

Thirty years that have changed the face of world trade

Pascal Lamy
Director General, World Trade Organisation

I will speak under the interesting thematic focus of “Thirty years that have changed the face of world trade”. It is an opportunity to look back on how the world of trade has evolved over the last three decades.

In the last few months I have, on a number of occasions, been asked to look back on my eight years in the WTO; occasionally even on the over two decades that I have spent dealing with economic and trade issues.

But today is special. Special because I have been asked to reflect on how global trade and the multilateral trading system have changed over the last 30 years. Perhaps because that is exactly the same timeline in which Consumer Unity & Trust Society — CUTS as we all call it now — has transformed from a modest organisation providing an umbrella to small consumer groups in rural Rajasthan to a truly global institution respected by governments and civil society alike.

CUTS made its entrance into the local scene in 1983 through a wall newspaper *Gram Gadar*, which my Indian translators tell me means ‘Village Revolution’. And it is now in the global scene. CUTS has changed over the last 30 years and so too has the geo-political landscape. We have seen the rise of emerging countries and a shifting balance of economic and political power. These changes are also reflected in how global trade has matured in this period. In the early 1980s, the face of world trade was completely different; for one, the WTO did not even exist! The General Agreement on Tariffs & Trade (GATT), the WTO’s predecessor, was often dismissed as an exclusive members-only club. So perhaps the most important change that I will begin with is the much more universal nature of the WTO membership we have today.

There has been an exponential change from the 89 GATT contracting parties in 1983 to the 159 members of the WTO today, the majority of which are developing countries. Today, 24 countries are at various stages in the process of accession — with at least Yemen, Serbia, Bosnia and Herzegovina, Kazakhstan and the Seychelles at advanced stages. These accessions need to be fast-tracked in earnest because their pending conclusion remains the ‘last frontier’ we need to cross for the WTO to be a truly universal organisation.

What is the next big change that comes to mind when I look back over 30 years of global trade? Trade is today less about whole products and services, and more about trade in tasks along value chains which often span not just across countries but also continents. It is, therefore, no surprise that the breadth and scope of what the WTO rules now cover has significantly expanded as compared to 30 years ago.

In the 1980s, trade in goods measured in volume accounted for around US\$2tn. In 2012, it accounts for at least US\$18tn. Between 1982 and 2012 merchandise trade

increased by an annual average of around 8 per cent. In the early 1980s, while services were known to be important in their own right, we did not have a multilateral agreement covering this sector. Similarly, today we practically take for granted the obvious role that intellectual property rights play in boosting innovation, driving manufacturing and industrial growth; and often lose sight of the fact that 30 years ago, there were no multilaterally agreed rules in this area. In addition, while there were some very elementary rules on agriculture trade, we certainly had not started to think it possible to discipline agriculture in the same manner as manufacturing and definitely not in the way envisaged in the draft texts on the table in the Doha Round.

And I could go on and on; especially if I look at the way issues like government procurement, information technology, electronic commerce, technology transfer, trade, debt and finance, environment and trade facilitation have permeated the fabric of global trade discussions.

At the same time, we have also mainstreamed discussions on issues like sustainable development and Aid for Trade into our work, something which would not have necessarily been seen as under the 'trade' rubric 30 years ago.

If I had a crystal ball, and I could look into the future, perhaps what I would see would make even these changes look mild. But given that these are my last few weeks here, I better keep my views on the 'issues of the future' to myself, at least until I recover my freedom of speech!

Launching of an ambitious trade round in Doha — with close to two dozen topics for negotiations and work, and more importantly with a strong and central focus on development, is another milestone in the history of the multilateral trading system. Placing development at the core of the Doha negotiations means two things: a clear acknowledgement that more open trade can work for development. But it also means that trade opening must be accompanied by trade capacity building — Aid for Trade — for it to work. Now of course, we all know the real success is the conclusion of these negotiations which we all hope will happen in the not too distant future.

While the bulk of successive GATT rounds brought industrial tariffs down but for tariff peaks, Doha presents the opportunity to address relevant barriers to trade today such as non-tariff barriers, border red tape and deepening the opening of trade in services. It also offers an opportunity to ensure trade is supportive of sustainable development by tackling fisheries subsidies and opening up trade in environmental goods and services. All of these are extremely relevant for the proper functioning of value chains.

Any discussion on changes in the world of global trade would be incomplete without a mention of the WTO's dispute settlement system. There is no real comparator in terms of time efficiency and quality of judgements delivered. There is also no comparator in terms of depth of members' ownership in the findings of WTO panels and Appellate Body reports. And yet in 1983, the GATT still operated on the lean provisions of GATT Articles XXII and XXIII: a system whose very design locked it into an inherent weak operational structure.

I do not think that the founders of the WTO could have envisaged the remarkable contribution it has made to global economic stability. Its predecessor, the GATT, had no doubt laid the foundation for global co-operation on international trade regulation, and made its remarkable contribution to maintaining world peace. But this young organisation; yes we are only 18 years old has not only contributed to global peace and security by strengthening the reliance of nations on one another for trade but, in the last three years, through its periodic transparency and monitoring exercise, has also prevented nations from adopting wide scale protectionist measures.

And finally, there has been a huge change in the negotiating dynamics that have come about in the last 30 years. In today's WTO, it is unimaginable that an agreement amongst the 'Quad' of the 1980s is sufficient to conclude a deal.

While I no doubt share the global optimism at the evolution of a more balanced power equation within the WTO, perhaps on a personal level I am most pleased with the remarkable change in the negotiating prowess of the least developed country (LDC) group. Thirty years ago, it was inconceivable that LDCs would be a force to reckon with in multilateral trade negotiations. Today, LDCs have common, well researched positions that have helped to place their agenda at the fore of multilateral negotiations.

In sum, the multilateral trading system has witnessed radical transformations. What was once a members-only club has its doors open to all, not least the non-governmental organisations (NGOs). Perhaps there are some parallels between the evolution of CUTS and the growth of the WTO: the quest to develop global organisations that are open to organic growth, reflecting the ever changing needs of the global economy in which we operate. This has been my philosophy — and the core of my efforts — as Director-General of this organisation.

As I wind up my term of office here at the WTO, I believe there is an ever-important role that organisations like CUTS and other civil society organisations can play in keeping the multilateral trading system accountable to the development challenge. From wherever I will be, I will remain an ardent supporter of such initiatives.

Thank you for your attention.