

WTO BLUESKYING:
IDEAS FOR THE NEW DG



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WTO, Geneva, Switzerland

Talal Abu-Ghazaleh, Chair

Carlos A. Primo Braga & The Honourable Sergio Marchi, Co-Chairs

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Introduction

On June 28, 2013, a group of international trade experts assembled at the WTO, to participate in an event organized by the Talal Abu-Ghazaleh Organization (TAGO), The Evian Group@IMD (TEG), and The Marchi Group. The objective of the meeting was mainly to discuss the challenges and opportunities facing the WTO and to propose areas for action that could be shared with the new WTO Director General (Roberto Azevêdo) and his new team, in advance of his taking office in September 2013.

The meeting was convened under Chatham House Rules at the WTO, and it fostered an animated discussion. Topics discussed included not only the Doha Development Agenda (DDA) negotiations, but also more generally the state of the WTO as an institution and the role of the Secretariat. Participants were asked to identify a menu of pragmatic suggestions organized around four central themes:

- How can the WTO improve its negotiating function, given the rapid expansion of the Membership and, the increasing diversity and complexity of issues?
- Mega Preferential Trade Agreements (PTAs) and Plurilaterals in a new geo-political world: help or hindrance to the multilateral trading system?
- How to strengthen the WTO relationship with the private sector and better promote the trade institution with the world's public?
- Aspirations for the WTO Bali Ministerial? What should the trade community aim for?

In short, participants agreed that the new DG will have a short honeymoon, especially in light of Bali's fast approach. The long DDA journey has not been kind to the WTO. Public opinion has been harsh, despite the fact that the WTO carries out many other important functions besides multilateral trade negotiations.

A few participants suggested that the DG should be **"cautious"**, but a few others, rather passionately, indicated that after 12 years of DDA, caution should be exchanged for boldness, **"the new DG has nothing to lose by being bold!"** While the DG must act realistically, these voices felt that it was important for him, at the start of a fresh mandate, to be creative, in sending some new, different, and more hopeful signals about the WTO agenda going forward: signals to political leaders, the business community, and the public at large.

In what follows, a summary of the main points discussed at the meeting is provided. We would like to emphasize that this report reflects participants' inputs and it is the outcome of consultations with all involved.

The WTO: its functions and institutional challenges

The WTO has several functions according to Article III of the Marrakesh Agreement, namely: the implementation, administration and operation of the treaty system under the WTO, the settlement

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of disputes, reviewing trade policies (TPRM), promoting coherence in global economic policy-making (in cooperation with the IMF and the World Bank Group), and conducting trade negotiations among its Members. The one function that has presented the Organization with its biggest challenge is that of trade negotiations as illustrated by the DDA impasse. Incidentally, this might have an indirect secondary effect on other functions such as the regular work of implementing the treaty system. However, negotiations, and in particular bringing them to a conclusion, seem to be by far the biggest challenge.

In this context, the following basic questions were initially posed to the group, in an attempt to help steer the overall discussion about the WTO negotiating function:

- It is well recognized that, in spite of the passage of time, the negotiating topics contained in the DDA are not obsolete and will not go away. However, is the round doable in its current format? Should the negotiating agenda be subject to a review and an eventual update?
- Do we need to take a new look at how we go about fulfilling the negotiating function of the WTO? Would a more extensive use of plurilateral critical mass-based negotiations be worth considering?
- Is more effort needed to separate the deliberative function of the WTO in discussing any new issue from the question of whether joint action (e.g., negotiations) is required?

The prevailing mood of the debate was that the DDA negotiations could not be successfully finalized in their current form. The emphasis on modalities was criticized with some arguing that they introduced a wrong sequencing in the negotiations since they put the identification of flexibilities at the end of the process, making it difficult for Members to commit *ex ante*.

Participants were very open to considering alternate models for negotiations, which could be more successful. Many thought that the plurilateral approach provided a useful option to move negotiations forward. Plurilaterals were defined as negotiations undertaken by a limited sub-set of Members with a view to producing an outcome that would apply to the entire WTO Membership on an MFN basis. The concept of critical mass was also introduced as an important concept in aligning plurilaterals with the WTO – i.e., the idea that the plurilateral package should comprise the right level of commitments, as well as a relevant group of Members making the substantive outcome of commitments not only worthwhile, but also minimizing the risk of free-riding. In short, there was broad support for the idea that it is time to revisit the single undertaking and explore the plurilateral route anchored on a critical-mass approach.

The WTO as an institution

Shared concern was expressed about the lack of WTO reform and its (in)ability to evolve. Participants generally agreed that the WTO is becoming *UN-like* through gamesmanship and political theatre.

The WTO's own HR policies are also becoming political instruments, resulting in the loss of talented people and institutional memory. Technical assistance needs to be enhanced and brought to a new level.

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For these reasons, the group overwhelmingly agreed that the new DG has to pay attention to the inside (“**the plumbing**”) of the institution, and not just the negotiating function (“**the poetry**”). Emphasis was given by several participants to the need to re-energize the staff and rebuild its morale. Some also argued that the WTO is in dire need of better marketing and a new communications strategy, reflecting ‘out of the box’ thinking and a bold vision. Along these lines, one proposal mentioned was to strive for a duty-free world in 25-30 years.

Participants also responded favorably to the idea of creating a new “**space**”, one that could serve as an extension of the Trade Policy Review mechanism. In this “space” Members would be afforded the opportunity to informally meet and discuss, to deepen their understanding, and to share information on new and emerging issues informally. These would not be “**negotiated**”, nor “**bootlegged**” into the negotiation process. It was felt that issues merit discussion beyond negotiation. It was noted that since the DDA was launched, negotiations have occupied center stage. There has been no airing of ‘new’ issues, nor any agenda for institutional strengthening and reform. In the absence of this safe space, it was argued that WTO’s relevancy and capacity to address new issues would be continuously eroded.

The idea of granting the Secretariat more power and space to creatively serve the Members found general support. Some participants also noted that this should be extended to the Chairs of the General Council and the Negotiating Groups.

The importance of trust and confidence

The lack of trust and political will between and among Members was a recurring theme. Many noted that trade policy is not a priority issue with all too many governments, relative to broad national development agendas and response to economic crises. Members need to be asked to better understand each other’s needs and sensitivities, and to demonstrate more respect and responsibility toward the trading system. A further concern was raised about the level of trust between Members and the Secretariat. In the absence of trust, how can bridges be built and confidence restored? It was pointed out, however, that “**Trust needs to be earned from bottom up. Too many members trying to make a point, rather than making a difference!**” This has fostered an environment that was inimical to the advancement of creative solutions to the negotiations.

Participants were very supportive of the idea that the new DG should consult Ambassadors more regularly. This was repeated by most interventions throughout the session. He will need to invest energy and “political capital” in building these relationships, as these will be indispensable for him and the WTO to arrive at more successful outcomes. They are central trade actors, and in the final analysis, their respective Trade Ministers and Leaders will always trust their judgment in the end. They therefore cannot and should not be bypassed, or ignored by the office of the DG.

As a former Ambassador, the new DG knows how critical his relationships with the WTO Ambassadors will be. It is a must. Too often DGs are quick to establish rapports with Ministers and Leaders, which is valuable, but this should not come at the expense of the WTO Ambassadors. Building trust and confidence with the community of Ambassadors, and reaching out to them on a sustainable basis is key for the new DG.

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A related issue was raised in the context of the question: what is the role of the Ministers in the WTO functions? Should they approach their engagement in a technically-based or politically-oriented manner? It was noted that Trade Ministers do not have long tenures and there are frequent changes in these positions. Perhaps an annual Ministerial convening might improve relationship building in this fast-changing environment.

It was also noted that Ministers should not just be brought in as negotiators. Clearly, that is their leading responsibility vis-à-vis the WTO. However, they should take greater 'ownership', by engaging on new issues, involving themselves with efforts to strengthen the institution, and helping to provide a broader context and vision.

The group recognized that the established developed and developing country categories have now become obsolete. A different approach is required and some suggested that countries could be classified according to their level of international competitiveness. It was pointed out that there is little scope for tolerating free-riding in the current economic and geo-political moment. But participants suggested that some Members are not **"willing to pay the price and are not convinced of the WTO's benefits."** Some also maintained that there is a lack of interest on the part of the US, who has historically led the way.

Finally, some participants commented on the **"focused"** approach that the WTO leadership has taken on the DDA. By placing all of its proverbial eggs in one basket, no room was left for the discussion of new issues or to address institutional reform. Since public opinion is judging the WTO mainly in terms of the progress of the DDA, this has become a losing proposition. WTO's inaction and inability to address new issues has left a space for other initiatives – namely bilateral and regional PTAs, in spite of their limitations in dealing with issues such as agriculture, fishery subsidies and anti-dumping.

PTAs and the Multilateral Trade System

Concern was expressed by some that the growth of PTAs has negatively impacted the WTO, and has actually compromised the building of political will, trust, leadership and business engagement. The energies needed for these are instead being devoted to PTAs. In fact, some argued that these energies are being diverted away from the WTO.

The interest in Mega-PTAs (e.g., the Transatlantic Trade and Investment Partnership) was contrasted against the current lack of enthusiasm for the multilateral system. Some noted that the perceived geo-political logic of recent US efforts – interpreted by some as a mechanism to contain China – should be cause for concern since it could have significant systemic externalities.

In any case, the pursuit of PTAs by the US is also affecting other jurisdictions, like the EU, which are now playing **"catch up"** in an attempt to counteract potential losses in market share. One participant, however, advanced a more optimistic perspective arguing that in the end negotiating efforts will **"come back here (WTO)."** According to this perspective, it is merely a matter of time, as current trade issues are not East-West nor North-South, they are global and require a global forum. However, most shared the sentiment that PTAs are drawn from **"the same well and this raises the danger that the multilateral side may run dry."**

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As the Mega-PTAs are still works in progress and the negotiations are bound to face significant challenges, the question was posed: is there a low hanging fruit left for the WTO to act upon vis-à-vis PTAs? The idea that the WTO could devise (and implement) stricter disciplines was not considered credible. At the same time, some argued that the WTO could become more proactive on this front and suggested that it could even become an **“incubator”** for ideas that promote open regionalism and help members of PTAs to design their rules and terms of preferential access in a way that minimizes discrimination against outsiders.

The WTO and the Private Sector

There was broad support to the proposition that the private sector observes the WTO system with an increasing sense of frustration. This reflects not only the performance of the system in delivering results, but also a growing perception that the WTO “business model” with its emphasis on market access (via tariff cuts and bindings) plus its **“silos”** approach to trade negotiations is outdated. There is a natural tendency for WTO-insiders to argue that the private sector will rally around a multilateral deal when the **“landing zone”** for the DDA becomes clear. There is no room for complacency, however, since private sector focus is being increasingly diverted to PTAs and plurilateral deals.¹

Everyone agreed with the need for business to get back in the WTO **“saddle,”** but this prospect faces several challenges:

- Lack of interest and/or engagement regarding the DDA in view of the belief that the DDA is in a terminal “coma”;
- Competition for attention in the context of PTAs;
- Loss of faith in WTO’s capacity to get things done in a timely fashion.

It was also noted that, in reality, there is a faction of business that does not want trade liberalization and that the status quo benefits from their vested interests. Herein lies both the challenge and opportunity.

It was strongly felt that the new DG must reach out to the business sector immediately. Indeed, this is the period when he can most attract their attention. Business will want to get to know him. Therefore, the DG should create early opportunities with which to renew the dialogue with business. As one tool with which to engage CEOs and business leaders, participants were generally in favor of creating a ‘Business Advisory Board’ that could:

- support the WTO mission and serve as a sounding board to Members and the Secretariat;
- serve as the business **“voice”** in the multilateral scene, fostering much needed dialogue;
- help to dissect issues multilaterally (and not just according to their own sectoral interests); and
- promote the WTO agenda with the broader business community.

It was noted, however, that if a platform for business interests to engage with the WTO is formalized, a similar approach may be needed for civil society organizations. The example of OECD with its Business and Industry Advisory Committee and its Trade Union Advisory Committee was mentioned

¹ For further details see Primo Braga, C.A., “WTO: The Fight for Relevance,” IMD Tomorrow’s Challenge (June 2010), <http://www.imd.org/research/challenges/TC045-13-wto-the-fight-for-relevance-carlos-primo-braga.cfm>

as an example of an international organization that has created space both for business and trade unions in contributing to its policy dialogue.

In the case of the WTO, should there be one board or two distinct bodies? No consensus emerged on this issue, but there was strong support for exploring the idea of a Business Advisory Board.

Another issue raised was the need to ensure proper representation in such an advisory board, for example, small-and-medium enterprise participation and not just that of multinational corporations. A reinvigorated International Trade Centre could also contribute in facilitating this dialogue.

The Bali Ministerial

The DDA will not go away.

Some participants were convinced that until progress in the negotiations is achieved, it will be difficult for Members to do or talk about anything else. But most agreed that, yes, we need to resolve the DDA future road map, but we could and should still debate other issues at the same time.

As an example, it was felt that services negotiations have been held hostage by agriculture, and it was telling that services had been excluded from the agenda for the first six years of Mini Ministerials. It was noted, however, that to regain credibility in terms of the commitment to conclude the DDA one should not diminish its level of ambition, but rather increase it while adopting a more flexible timeline for implementation.

Most of the group believed that the Ministerial cannot conclude without concrete progress. Early harvest deliverables in trade facilitation, agriculture and the LDC agenda were considered worth pursuing.

It was also pointed out that the Bali Ministerial must be clear on the fate of the DDA going forward. This is an issue of credibility both for the institution and for the new DG. The DDA journey has been **'littered'** with many failed pronouncements and expectations; there have been many deadlines missed, numerous communiqués from the WTO, and a multiplicity of statements and intentions by a number of other multilateral and regional fora (e.g., G20, APEC, OECD, etc.).

It is now time for the WTO Members to clearly and honestly articulate the way forward, and realize that future course.

Others also noted that if Ministers have a constructive political discussion about alternate methods of negotiations; explore and discuss new issues; and launch a plan to consider constitutional changes in the WTO's governance, this will be a valuable down payment on restoring the reputation of a key global institution. In facilitating this process, the DG should also reach out to the business sector as mentioned in the previous section and promote their participation in the Ministerial.

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Recommendations

The main recommendations emerging from this dialogue were as follows:

1. A concerted effort to unblock the negotiating function of the WTO is needed. Ideally, this would require discussion of two distinct, but related elements namely:
 - a. A review of the DDA content to identify elements which might require adjustment due to the changes in global trade that have taken place over the past 12 years; and
 - b. A review of methods and approaches followed in WTO negotiations with emphasis on exploring the possibility of relying more on plurilateral critical mass-based negotiations aiming at MFN-based outcomes.

The Bali Ministerial provides a timely opportunity to agree on the basic approach and parameters for such a review to be conducted after the Ministerial with the aim of eventually un-blocking the DDA.

2. More emphasis needs to be given to the other functions of the WTO, in particular, the **“machinery”** entrusted with the implementation of WTO Agreements. This was one of the political guidance recommendations given by Ministers in MC8 and it merits reiteration and highlighting at a political level.
3. A new **“space”** for dialogue among Members, one that could serve as an extension of the Trade Policy Review mechanism, should be considered. In this “space” Members would be afforded the opportunity to informally meet and discuss, to deepen their understanding, and to share information on new and emerging issues informally, without any linkages to the DDA negotiations.
4. The WTO Secretariat has a wealth of expertise and institutional memory. Efforts to re-energize the staff and rebuild its morale should be a priority for the new DG. Moreover, while the WTO is a Member-driven organization, it would be highly desirable for Members and the system to draw more upon the Secretariat resources. For example, more opportunities should be given in WTO meetings for discussion of individual WTO staff research papers (as opposed to WTO formal documents) where appropriate and deemed useful by any Member or the relevant Chairperson.
5. The new DG should consult Ambassadors more regularly. They are central trade actors, and they cannot and should not be bypassed, or ignored by the office of the DG. In so doing, he should implore Members to better understand each other’s needs and sensitivities, and to demonstrate more respect and responsibility toward the trading system.
6. Ministers should not just be brought in as negotiators. The new DG should also encourage them to take greater ‘ownership’, by having them engage on new issues, involving themselves with efforts to strengthen the institution, and helping to provide a broader context and vision.

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7. The WTO could become more proactive with respect to the proliferation of preferential agreements. It could become an “incubator” for ideas that promote open regionalism and help member of PTAs to design their rules and terms of preferential access in a way that minimizes discrimination against outsiders.
8. The WTO's relationship with the private sector is of paramount importance. Several other international organizations have institutionalized their relationships with the business community for a variety of good reasons. It would be desirable for WTO Members to seriously consider establishing a mechanism to ensure effective and closer communication with the private sector in both developed and developing countries. This advisory mechanism should be SME-friendly and offer a platform for dialogue, helping identify key obstacles to international trade, from the perspective of the private sector, and potential solutions. Beyond considering this tool, the new DG should immediately engage the private sector, in different fora, in and outside of Geneva.

Conclusion

In closing, the Roundtable produced a spirited discussion. Participants gave of their time and engaged enthusiastically. Their views were exchanged in an open and passionate way. This was important in and of itself. In other words, there is no shortage of supporters for the WTO and its new DG. Despite the media headlines, there are many cheerleaders who are willing to lend their voices and experiences, in an effort to make the WTO a successful global institution.

We are hopeful that the recommendations and supporting reports will be helpful to the new DG and his team, as he prepares to assume office. They are offered in good faith, and in the belief that they can contribute to the roadmap that the new DG will no doubt offer the WTO Members in the coming weeks and months. After all, an institution that does not “reinvent” itself according to the needs of its stakeholders and the new realities of the world economy is bound to lose relevance.

Finally, all the participants wish the new DG well. His is not an easy job, nor is this an easy moment for the WTO. However, we are confident that the new DG has the proven experience and the expertise to provide sound and much-needed leadership. Moreover, he should know that he has many supporters; supporters who want him and the WTO to succeed; supporters who are willing, if asked, to help with the heavy lifting that is required in moving the WTO forward.

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Roundtable Agenda *Friday, June 28, 2013*

- 10:00 Coffee & Mingle
- 10:30 Opening and Welcoming Remarks
- 11:00 Theme 1
How can the WTO improve/facilitate its negotiating function, given the rapid expansion of the Membership and, the increasing diversity and complexity of issues?
Introduced by Hamid Mamdouh, Director WTO Services Division
- 12:30 Luncheon
- 13:50 Theme 2
Mega PTA's and Plurilaterals in a new geo-political world. Help or hindrance to the multilateral trading system?
Introduced by Pierre Sauv , Deputy Director, World Trade Institute
- 15:00 Theme 3
How to strengthen the WTO relationship with the Private Sector, and better promote the trade institution with the world's public?
Introduced by Arthur E. Appleton, Partner, Appleton Luff Law Office
- 16:00 Coffee Break
- 16:15 Theme 4
Aspirations for Bali?
Introduced by Alejandro Jara, Deputy-Director General, WTO
- 17:15 Closing Remarks, followed by Wine & Cheese Reception in the WTO Atrium

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List of participants

Dr. Talal Abu-Ghazaleh
Amb. Yonov Frederick Agah
Dr. Arthur Appleton
Mr. Nick Ashton-Hart
Mrs. Rachel Bae
Amb. Shahid Bashir
Dr. Clemens Boonekamp
Prof. Carlos Braga
Mr. Daniel Crosby
Amb. Fernando De Mateo
Mr. Donato Del Vecchio
Mr. Ravi Kanth Devarakonda
Mr. Victor Luiz do Prado
Dr. Jean Freymond
Dr. Mongi Hamdi
Mr. Stuart Harbinson
Mr. David Hartridge

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Mrs. Selina Jackson

Mr. Alejandro Jara

Mr. Pascal Kerneis

Amb. Marwa Kisiri

Mr. Patrick Low

Mr. Xiankun Lu

Mr. Hamid Mamdouh

Amb. Sergio Marchi

Mrs. Ioanna Markatou

Amb. Joakim Reiter

Prof. Pierre Sauvé

Dr. Harsha Singh

Mr. Claude Smadja

Amb. Luzius Wasescha

Mr. James Zhan

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Background documents

Theme 1

[How can the WTO improve/facilitate its negotiating function, given the rapid expansion of the Membership and, the increasing diversity and complexity of issues?](#)

Introduced by Hamid Mamdouh, Director WTO Services Division

Theme 2

[Mega PTA's and Plurilaterals in a new geo-political world. Help or hindrance to the multilateral trading system?](#)

Introduced by Pierre Sauvé, Deputy Director, World Trade Institute

Theme 3

[How to strengthen the WTO relationship with the Private Sector, and better promote the trade institution with the world's public?](#)

Introduced by Arthur E. Appleton, Partner, Appleton Luff Law Office

Theme 4

[Aspirations for Bali?](#)

Introduced by Alejandro Jara, Deputy-Director General, WTO

Additional reference:

Talal Abu-Ghazaleh, [WTO at the Crossroads: A Report on the Imperative of a WTO Reform Agenda](#)

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