wanted to render homage to the University of Oxford for its program on Global Economic Governance and the University of Geneva's Graduate Institute for International and Development Studies.

In particular—and this is the second reason—I wanted to recognize Carolyn Deere for her permanent contribution to a better understanding of issues related to international economic affairs, offering in-depth analysis and new insights on issues of governance, such as conservation of natural sea resources or intellectual property rights highly-related to the interests of developing countries, but without pretending to legitimately represent them (by the way, a rather common mistake—in my view—of many scholars and non governmental organizations).

The third reason to participate in this series of lectures is a more objective one: these seem to be the most suitable times to reflect publicly on global governance. In front of one of the biggest economic crises in history and with the general perception that we are still close to its beginning and far from the end, it only makes sense to collectively and individually contribute to this debate. By the way, what I will present are just my personal thoughts and reflections and I will very much appreciate that this session is seen more as conversation rather than an ex-cathedra presentation.

Now, let us turn to the subject of this conversation: governance challenges.

In my view the greatest challenges we face are:

- Loosing sight of the achievements we have made so far in trade negotiations in particular and in global governance in general.
- The danger of competing or overlapping agendas in times of crisis.
- The risk of taking for granted the strength of the multilateral trading system.

Let me begin by saying that we started the 20th century and this millennium with good prospects in terms of global governance.

On one hand, by September 2000 more than 180 governments decided on a comprehensive development agenda at the United Nations. After a decade of specific summits and conferences (that started in 1990 with the World Summit for Children) we were able to adopt a single framework programme and an agenda for global action.

Agendas for action are not new in international affairs, but this one had the virtue of its global approach and the enthusiasm and inspiration that the new millennium brought to all of us. The great merits of the United Nations Millennium Declaration were that under a single framework it had quantitative, time-bound targets and indicators, as well as specific objectives.

Ultimately, with this integrated approach we were setting the conditions to tackle two challenges we often confront in terms of governance: the difficulty of internal coordination within states, and the difficulty of achieving coherence among

international organizations. Both of these problems lead us to sometimes act with contradictory objectives, and very often, to wrongly spend very scarce financial resources and, particularly, time.

With this global and practical approach imbedded in the Millennium Development Agenda we felt we were better prepared to work together between the public sector and the civil society. We had instruments to mobilize international partners and means to benchmark and assess progress. This in its turn would help us initiate policy reforms, institutional change and budget reallocations.

On the other hand, in the governance of trade, by the end of the 2001, there was another failed attempt to launch the other major collective endeavour: the Doha Development Round. The WTO was already at that time—as it is today—the embodiment of the most remarkable achievement in global trade governance. It represents a multilateral trading system that with all its difficulties and imperfections not only survived huge challenges since 1948, but also thrived in helping trade liberalisation and the rule of law in the conduct of trade. The WTO and the Marrakech agreements already meant many advantages for developing countries mainly in giving assurances of the rules of the game and access to a system of dispute settlement. So why a new Round then? Why taking the pains of a new round of very complex and costly negotiations?

In answering these questions we need not remember the tragic circumstances that proved catalytic to the Ministerial Conference in 2001. But we definitely need to remind ourselves—and particularly in times of crisis like the present—what constituted the ultimate reason for embarking on such a huge collective negotiating effort: it was first and foremost because of the unfinished business of the Uruguay Round and in particular, the need to continue the reform of agriculture.

The prospect of a new round of negotiations was already present by 1998 at the Ministerial Conference in Geneva. By then, we the trade negotiators knew that progress in agriculture negotiations, although mandated by the Marrakech agreements, were unlikely to achieve success on a purely sectoral basis and in isolation from negotiations on other issues.

So in Doha, in the light of the global economic slowdown of 2001 and in order to maintain the process of reform and liberalisation of trade policies, Ministers established a wide work programme.

The Doha Development Agenda was therefore meant to maintain the process of reform and liberalisation of trade policies, ensuring that the system would play its full part in promoting recovery, growth and specially development.

The argument that I would like to emphasise at this point is that coherence of the international agenda was therefore reinforced in 2001. The Doha work programme could mean a major force, convergent to the Millennium Development Goals.

It carried potential contributions to at least three of the eight Millennium Goals that I will try to resume.

First it could help—or at least contribute to—eradicating extreme poverty and hunger, the very first goal of the Millennium Declaration.

The extraordinary rise in food prices witnessed until just a few months ago and the ensuing grave and legitimate concerns about food security, could find at least a partial answer in the Doha Round. Fewer distortions in agricultural production and trade could only mean incentives for more food production. It would encourage increases in supply to adjust to increases in food demand.

Let's remind ourselves of the challenges of increases in world population and the growing food demand: there are 6.7 billion people on this planet today and by 2015 there will be around 7.3 billion. Presently, 17% of the world population is undernourished and 26% of the children of less than 5 years of age living in developing countries are underweight. The most recent FAO estimates put the number of hungry people at 923 million.

In order to produce more and better food we will need, among others, scientific and technological innovation applied to production; improvements in distribution chains; better infrastructure; and better access of small producers to expanded markets.

Are we going to achieve this with the same or less trade and investment? If the answer is no, then, the following question is: are we going to meet these demands with the same level of production and trade distortions we have today?

We need to increase agriculture production in competitive countries particularly developing ones. But for that to happen in the first place we need the right incentives, since **one** of the reasons why production and exports have been discouraged in poor countries is because of trade distorting subsidies and high tariffs in rich countries.

Rich countries' total support to their own domestic agricultural sectors at USD 372 billion in 2006 was more than three times higher than the total official development assistance.

But it is not only the 2001 Doha Declaration and its convergence with the Millennium Goals that we have to reach. The negotiation package that we have in hand after seven hard years of negotiations is far from perfect, but it could reduce European support by 80% and U.S. support by 70%. In the case of the U.S. that would mean a ceiling of USD 14.5 billion, which is double the amount spent last year. But let's remind ourselves that the present ceiling is USD 45 billion and this will be used as commodity prices decline and the economic situation worsens. In a word, the wrong incentives will be once again growing.

In the market access pillar we have been more able to reduce the exporter's ambition than the high tariffs and peaks we are facing, but if we are able to conclude on this basis, we will still be cutting 70% of the highest tariffs and expand quotas by 4% of the domestic consumption of the rich countries.

The year 2015 is only 6 years and 287 days away from today. Even if we would conclude the Doha Round today, its implementation could take longer than that. So let's keep in mind that food safety needs are rising and the clock is ticking.

Let me now give you a second example of a potential convergence between the Doha Round and the Millennium Development Goals. Success in the Doha Round would assist in promoting environmental sustainability, which is goal number seven of the Millennium Declaration. In the United Nations we have concluded that if we are to reduce biodiversity loss we definitely need to improve fisheries management to reduce the fish stock depletion. Prohibiting those subsidies that contribute to over fishing and overcapacity would only help to achieve those goals.

Here, the work is less mature than on the package in agriculture. Nevertheless there is convergence. In 2002 heads of state at the 2002 World Summit on Sustainable Development in Johannesburg included harmful fishing subsidies among the top eight obstacles to sustainable fisheries, and called for completion of the WTO fishing subsidies talks. Three years later WTO Ministers agreed in 2005 in Hong Kong that disciplines on subsidies in the fisheries sector should be strengthened, including through the prohibition of certain forms of fisheries subsidies that contribute to overcapacity and over-fishing.

But here again the clock is ticking. It has been estimated by FAO that in 2007, only about one-fifth of the stock groups monitored by them were underexploited (2%) or moderately exploited (18%) and could perhaps produce more. Slightly more than half of the stocks (52%) were fully exploited and, therefore, producing catches at or close to their maximum sustainable limits, with no room for further expansion. The other 28% were either overexploited (19%), depleted (8%) or recovering from depletion (1%) and, thus, yielding less than their maximum potential owing to excess fishing pressure in the past, with no possibilities in the short or medium term of further expansion and with an increased risk of further declines and a need for rebuilding. From an economic point of view, 75% of the fish stocks are underperforming. I am quoting these figures from the latest FAO report on the State of World Fisheries and Aquaculture. This data has also been backed by a recent joint report from the World Bank and FAO that estimates the under performance of marine fisheries costs USD 50 billion per year. The losses represent the difference between the potential and actual net economic benefits from global marine fisheries. As this reports indicates, "Rather than being a net drain on the global economy, sustainable fisheries can create an economic surplus, be a driver of economic growth, and a basis for livelihood opportunities. Sustainable fisheries are not only a challenge to biology and ecology, but one of managing political and economic processes."

We are talking here about food security and livelihood issues as well. Approximately one billion people depend on fish as their primary source of protein, and at least 120 million people depend on fishing for all or part of their income. This dependence is mainly concentrated in the developing world.

So here again we have recognition of the mutual supportiveness of trade, environment and certainly development concerns. The potential for convergent work and efficient global coordination between FAO, UNEP, the World Bank, and the WTO is there. Again, we have a strong case for carrying forward the work we have done and concluding the Round as soon as possible.

Let me now focus briefly on a third example and perhaps the clearest case of convergence between the Millennium Round Goals, the WTO and the Doha Round. The eight and last goal of the Millennium Goals is precisely the establishment of a global partnership for development. This includes the development of an open, rule-based, predictable, non-discriminatory trading and financial system.

To illustrate the point I will only refer to two aspects, the first being the value of cutting water. By water we mean the difference between the applied rates and the consolidated rates. The conclusion of the round, beyond its systemic benefits, could provide gains that have been recently estimated from USD 50 to 70 billion. On the other hand, What are the costs if we do not conclude the round and if tariffs are raised for automotive and electronic products alone, from the applied levels to the consolidated levels? Higher tariffs in those products would increase the costs of

current world trade by USD 30 to 50 billion. Estimated welfare costs for such an increase in those tariffs range from USD 130 to 350 billion.

But what is at stake is also the integration of the poorest and weakest economies to the system. In this respect, a core task is to help developing countries build the trade capacity and infrastructure needed to benefit from international trade. This ultimately is the only effective way we could have the weakest countries mainstream trade policy into their national development strategies.

In this area we have done and we continue to do a lot. Aid for trade will certainly not substitute the benefits that I was referring to and that could result from the conclusion of the Doha Round, but certainly it could make a great difference for the weakest members. The WTO as a rules system by itself does not guarantee success in international trade to any particular member. The WTO is also not a financial assistance institution. But the political sustainability of the organisation depends on its ability to provide a more level playing field, not only through rules that consider the development dimension and provide special and differential treatment, but also by helping, especially least developed countries (LDCs), to enhance their capacity to participate in international trade.

Aid for trade is delivered through grants and concessional loans targeted at trade-related programmes and projects. It has broadly been amounting to some USD 30 billion, or a third of total Official Development Assistance (O.D.A).

The challenges are two, in my personal view: overcome the present financial crisis by maintaining the pledges and making the disbursements effective; and second, to enlarge the assistance for trade-related structural adjustment in the context of the current crisis.

Aid for trade is not a substitute for the benefits that could clearly come out of the conclusion of the Doha Round.

Now, is all that gone? Is all that convergence lost? Has the rationale for that convergence between our trade goals and the broader millennium goals changed?

No, certainly not. Concluding the Doha Development Round is one concrete and tangible way of delivering on the Millennium Development Goals. But we are now facing the imposition of two new agendas, which could—but should not—distract us from our goals.

In parallel to delivering on the Doha Round, and as a result of the financial and economic crisis, the WTO has been required to take immediate action and reinforce its regular work in different bodies. As it is happening in all international organisations, we have a crisis agenda. In our case, and taking into consideration the grave effects on trade and the fact that trade could be part of the global solution to take us out of this terrible situation, we have a “crisis management” agenda.

In substance, this agenda is certainly not new but it has important differences with the first agenda I was mentioning:

- It's not based on a new or specific mandate like the Doha Round but finds its legitimacy on the constitutional mandate deriving from the Marrakech agreements.
- It's less based on the normative or legislative functions of the WTO and more on its administrative or executive functions.

- It requires the pro-active participation of the Director General supported by the Secretariat, within his competences.

These three characteristics of this “emergency or crisis management agenda” pose challenges and risks but ultimately the goals are clear and undisputed: we need to help combat rising protectionism and strengthen the organisation at times when the multilateral trading system is most required.

The existence of this multilateral trading system embodied in the WTO is, from a governance point of view, probably one of the big differences with the situation we had in 1930. Consequently there is a need for the organisation to show its vitality. In times of crisis we need to regain regularity in an institution that has somehow been overwhelmed by the negotiating functions.

There are several tasks all of which demand and pose challenges and risks.

First, we have to convene and fix a date for the Ministerial Conference to meet. It is just obvious that in front of the biggest economic and trade crisis ever, the most important body, the vertex of the organisation, has to be summoned. This is called for by the very first phrase on the very first article dedicated to the structure of the WTO. Article IV 1 establishes that the Ministerial Conference shall meet at least once every two years. Three and a half years have passed since our last conference.

Somehow informality has been gradually and unconsciously replacing institutional function. We have been subdued by the need to move in the negotiations and the requirement for having small group meetings. We have been creating over-expectations to generate major breakthroughs as a means to move forward in the negotiations. Ministerial Conferences do not need to raise these magic expectations. Rather the magic is in its regular work; in the regular gathering of all the members lies the strength of the system.

This is not a purely formalistic approach. Foreign ministers, finance ministers, and labour ministers meet regularly for the periodic review of their business-- much more under the present crisis. But trade ministers have not done so, although international trade is at the heart of the crisis. We have to regain regularity in all the bodies and first and foremost at the Ministerial level. This, although directly connected to the Doha Round, goes well beyond it and its purpose is more related to the need to reassure the permanent objectives of the institution, rather than with the multilateral trade negotiations themselves, important as they are.

For those who truly believe in multilateralism, at all times, but particularly in times of crisis, it is the strength and vitality of the institutions that really counts.

Second, we have to strengthen the transparency functions of the system. In particular we have three things to do:

1. Enhance the individual reports and the member reports to the Trade Policy Review Body. We have to boost the regular reports on trade policies and practices pursued by the members, as well as information on any significant changes in their trade policies, as provided by Annex 3 on the Trade Policy Review Mechanism.
2. Further the overview of developments in the international trading environment, which are having an impact on the multilateral trading system. This exercise has extraordinary importance in view of the current crisis and should be

assisted by a report of the Director General highlighting the most significant policy issues affecting the trading system.

3. Improve the notification, counter-notification and analysis of measures in place and those that are projected, which are normally reported to the committees and councils.

The third task in this emergency agenda has been and will continue to be monitoring the impact of the global crisis on trade financing. The ultimate political goal is to help developing countries access trade finance at affordable rates. There are two interlinked problems: shortage of liquidity to finance trade credits and a general re-assessment of risks caused by the financial crisis and by the slowing down of the world economy. International trade needs the life line of trade finance in order to play its shock-absorbing role. The WTO, although certainly not a trade financing institution, has a good track record in working together with representatives of private banks, international financial institutions and export credit agencies in order to enhance that monitoring and raise awareness of the problems. It played its role during the financial crisis of past decades, which we know were more regional in nature. The secretariat, the DG and the Committee on Trade and Finance have been active and we encourage it to continue.

Now, that having been said about the first and the second agenda, let me turn to what some are starting to call a future or an emerging agenda, one that goes beyond Doha.

The main features of it are:

- It might be an agenda for some but it is not a mandate.
- Because it is not mandated, this agenda is very unclear on its outer limits as well as in its contents.
- It derives mainly from the fact that the Doha Round has taken more than seven years and new concerns, maybe legitimate concerns, have been raised.

As a consequence of the food crisis and the surge in international prices of food and commodities, some think that export prohibitions in this area should be a matter of stricter disciplines, therefore of multilateral negotiations.

Some also think that new rules will be needed in order to avoid unilateral action and to address genuine trade distortions arising from exchange rates.

Likewise there is an increase in calls for using trade instruments to further environmental objectives related to climate change. It is unclear here what are the limits, logic and contents of any possible multilateral discussion of these. Would it be related to subsidies for industrial reconversion? Would it be related to carbon taxes at border? One thing is clear: the fragmentation of trade policy through a multiplication of the fora that legislates on trade instruments will only go against the objective of global and efficient coordination and could be a major risk for global trade governance.

Some argue that in order to avoid this risk it will only be wise to enlarge the scope of the present negotiations so as to potentially allow for broader gives and takes. The political opportunity, some think, could also be good at a time when the whole

financial architecture is being rethought—a new Bretton Woods for international finance and also for international trade.

Very humbly my view, as a practitioner, is that we should first conclude the mandated negotiations. We should be aware that the clock is ticking and that with the present mandates and frameworks we can find solutions for all, including those who might be in the political need of revisiting their positions.

The WTO with all its weaknesses and pitfalls has been extremely efficient in promoting the liberalisation of international trade, which helped, particularly when accompanied by sound economic policies, to get millions of people out of poverty.

We have at hand the instruments to conclude the Round and to help boost the chances for a shorter crisis and a faster recovery. As we have done in the past 60 years, as soon as we finish a Round we could be thinking of new horizons and new negotiations, but we need to be practical and cautious in front of the crisis and foremost, we should not take for granted the strength of the multilateral trading system. On the contrary, we should do everything at our disposal to consolidate what, after all, is a very young institution in the world of global governance.



The Global Economic Governance Programme was established at University College in 2003 to foster research and debate into how global markets and institutions can better serve the needs of people in developing countries. The three core objectives of the programme are:

- to conduct and foster research into international organizations and markets as well as new public-private governance regimes
- to create and develop a network of scholars and policy-makers working on these issues
- to influence debate and policy in both the public and the private sector in developed and developing countries

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