JAN TUMLIR • POLICY ESSAYS •

A FUTURE FOR THE WORLD TRADE ORGANISATION?

The 2010 Jan Tumlir Lecture

By Peter Sutherland

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About Jan Tumlir: The late Jan Tumlir was a leading scholar of trade policy, with a distinctive constitutional, classical-liberal defence of free trade drawn from his reading of law and economics. A Czech by origin, Jan Tumlir emigrated to the West in the 1940s and in 1967 became the Director of Economic Research and Analysis at the General Agreement on Tariffs and Trade (GATT). He supervised the economic research of the GATT for almost two decades, and was known as the GATT's "resident philosopher". Tumlir emphasised the structural nature of protectionism as the outgrowth of overactive government at home. He strongly advocated a rule-based international economic order pillared on free trade and constitutional democracy.

• Read more about Jan Tumlir at **www.ecipe.org/tumlir**

__Peter Sutherland__ is an international businessman. A former European Commissioner, Mr. Sutherland was the last Director General of the GATT. In that capacity he concluded the Uruguay Round of trade negotiations. He became the first Director General of the World Trade Organisation.

The Second Jan Tumlir Lecture, given by Peter Sutherland, was hosted by ECIPE on May 20, 2010. The Director General of the European Commission's Trade Directorate, David O'Sullivan, was commentator.

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PREFACE

It is my pleasure to introduce Peter Sutherland's lecture at ECIPE, in memory of Jan Tumlir, entitled "A future for the World Trade Organisation?".

Jan Tumlir was a most distinguished thinker about international trade, the rule of law and freedom in society, and he was the Chief Economist of the GATT for many years from the late 1960s until 1985. Peter Sutherland is also a most distinguished man of business and the world of finance, was the fourth Director General of GATT and the first DG of the brand new WTO in 1995. His tenure in Geneva marked the end of the last successful multilateral trade negotiation – the Uruguay Round – and despite that heavy task he found time to visit the WTO library and to inspect Jan Tumlir's papers!

I will seek in this preface to underline briefly what I believe are the salient points in the lecture. First on the subject of the future of the WTO, Sutherland analyses the problem as follows: "Since Seattle .... there has been a fundamental deficit in effective political support for the WTO system" and worse still, he considers political leaders of our time to be "using, abusing and ignoring the multilateral system". He then reminds them – gently but clearly – that "the framework, the theory and the history" of the system need to be understood, valued and "endlessly communicated" by those in charge. In his view they have failed in this.

Although he underlines that the WTO continues to do good work in the management of the system - oversight of the many WTO agreements, dispute settlement and securing the accession of new members - he is in no doubt that trade negotiations, with the aim of liberalising trade and removing barriers, ought to be its principal activity. Yet he says: "Current priorities in many capitals simply do not include new trade agreements" and "Trade agreements are deeply unpopular right now for members of the U.S. Congress".

I certainly agree with this analysis. It is common to hear the point being made that forward movement – if any – in WTO is due these days to litigation, not negotiation. And as far as leaders are concerned, the record of the bland statements by the G20 and before them the G8 is eloquent; geopolitics has trumped trade policy in recent years, with only one exception – the rash of bilateral trade agreements in Asia and elsewhere, many falsely called free trade areas but in plain contradiction with WTO principles.

Currently the WTO is locked in an impasse on the Doha Round and has been since the Hong Kong Ministerial Conference in 2005. Some would argue, even longer than that. Sutherland's view on that is typically forthright: "Doha was founded on a notion of historic unfairness .... this was to be engineered out of existence .... but the attempt has hit the buffers of political reality". It is always easier to see (with hindsight) what went wrong: "We have crucially neglected to seek an understanding on what a 'development round' really means", therefore the 'historic grand bargain' between developed and developing countries has not been obtained. The broad parameters of such a deal have never been articulated clearly enough.

As to the future, for him, the first task is to get out of this situation: "Clinging on to Doha as it was – or was intended to be – is not going to work. The ground has changed too radically over the past few years. Leadership within the WTO needs to adjust". There needs to be recognition of the fundamental changes that have taken place in global economic and political relation-ships. Others need to take the torch which the Americans have carried. Europe has played a role, and others too in the Uruguay Round, but "we should expect leadership from other quarters. China is now the world's most successful trading nation and will remain so for a long while. That makes China the key player in the World Trade Organization".

To resolve the Doha Round, he sets out some radical ideas for simplifying the negotiation – go back to request and offer, simplify or eliminate formulae, get rid of all exceptional cases, put rulemaking to one side. "China - now the world's largest exporter - would be a big winner from a successful Doha Round", and needs to emerge from some years of initial hesitation and caution in a new institution. But most of all, "a new WTO negotiating agenda must now be developed – an agenda more attuned to the issues that governments and businesses are actually facing nearly nine years after the current round was launched". This has to be correct. Business and industry will not support yesterday's agenda.

I have written elsewhere on this subject.* Lack of leadership is certainly a problem, whether for political reasons or because the wrong players are in the smaller negotiating groups. G4 or G6 or G7 – negotiating a compromise that all can live with is out of fashion. G20 at the top level has had more pressing concerns with global recession and financial issues. To try to get out of the Doha impasse I would myself go further; reduce the agenda to the three core areas of NAMA, agriculture and services and add in trade facilitation if we can, and in these areas the ambitions need to be scaled down nearer to what the participants can accept by some of the means that Sutherland mentions. Higher ambitions on access would have to come back another day, together with the other agenda subjects agreed upon, basically in Seattle, over ten years ago. The world is no longer the same place.

Roderick Abbott is former Deputy Director General of the WTO and European Commission (DG Trade), respectively. He is member of ECIPE's Steering Committee.

*Roderick Abbott, How to revive Doha with some chance of success. ECIPE Policy Brief No. 04/2009

JAN TUMLIR LECTURE BY PETER SUTHERLAND

I DID NOT know Jan Tumlir. I think I would have liked him though. He was no ordinary economist. As Martin Wolf observed, in the first of these lectures, Tumlir delved deep into the systemic foundations of the trading system; finding there important principles of international governance impinging on many aspects of relations between states. The rule of law, through transparency and non-discrimination, is a predominant concept. His work reflects a belief that the international economic order – at its best – is about liberty, in the broadest sense. And he appreciated liberty, having spent sufficient time in Czech prisons, as a political dissident in the 1940s, to understand personally the reality of totalitarianism and the inevitable end result of centralized economic planning by governments. He believed strongly in European integration.

Few of those who visit the elegant library of the Word Trade Organization in Geneva, notice the Jan Tumlir Legacy collection. Indeed, not all the *librarians* know it is there! It spans walls on two staircases. Several hundred volumes reflect the man's extraordinary breadth of interest and association of ideas. From history, law and finance to psychology, social and political theory, foreign policy, military history, ethics and business. There are even a few economics textbooks, as well as a copy of "Greek Made Easy" – a book that might help anyone trying to understand the current Doha text on agriculture modalities!

My point is this (and I will return to it): that in the seemingly limitless, and futile, pursuit of headlines about trade agreements that "create domestic jobs" too many political leaders of our time have lost sight of the much larger stakes that are in play as they use, abuse and ignore the multilateral trading system. If you reduce the WTO to a simple mercantilist calculation, engaging minimum levels of political discomfort, you get what we have right now: negotiating stalemate. Nothing moves. Deals do not get done.

Indeed, I would have to conclude – as an outsider these days – that the WTO has become a position-taking institution, rather than a deal-making institution. My remarks today are intended to explore the reasons why it may be so; and to suggest some escape routes. Let me start by quoting Tumlir himself. In 1977, when the world was facing multiple crises of inflation, energy, unemployment and debt, he wrote this[1]:

"*It is inevitable that governments which so over-extend themselves in their domestic electoral commitments insist, in their international relations and negotiations, on a degree of freedom of national action which is incompatible with any kind of order, old or new.*"

I think that situation may apply today. In 1981, looking broadly at the concept of international economic order, Tumlir described[2] the essentials of international cooperation among states:

"*Sustained cooperation is possible only within a framework of rules derived from a cogent, compelling theory which, moreover, must be backed by abundant historical experience*."

Well, to me, and I suspect a good few people in this room, that precisely describes the WTO. Yet this fine formulation needs a rider. The framework, the theory and the history need to be understood, valued and endlessly communicated by those in whose hands the system is entrusted. It seems to me that it is a very long time since political leaders have acted thus.

Of course, some trade and investment deals are being done; at the regional and bilateral levels. Not so many, perhaps, as a few years back, but there is a relentless accretion of these arrangements. It is not my purpose here to analyse their impacts on the multilateral system in detail. Clearly, some go further than the WTO; most steer carefully round the sensitive issues and sectors – notably agriculture – where the WTO is also struggling. Do they create trade or redirect trade? Do they bring clear net gains to their participants? I suspect the answers are sometimes yes and sometimes no.

What is clear is that these arrangements are not policed – nor even adequately notified in a very timely manner.

1. "Can the Economic Order be Saved?", Jan Tumlir. Volume 1, Issue 1, "The World Economy", October 1977.(The World Economy was published by the Trade Policy Research Centre, of which ECIPE is something of a natural descendent.)

2. "The Concept of International Economic Order", Jan Tumlir. In "Changing Perceptions of Economic Policy", Methuen, 1981.

Recent minor amendments to the WTO procedures in this area are welcome but have not lead to clear collective views emerging from the membership on whether or not individual preferential accords meet the conditions of GATT Article XXIV. There is little to be surprised at here; almost every WTO Member is now part of at least one PTA. The spaghetti bowl is getting bigger. It would be good to wake up one morning to a plate of well ordered and layered lasagna in its place, but that happy day is not going to come any time soon I fear.

Meanwhile, in most other respects, the institution of the WTO continues to do a fine job. The dispute settlement system works, and works well; currently panel litigation activity is higher than ever before. Maybe there is room for some of the reform proposals that have been on the table for many years. But, despite fears that it would over-extend itself, the system has taken on some of the most troubling and politically sensitive trade differences of our time and quietly, methodically, and credibly made a contribution to their settlement (or, at least, prevented them getting out of hand).

Disputes, accessions and the Doha Round represent the public face of the WTO. What is usually unseen at the base of the iceberg is the constant, effective administration of the many individual agreements that make up the WTO. These are the original GATT and the agreements that emanated from eight successful trade rounds. These commitments exist and continue to protect all of us from the more harmful instincts of governments, especially in times of economic difficulty. The achievements of regular work in the SPS (sanitary and phytosanitary measures) and technical barriers areas alone are undervalued and under sung. So too on government procurement, anti-dumping and intellectual property issues, among many other areas of regular work. Much gets resolved simply because governments can go to Geneva and talk within the machinery of an enforceable framework of global rules.

I think we should also pay Pascal Lamy and his team a compliment for the recent development of an improved global trade policy monitoring mechanism. During the crisis, this has helped us all keep the trade responses of governments in the front of our minds, but also in perspective.

Now, having said all that, do I worry at the consequences of a failure to conclude the Doha Round on the credibility of the system, notably dispute settlement: yes I do. In the final analysis members of the WTO must do deals – make new commitments - if the system is to remain relevant and fully operational. As trade-related issues outside the boundaries of settled current WTO competence grow, they cannot all be left to *ad hoc* damage control through dispute settlement panels and the Appellate Body. There is a need for political legitimacy – and that comes only through negotiation.

I do not think we will find the answer to the WTO's recent difficulties in doing deals in the technical detail of the Doha Round negotiations as they now stand. If it was ever the case – say, in July 2008 - that all that was needed was for the US and India to resolve their differences on a special safeguard mechanism for agriculture or for China to show willing on a few sectoral tariff deals, then it is certainly not that simple right now. Nor will I get lost in a labyrinth of economic theory; that is hardly my forte. Let me try to be down to earth and practical. First, I shall offer three sets of reasons why the system may not be delivering as a negotiating machine.

1. There is a form of structural deficit in negotiating practices and abilities.
2. External circumstances, over which the WTO has little or no control, tend currently to dissuade Members from entering an end-game that will generate new commitments.
3. For too many participants – whether they care to admit it or not - what is being negotiated is neither sufficient for the expenditure of political capital, nor any longer fully relevant.

Five years ago, I would have placed more emphasis than now on the manner of negotiating in the WTO. Early on in the Doha Round it was habitually claimed that negotiating with 153 Members was so much more difficult than in previous rounds. Well 153 versus 96, at the end of the Uruguay Round, does not sound to me an overwhelming difference. The real difference is probably just one: China. For the rest, the key players are largely unchanged even if the coalitions in which they are represented are new.

Early on I would also have been tempted to identify another fault line as too many NGOs, lawyers and consultants driving too many agendas and unattainable objectives on behalf of too many groups of Members. And the reverse face of that coin might have been a lack of attention from business. It is probably true that business was more active at the end of the Uruguay Round. Right now, I think private sector groups are more worried by the potential impact of failure on the credibility of the WTO system as a whole than by foregoing particular trade opportunities that might be generated by a Doha agreement.

The multi-agenda activism we saw originally in and around these negotiations was, in part, a consequence of their transparency. One can both welcome this remarkable transparency and wonder whether it aids or hinders deal making. I have some doubts.

As for process, others have commented that the use of formulae and endlessly expanding exceptions has not been an obvious success, certainly not for the non-agricultural market access negotiations. Further, the idea of exclusively "bottom up" negotiations exhausted much time yet we have ended up with the normal reality: a mixture of negotiating group chair-persons taking chances with successive draft texts and small groups of major players calling most of the shots.

I would also have to question whether the people who should be doing the lion's share of negotiating – the ambassadors in Geneva – are really able to do so, right now. Involvement of ministers (even heads of government) is always ultimately crucial, but not to the point where their local representatives lack the power, instructions and confidence at least to signal potential or conditional moves from long-standing positions.

There remains much to be said about process, but another time. Certainly it has something to do with present difficulties but can hardly be decisive. What then of the broader political and economic circumstances that encourage or inhibit deal-making in Geneva?

There is always a degree of double-speak when the economic environment is considered as a condition for trade liberalization. If we are in good times, in principle, local politics should be able to absorb the "costs" of new trade opening. If we are in bad times we normally suggest that one guaranteed means of supporting recovery is precisely to open new markets and reinforce trade rules. In practical reality, neither view seems to hold much sway. Amazingly, the latter has not done so this time round despite widespread recession and a drop in world trade greater than that in the 1930s.

Let me return for an instant to Tumlir's 1977 paper. At that moment, he commented thus:

"*The problem of the international order is not an essentially international problem. The difficulty, rather, is that virtually all the core countries are passing at present through a difficult crisis of democratic home governance.*"

Current priorities in many capitals simply do not include new trade agreements. There are greater perceived urgencies for political leaders who must carry legislatures on difficult issues in difficult times. Climate change, reforms in the financial sector, budget deficits and out-of-control government debt, the pensions funding challenge, as well as economic stimulus measures all remain at, or near, the top of the list for many key players; with crisis in the Euro-zone added more recently. China is also a priority for almost everyone, but of a different nature: it is an immediate challenge – for better or for worse - impacting jobs, financial markets, access to raw materials, energy. It is a priority that many governments have yet to learn to handle. Would Doha command greater attention – as distinct from high-level political lip-service - if what was on the table with respect to China were more convincing? Let me come back to that.

I would argue, in any event, that it is not just present priorities that detract from political attention to deal making. Since Seattle, which was a watershed for the institution, there has been a fundamental deficit in effective political support for the WTO system – even from political leaders from whom we should have expected much better. Nobody speaks up unequivocally any more. The system is accepted, tacitly, as valuable. Some care is taken for it not to be undermined. DSU findings are broadly, if reluctantly, observed. That said, the WTO is like a dinner guest to whom nobody really wants to talk; in case it says or does something embarrassing and word gets out. Seattle created a generation and a legion of WTO-haters. And they have votes.

Finally, under the heading of the current environment, I have to mention the situation in Washington. In Europe we have a tendency to misunderstand the chemistry of trade policy making in the US and the role of Congress. I will say more about the honourable place occupied by the US in the history of trade rounds. But the absence of "fast track" negotiating authority and, until very recently, of a chief negotiator in Geneva must inevitably have a dampening effect on the way negotiations proceed. Yes, these lacunae are themselves negotiating currency – and they might just be employed to inspire a better deal – but they are also reasons (for those seeking reasons) for not settling, or even approaching settlement. I would not deny that trade agreements are deeply unpopular right now for members of the U.S. Congress: but ignoring their potential is dangerous and counterproductive to America's own future.

Now, there is certainly a case for suggesting that settlement of the Doha Round is not a priority right now for political leaders because what is on the table – including what might be envisaged in a final package, if we are optimists – is just not sufficient and just not sufficiently relevant for the challenges with which the world has to cope.

Broadly negotiators and observers are asking two types of questions. First, is the likely outcome of Doha going to live up to very high expectations for a "development round"? Second, is what can be expected on the *other* side of the balance enough to secure political and business support for a deal? How you answer those questions depends on where you sit; perhaps only China sits on both sides.

I have said before that we have crucially neglected to seek an understanding on what a "development round" really means. What it has come down to, *de facto*, is a series of arrangements which formalize deep divisions among the WTO membership. Thus, one set of very poor countries will be required to make almost no commitments. A set of highly competitive developing economies would make commitments that require little or no additional effort to liberalize (over and above what some have done autonomously, and to good effect). A third set of countries will make substantial commitments while holding on to some margin for manoeuvre, especially with respect to agriculture. Grafted on to these basic divisions is a multiplicity of additional exceptional cases. Recently acceded countries (including China), developing members of customs unions, small and vulnerable economies and so on, not to speak of individual Members seeking their own tailored let-outs, are all to be added. Each one of the formulae – whose sole virtue normally would be to provide coherence and balance in the Members' schedules of enforceable commitments – has had to be adjusted and modulated to give comfort to each of these groups.

Now, we can debate the systemic impact of all this on the WTO, and its future. And let there be no doubt; all these special cases are here to stay. Pandora's Box will not easily be closed. But does it all add up to a "development round"? If the avoidance of liberalizing commitments in the WTO is to be regarded as development friendly, then the response will be, yes. Yet the route to success in global markets tends to be the establishment of secure, predictable open domestic economies that attract investors. That was the foundation of the GATT – with all its admitted distortions – and that has to be the underlying philosophy of the WTO.

Of course, there are many conditions and challenges for poor countries travelling this road. Liberalization can seldom be overnight. Time is needed, and has always been given. The international community through, for instance, *Aid for Trade* can help: and should continue to do so whatever happens to Doha. But making the WTO a central planning agency for development is not going to work; either we believe that open economies are best (and that that is what the WTO exists to encourage) or we do not. A much-thumbed book in Tumlir's library is *The Road to Serfdom* by Friedrich Hayek, the 1974 Nobel Economics Prize recipient. Hayek was a hero for Tumlir. One heavily-underlined sentence[3] reads as follows:

"*If anything is evident, it should be that, while nations abide by formal rules on which they have agreed, they will never submit to the direction which international economic planning involves – that while they may agree on the rules of the game, they will never agree on the order of preference in which the rank of their own needs and the rate at which they are allowed to advance is fixed by majority vote.*"

Well, the WTO does not use majority votes in negotiations. But are we in danger of falling into the trap at which Hayek points? This is a big subject on which much has been said and written, and will continue to be. There

3. "The Road to Serfdom". F.A.Hayek. 1944. The University of Chicago Press. (Page 230)

is a case, in my view, for WTO members getting back to a serious re-think on what the institution can provide if development is the goal.

In any event, Doha was founded on a notion of historic unfairness. That unfairness was supposed to be engineered out of existence. Whether right or wrong, the attempt at systemic engineering has hit the buffers of political reality. I am more than tempted to conclude that negotiators would be wise to get back to some more-traditional methods of bargaining. Let us be honest: only if you satisfy both sides of the equation to which I referred earlier, will a deal be done.

Now I come to a factor that nobody talks about: visionary generosity. At first sight, the term might appear utterly out of place in any debate about trade negotiations. Not so. Tumlir himself wrote about the extraordinary leadership of the United States, from Cordell Hull onwards, in setting the agenda for international finance, monetary and trade reform and, at the same time, having the courage and foresight to pay a price. The U.S. was, of course, even after the Great Depression, by far the world's strongest economy and most dynamic exporter, at the time. Let me recall to you the key contributions made by the United States in each of the important post-War trade rounds as well as at the foundation of the GATT system itself.

The WTO's predecessor was, of course, largely a child of the pre-War Reciprocal Trade Agreements Act; notably in providing a framework for trade concessions applied on a most-favoured-nation basis. GATT trade rounds were more often than not, U.S. initiatives – notably the Dillon and Kennedy rounds – with significant tariff reductions signalled, up-front, by Washington. As has often been observed, one big political motivation in the U.S. for what might now appear a foolhardy devotion to reducing trade barriers was a perception that the progressive expansions of the European Communities needed an external, multilateral counterbalance. When he sent the Trade Expansion Act to Congress in January 1962, President Kennedy's accompanying message stated:

"*At rare moments in the life of this nation an opportunity comes along to fashion out of the confusion of current events a clear and bold action to show the world what it is we stand for. Such an opportunity is before us now. This bill, by enabling us to strike a bargain with the Common Market, will strike a blow for freedom.*"

Certainly, GATT negotiations consistently kept the European Community looking outwards rather than inwards. But, more than that, Washington continually took large political risks in the commitments it made in Geneva. The Kennedy Round – and each subsequent round - saw new disciplines on anti-dumping. The Tokyo Round, among other things, led to the abolition of the American Selling Price system of customs valuation. The Uruguay Round, in its turn, provoked huge controversy in the US Congress as the new dispute settlement mechanism appeared to challenge sovereignty and the dismantling of the Multifibre Arrangement caused ructions in the textiles industry.

Now I do not want to suggest that these apparently selfless acts by the United States were without self-interest too: the notion that reducing trade barriers oneself is a credible means of persuading others to do the same was an easier sell decades ago than now. Yet that was how it turned out, at least in the advanced markets. Nor do I want to suggest that other GATT members did not often pay a political price also: Europe contributed much and others had sometimes to swallow hard; I think of India on TRIPS for instance. Still, it was the U.S. that made the running, went out front and faced tough domestic opposition in translating GATT agreements into domestic law. Even now, Geneva apparently sits waiting for the new Administration to take a firm position on the Doha Round.

I think that is an error; not because the U.S. cannot still provide leadership in the system – I think it could and probably eventually will. No, I think it an error because we should expect leadership from other quarters. China is now the world's largest exporter of merchandise. Since it joined the WTO, in 2001 at the start of the Doha Round, the dollar value of world merchandise exports has doubled while that of China has multiplied three and a half times. We all understand that China is now, and will remain for many years to come, the predominant global trading force.

I can think of no other initiative more likely to stimulate a fundamental change of negotiating chemistry in the Doha Round than a statement by this confident, dynamic nation that it no longer wishes to be regarded as a "recently acceded member" but as a fully mature participant in the trading system. That is not to say that China could necessarily take on all the potential commitments of the most advanced economies, notably in agriculture. But the idea – as inferred in the current draft for industrial tariff reductions (NAMA) – that we need to wait until sometime late in the third decade of the 21st century before China relinquishes benefits from special terms offered because it joined the WTO in only the second year of this century is not sustainable and cannot be justified. It is a little like giving Chelsea FC a free pass to the quarter-finals of the Champions' League because the team once played in the English second division. Certainly, China is already a large importer (the second after the U.S.) and it will undoubtedly become a much greater importer. It is the big winner from the multilateral trading system within the framework of which it has liberalized substantially. It would be a big winner from a successful Doha Round – whatever it contributes as concessions. China – with its traditional sense of the long-term – needs now to have the visionary generosity to put something substantial back into the system from which it has already drawn extraordinary benefit.

In making this point, I recognize that concessions will need still to come from other major players, including the European Union, the United States and other members of the G20. At the same time I suspect many political leaders who persistently shy away from facilitating a settlement would think afresh if China were to take a position consistent with its trading status and prospects.

I could make a number of additional arguments in favour of this proposition; among them would be pragmatic self-interest for Beijing. However, I think it sufficient to say that we have reached a pivotal point in the massively changed balance of global trade exchanges. China is now the world's most successful trading nation and will remain so for a long while. That makes China *the* key player in the World Trade Organization. Like it or not, it will be increasingly out there alone, just as the U.S. played an almost lone role for six decades. It is not a comfortable position and it carries with it a lot of responsibility for the future of the multilateral system. It is also inescapable if the WTO is to have the future most of us, including China I am sure, want for it.

Now, I can almost hear you thinking; why is he not talking about the European Union? The EU is, after all, the biggest trading entity, still exporting four times more than China. Should the EU not be leading in the WTO? It certainly led in the launching of the Doha negotiations. At this point, however, I cannot quite see what it is the EU could do that would be a dramatic game changer in Geneva. Nor do I see that the EU is in a state where the somewhat fearful behaviour of its leaders – in the face of widespread public doubts about the benefits of globalization – can coalesce into a truly forthcoming position in favour of generous new initiatives at the WTO. As a lifelong believer in Europe, I would prefer that analysis to be incorrect.

You may also be wondering why I have focused particularly on the role of China rather than setting out a larger menu of propositions that might now make a difference in the negotiations and with which you will be more familiar. For instance, I would have to agree that we need to get back to basic request and offer bargaining, preferably with a radical simplification or elimination of underlying formulae. I would prefer that all the categories of exceptional cases be taken off the table, with only least-developed countries left to take commitments on a purely voluntary basis. I would be tempted to say that most of the rule-making agenda be abandoned unless there is very significant political movement in the short-term. Most of all, I would take the view that a new WTO negotiating agenda must now be developed – an agenda more attuned to the issues that governments and businesses are actually facing nearly nine years after the current round was launched. Whether that new agenda should be assimilated into a continuing Doha Round or be part of a settlement – shall we say by the end of 2011 - that provides for an immediate restart of talks in these other areas, I am not sure.

What I do know, however, is that none of these and the many other interesting practical ideas for digging us out of the Doha trap – or for institutional reform - will be of value unless there is recognition of the fundamental changes that have taken place in global economic and political relationships. Clinging on to Doha as it was – or was intended to be – is not going to work. The ground has changed too radically over the past few years. Leadership within the WTO needs to adjust. Only then may we enjoy the prospect of negotiating results that provide political leaders with a balance of benefits and obligations they are prepared, once again, to fight for domestically.

Advisory Board

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