

## **"The EU, the WTO and globalisation"**

### **Guest Lecture to the European Institute of the University of Geneva**

*- Core messages -*

#### **WTO has been spearheading multilateralism**

- Organisation with advanced rule-book and meaningful (i.e. enforceable) commitments:
  - Dispute settlement
  - Protectionism is the dog that didn't bark in the past 2-3 years: crisis proved that the WTO is a powerful shield against trade protectionism. We have avoided the worst-case scenario of beggar-thy-neighbour policies we witnessed in the 1930s.
- Normative (negotiating) work, alongside regular work (transparency and dispute settlement)
- Model for modern multilateral governance:
  - Member-driven organisation based on "one country, one voice" principle
  - Fully democratic organisation that can produce what its members want it to produce
  - Unlike other international organisations, decision-making does not reflect the outlook of the world in 1945 (cf. UN Security Council, IMF Board, etc.)
- Almost universal membership (cf. Russia joining this year)

#### **However, there is a "delivery gap"**

- No multilateral trade round concluded since the WTO's inception (although some results in amending TRIPS (Public Health) and concluding sectoral deals in services, e.g. Annex on Financial Services and Telecoms).

- DDA ongoing since 2001 and 'impasse' clearly recognised at MC8. "Business as usual" not an option.
- Current multilateral rules are not equipped to deal with emerging global challenges such as energy, food security, competition and investment.
- Real risk that without genuine progress the WTO will be sidelined in the future.

### **Causes?**

- WTO cannot be seen in isolation from broader environment, trends. (cf. climate talks, representation at IMF, global monetary developments etc.)
- Exponential growth in number of issues discussed and number of players around the table: almost perfect correlation between number of years to conclude a round and the number of issues being discussed and number of Members participating in negotiations.
- But not just question of "quantity" (issues, members) but also of "quality" / qualitative changes: rise of new players caused tectonic changes in the world economy China's rise as the defining feature of the past decade. From "emerging economies" to "emerged economies." Rights need to be matched with responsibilities.
- US position to be understood through the prism of their loss of hegemonic status and power. Concrete leverage issue: if EU/US do a deal now, what leverage will be left in the future?
- Economic crisis: politically not attractive to consider liberalisation at home – hard sell to Western electorates, although apparent paradox with today's political agendas focused on "jobs". No engine of unilateral liberalisation: this affects both multilateral and bilateral trade deals. The latter are not a success story either.
- Limited role of the DG / weak DG.
- Archaic process? E.g. single undertaking and large agenda. (although caution warranted with "procedural innovations": plurilateralism not a panacea). Do we need to fix what ain't really broken?

## Globalisation as the context and background against which this takes place

- Probably not necessary in front of this audience of globalisation scholars to define or describe the concept "globalisation". Some observations and link with trade policy.
- Globalisation casts its net wider and becomes more complex.
  - Around half of world trade now takes place between the affiliates of multinational enterprises trading intermediate goods and services.
  - Interdependence, vertical integration and increasing specialisation put classical trade concepts on its head (rules of origin, anti-dumping, etc.)
  - State capitalism. Sharp increase in the number and the size of "public footprints in private markets" (cf. Sovereign Wealth Funds, subsidies and below-cost financing, etc.)
- Problems are global; solutions are not (yet or not sufficiently).

## Role of (EU) trade policy

- Trade not part of the problem, but part of the solution. Need boost for the world economy.
- The importance of trade for growth increases when our internal growth engine sputters. We must tap into global sources of growth to stimulate our own.
- Trade is a key part of the EU's growth strategy (EU2020). Trade policy is developed in the context of growth and jobs. Based on open markets within a strong rules-based international system.
- Need to recognised that we are in transition...
  - in 2012
  - in the WTO
  - in the world economy
- Distinguish short-term and long-term objectives (i.e. sailing through the crisis vs. preserve and strengthen the system).

- Short term: we will not allow current disagreement to result in complete paralysis (don't throw away baby with the bathwater). We are pragmatic and results-oriented, i.e. forge ahead where progress is possible.
- Medium term: to preserve the centrality of the multilateral system, we must ensure that the WTO continues to open markets, to produce trade rules and to address emerging challenges to world trade.
- Need to ensure that the WTO is able to oversee regional trade agreements so that they are constructed in a way that supports rather than undermines the multilateral system.
- Political leadership is necessary but scarce in this transition.