Defining
the Future
of Trade

The Future of Trade: The Challenges of Convergence

Report of the Panel on Defining the Future of Trade convened by WTO Director-General Pascal Lamy

24 April 2013

Background

On 13 April 2012, the Director-General of the WTO, Pascal Lamy, announced the establishment of the Panel on Defining the Future of Trade. The Panel was mandated to: "….examine and analyse challenges to global trade opening in the 21st century" against the background of profound transformations occurring in the world economy, looking "at the drivers of today's and tomorrow's trade, […] at trade patterns and at what it means to open global trade in the 21st century, bearing in mind the role of trade in contributing to sustainable development, growth, jobs and poverty alleviation."

The Panel's members were:

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The Panel on Defining the Future of Trade met three times, in May 2012, September 2012, and January 2013. The Panel also engaged in consultations and discussions with various stakeholders. Meetings took place in Beijing, Singapore, Geneva, New Delhi and Amman. A member of the Panel, Talal Abu-Gazaleh, wrote a report entitled "WTO at the Crossroads". Another member, Pradeep Mehta, reached out to the public through a questionnaire and dialogue on the website of CUTS International. This work served as further input into the Panel's deliberations. In addition, a dedicated website was established to receive comments from the public for consideration by the Panel in writing the report.

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Disclaimer

The report and any opinions reflected therein are the sole responsibility of the members of the Panel Defining the Future of Trade acting in their personal capacity. They do not purport to represent the opinions or views of the organizations with which they are associated. There remain elements regarding the relationship between trade opening and social and industrial policies, investment and the scope of convergence, in respect of which different views were expressed.

EXECUTIVE SUMMARY

In April 2012, the Director-General of the WTO, Pascal Lamy, invited a diverse group of prominent non-state stakeholders to analyse challenges to global trade opening in the 21st century. The Panel held a series of closed meetings and also consulted extensively with interested parties.

Chapter 1 of the Panel's report discusses the contribution that trade opening has made to growth, development and prosperity. It also discusses the challenges of managing jobless growth, high unemployment, poverty, inequality, the environment and sustainable development, and the role of trade as well as investment in this context.

Chapter 2 examines certain transformational factors that have shaped trade in recent years and will continue to do so in the future. These include increasing globalization, geographical shifts in patterns of growth, trade and investment, technological advances, the rise of international value chains, the proliferation of preferential trade agreements, and the growing influence of non-tariff measures.

Chapter 3 contains a number of recommendations for possible action. They are not prioritized in terms of their degree of importance by the Panel. They are organized around an exploration of the principles and processes driving trade relations, along with a series of specific issues that have either been raised in other contexts, including the Doha Round, or which the Panel believes warrant consideration. The Panel does not offer specific recommendations to deal with the Doha Round, other than noting that the issues in the Doha agenda will not disappear and that not fulfilling this collective undertaking could put at stake the multilateral trading system itself.

Recommendations

Principles of the multilateral trading system

Non-discrimination: managing preferential trade

While we see the advantages and contribution of preferential trade agreements, we also acknowledge their disadvantages when compared with the multilateral trading system. We recommend that WTO members engage explicitly in an exploration of ways in which preferential trade agreements and the principles underlying them could increasingly converge with the multilateral system, perhaps starting with the elaboration of best practices.

Non-discrimination: managing non-tariff measures

While the WTO is not responsible for managing public policy in key areas of the economy, such as health, safety, environmental quality and the rights of labour, we believe the WTO must find ways of ensuring convergence between the underlying objectives of trade opening and public policies.

Transparency, accountability and stability

Members have an obligation to pursue a transparent approach in their dealings. They should improve their record for observance of their transparency obligations in terms of policies, measures, and data.

Managing reciprocity and flexibility

The Panel recommends a new approach to managing reciprocity and flexibility which fully respects the different realities and needs of members at different levels of development, but embraces a more granulated and dynamic process leading progressively to convergence.

Processes matter

Consensus decision-making

The Panel recommends maintaining consensus decision-making but advocates that members vetoing the adoption of decisions provide reasoned explanations for their position. Consensus must be built gradually through negotiation and mutual accommodation.

Building the agenda

The WTO Secretariat should be permitted to table proposals in order to speed-up the deliberative process and facilitate consensus by providing technical information and fresh ideas. This would in no way compromise the exclusive right of members to decide.

Notifications

Members should strengthen their commitment to transparency through respecting and improving notification procedures. They should consider extending the authority of the Secretariat further in collecting, verifying and recording official notifications.

The WTO Secretariat

We believe members should support a stronger Secretariat, with sharpened expertise across the WTO's range of activities and stronger research capacity.

Reaching out to stakeholders and the public at large

The WTO should engage more directly with non-governmental stakeholders, including business, trade unions, academics and non-governmental organizations, as well as the public at large. Platforms should be established for regular exchanges.

Issues directly linked to existing WTO provisions

Trade-distorting subsidies

While subsidies can address market failures, they can also distort trade. Ways must be found of managing tensions between good subsidies and any adverse affects they may have on third parties, as well as avoiding bad subsidies.

Tariff peaks and tariff escalation

Tariff peaks and tariff escalation distort trade and frustrate efforts, particularly by developing countries, to add more value to raw material and agricultural products as part of their efforts to diversify and grow their economies. Tariff peaks and escalation should be eliminated.

Export restrictions

Just as with tariffs, members have their own reasons for using export restrictions and for not wanting them to be used, but we believe negotiations could be usefully engaged on this issue.

Agriculture

For a variety of reasons, there has long been an asymmetry between agriculture and manufactured goods in the degree of progress on trade opening. This has lessened growth and development opportunities for some countries and agriculture opening must be seriously addressed.

Trade facilitation

Effective international action on trade facilitation would generate win-win outcomes for the international trading community. We strongly encourage members to complete the trade facilitation negotiations by the Ninth Ministerial Conference in Bali in December 2013.

The digital economy

Electronic communication has lowered costs, shrunk distance, squeezed time and provided a vast range of opportunities for those who have access to it. Regulation should not stifle this medium and we believe the WTO work programme on electronic commerce should be reinvigorated.

Issues raised as being relevant to the WTO

Competition policy

We believe that members should engage in the quest for a more trade-supportive international competition policy framework, building on the work of other international organizations such as UNCTAD, the OECD and the International Competition Network.

International investment

Like in the area of competition, we see the absence of multilateral rules on investment as a gap in cooperation. Current bilateral arrangements are not, in our view, a satisfactory substitute for a comprehensive international investment agreement.

Currencies and international trade

While monetary and exchange rate matters are the responsibility of the IMF, we recognize the links between trade and exchange rates, and urge continued cooperation between the IMF and the WTO in order to avoid the risk of a clash of regimes.

Trade finance

The absence of trade finance can severely damage trade and we strongly urge the WTO to continue to monitor the situation and work with other stakeholders to minimize the impact of scarce or costly trade finance and to help build capacity in developing countries.

Labour

Globalization has focused attentions on a range of issues relating to the legal rights of labour and working conditions across the world. These issues come under the purview of the ILO but they are a shared international concern. Continuing convergence of labour standards should be a primary international objective.

Climate change and trade

It is the primary responsibility of environment negotiators to define necessary mitigation actions, and a shared responsibility of the trade and environment communities to ensure compatibility between the two regimes.

Corruption and integrity

Although the WTO does not have an explicit mandate to address corruption, we believe the WTO can contribute in a variety of ways to purging this scourge, particularly through its work on various dimensions of transparency and on government procurement.

Aid for Trade

Trade capacity building is essential to allow many poor countries to benefit from trade opening. Aid for Trade should be anchored in the WTO. Over time, Aid for Trade should develop into Investment for Trade through a closer relationship between development assistance and private investment.

Coherence of international economic rules

We see the need for greater coherence among international policy regimes in order to benefit from synergies among policies that often operate in isolation. We recommend the establishment of a forum to explore these issues in depth.

Conclusions

We believe that governments face a four-pronged convergence challenge:

- Convergence among members: this first convergence concerns negotiations among members, as well as their sequencing, in order to achieve progressive, development-friendly convergence of their trade regimes.

- Convergence of non-multilateral trade regimes with the multilateral trading system: this second convergence relates to the gradual alignment of different trade regimes, in particular preferential trade agreements and the multilateral trading system.

- Convergence between trade and domestic policies: this third convergence requires deeper coherence between trade and other domestic policies, such as education, skills and innovation.

- Convergence between trade and public policy non-tariff measures: this fourth convergence requires greater coherence between trade rules and policies, norms and standards in other areas of international cooperation.

CHAPTER 1:
WHY TRADE OPENING WORKS FOR WELFARE

Introduction

Trade has made enormous contributions to growth, development and prosperity. As part of a virtuous circle of policy and circumstance, it has helped to lift millions out of poverty and spread the benefits of higher living standards. Trade has brought nations closer together, fostering mutual understanding and contributing to world peace. But this is not the whole story. Concerns over fairness, income distribution, social justice and jobs have intensified in recent times, particularly since the 2007-2009 Great Recession. Growing problems in these areas risk eroding public support for more open trade. The legitimacy of the market-based system will be increasingly questioned if the benefits of progress are not more equitably shared. We should, however, be clear about where trade and trade policy fit into the picture. Trade is only part of a much bigger context. It obviously cannot deliver on its own the full range of benefits to be derived from sound economic and social policies. The challenge is to construct coherent national and international policy frameworks that deliver inclusive growth.

Trade opening is sometimes regarded as unhelpful to progress or viewed with suspicion. Whether we are looking at development challenges, employment or inequality, a key point to make is that trade should not be considered in isolation from national and global realities. In the absence of an understanding of how international exchange fits into the larger picture, trade and the WTO risk being tarnished by the absence of effective policies in other areas, including those that support inclusive growth. Moreover, trade policy should not be deployed to address matters more appropriately addressed by other policies. Governments frequently fail to make the case for trade and necessary flanking policies.

Far from avoiding the issue, linkages between trade and development, trade and jobs, and trade and income distribution need to be spelled out. Trade has a vital role to play in harnessing development, but can only do so if other conditions are present. Jobs move across frontiers as a result of trade and investment, but this is not a unidirectional flow. Jobs are both created and lost in national economies as a result of openness to trade. The quality of jobs is also affected in different ways through trade. The same applies to distribution issues. These need to be addressed directly with appropriate complementary policies rather than trade-related responses that may simply reduce opportunity further. Policy space must be sufficient to give flexibility to countries, but with the necessary transparency, predictability and surveillance.

Adequate rules and international understanding as to how countries will behave towards one another in trade matters are also an essential ingredient in the mix that makes trade profitable to societies. Inadequate or skewed rules engender friction and mistrust, so reducing trading opportunities.

In what follows we review the case for trade, followed by a discussion of the relationship between trade, development, jobs, inequality and the environment. We also consider the role that rules play in fostering trade fairness. The second chapter of our report examines a number of transformations in the shaping factors of international trade. The third chapter will give further consideration to some of the complexities confronting international trade and trade policy in the years to come and how they might be addressed.

Trade creates benefits

Trade must be part of a virtuous circle of growth and enhanced opportunities. It helps to enlarge the size of the economic pie, providing the means to build better and more prosperous societies. What are the sources of gains from trade? The fundamental case for trade is widely acknowledged, but not always fully understood. By taking advantage of differences in productivity or endowments, countries that participate in trade benefit from greater efficiency in the allocation of resources. Citizens are able to enjoy more goods and services than they could in the absence of trade. They can also consume a greater variety of goods. Even in the absence of significant differences among countries, trade allows scale economies to operate, thereby bringing down the average cost of production. Finally, trade generally channels resources to the most productive firms in the economy, boosting a country's overall productivity.

These arguments still understate the potential gains from trade. Beyond these static allocation effects, dynamic processes are triggered by trade and lift a country's growth prospects. These dynamic effects are the result of the acceleration in capital accumulation, "learning by doing", increases in the pace of innovation, and improvements in the quality of a country's institutions.

Trade can encourage firms to innovate or it may itself become the vector through which countries gain new technical know-how. Increased imports put competitive pressure on domestic firms and one way they can respond to this is by innovating and moving up the value chain provided they have built the necessary capacity. Knowledge may be embedded in physical products and services. More trade in these products increases the scope for knowledge to spill over across borders.

There can be "learning by doing", with a country's workers improving their productivity as a result of becoming more experienced in producing a specific good or service. The effects of this are likely to be present in the export sector since that is where specialization and expansion will occur as a consequence of trade.

Strong property rights, competition rules and independent judiciaries matter. Trade opening, especially if it is through policies bound under the WTO's rules-based system, results in the adoption of norms and practices (transparency, non-discrimination, procedural fairness) that strengthen or improve the quality of domestic institutions.

Trade and investment go hand-in-hand

The strong and sustained growth in trade observed before the Great Recession has gone hand in hand with significant increases in foreign direct investment (FDI). FDI increased from some US$ 140 billion in 1987 to a peak of US$ 2 trillion in 2007. This real average annual growth of 16 per cent compares with 7 per cent in international trade flows over the same period.

There was a time when FDI was seen as a possible means of accessing markets protected from trade. Increasingly, however, trade is linked to FDI in a different way, as a large share of trade comprises components within value chains that span across national boundaries. Trade and FDI have become two sides of the same coin. Yet, at the global policy level, these two components of globalization are dealt with by different institutions and legal arrangements. While trade is covered by a multilateral framework, the same is not true for FDI.[1] Instead, FDI is, to a large extent, dealt with bilaterally.

A number of preferential trade agreements contain trade and investment chapters. Provisions on both are sometimes mentioned in the same legal article. This arguably reflects the need to deal with trade and investment together in a context where trade increasingly takes place within individual companies, and where decisions about the location of economic activity involve both trade and investment as means of accessing markets.

Trade fosters development

The relationship between trade and development has been an enduring issue of debate among policymakers, and often a sticking point in trade negotiations. Many discussions of the issue tend towards extreme ends of the spectrum, with some arguing that trade is the silver bullet of development and others that openness to trade is a denial of development space. While it is true that no nation has developed and grown without the benefits of trade, it is also true that many factors determine how and when trade can have these beneficial effects. Smaller countries are likely to be more trade-dependent than large ones.

The benefits of trade depend on a country's stage of development. For least-developed and landlocked countries, for example, trade contributes to livelihoods by bringing in consumption goods as well as capital goods to ensure that better use is made of local resources. For other developing countries with higher incomes and more robust economies, trade is a source of faster growth. It extends the market for local products as well as ensuring better production practices and consumption opportunities.

Poorer countries will usually need to create a range of other conditions before they can benefit from trade. Even the best conceivable trade policies aimed at reaping the benefits from trade are likely to be ineffective if unaccompanied by productive capacity and adequate infrastructure, if information cannot be transmitted through the economy via prices, and if poor governance and weak institutions frustrate the flow of goods and services within the domestic economy.

When countries open their markets to competition through trade and shuffle resources and activities in line with their relative strengths, they also need to export on the basis of specialization. For this reason – and because countries need to design import policies in ways that respond to their capacity to adjust and compete – the successful use of trade as a vehicle for development relies on supportive international rules for trade. The rules must be fair and balanced. This does not, however, mean that there should be no rules, nor does it translate into the proposition that the freer a country is of rules on trade policy, the more it will prosper. On the contrary, rules bring opportunities as well as constraints. It is their design, not their absence, that makes the difference.

Whether in richer or poorer countries, the benefits from trade entail pain as well as gain. That is how trade works. Governments have a responsibility to find ways of better distributing the gains and mitigating the pain if trade is not to become a source of social tension, jeopardizing the overall gains to the economy. Addressing these adjustment needs can be particularly challenging for developing countries, and even more so for least-developed countries. Inadequate resources and social infrastructure will slow the rate of change. For growth to translate into development, the embrace of openness will be more gradual as governments implement plans for structural transformation.

Finally, a developing country's ability to benefit from trade can be enhanced through external support for building productive capacity, infrastructure and policy and institutional development, including social systems. This is the premise of government-supported inter-agency initiatives such as Aid for Trade and the Enhanced Integrated Framework.

Trade can support more jobs

Unemployment rates remain unacceptably high in a number of economies. Job creation has been prominent on many policymakers' agendas in the past years and is likely to remain so for some time. The reasons for this differ across countries. Some emerging economies need to find ways to absorb people into the modern economy, often against the background of growing populations. Many industrialized countries have been plagued by stubbornly high unemployment rates since the Great Recession. Youth employment, however, has emerged as a challenge across the globe with an average of 12 per cent of the global population of young people currently unemployed.

Trade opening both creates and sheds jobs. When the gains from trade are realized - whether through shifting resources into more competitive uses, allowing producers to capture economies of scale, or rewarding the most productive firms - new jobs are created. As trade can also result in the loss of jobs, it is important to ensure that those affected find alternative employment. Businesses that give up their current activities because of competitive pressures should also be able to enter a new activity as entrepreneur or employee. But a number of things can go wrong in this reshuffling process. Factors such as poorly functioning product or capital markets, weak social systems, ineffective rule of law and governance, and insufficient public infrastructure can contribute to slowing down the adjustment path, or to a situation where the activities that expand in an economy are not the most productive ones. Distortions can even be such that job creation and destruction become decoupled, and non-competitive firms are destroyed but productive ones do not manage to grow or are not created, leading to unemployment. Trade restrictions do not offer a constructive remedy under these conditions.

To the extent that trade is associated with the adoption of new technologies and productivity increases, this may result in the creation of fewer jobs. Productivity increases bring important benefits because they are an important driver of growth but adjustment requires alternative job creation strategies.

Trade can be made to work for greater equality

Separately from the jobs issue, increasingly skewed income distribution in many countries is coming under intensified public scrutiny. There appears to be a growing discomfort across the globe with increasing levels of within-country inequality. In a number of countries the share of income of the wealthiest 1 per cent of individuals reached 15 per cent to 20 per cent before the Great Recession – levels comparable to those prevailing before the Second World War. In many other countries, similar trends have become apparent over the last two decades or so.

A range of factors can contribute to increased inequality and available evidence suggests that trade is unlikely to be the main factor. Nevertheless, trade can contribute to increased wage inequality between high-skilled and low-skilled workers and to increased wage inequality across firms (with exporters paying higher wages than importers). But few would claim that the policy response to inequality lies in trade restrictions. Rather, other policies such as improved social protection, adequate wealth distribution, more targeted education, and retraining are generally prescribed. Moreover, it should be remembered that individuals are consumers as well as income earners, and trade tends to lower prices in the domestic economy.

In general, technological change is found to be an important driver of inequality. It is also the case that other aspects of globalization like migration, FDI and other international capital flows contribute to increased inequality. While most studies try to disentangle the impacts of these different factors, recent studies are taking into account that trade, FDI, capital flows and technological change tend to go hand in hand. The strict separation made in the past between trade effects and effects of skill-biased technological change may therefore have been artificial.

Trade, jobs and inequality: realizing opportunity

As far as job creation is concerned, ways need to be found to manage the costs suffered by displaced workers. Social protection systems can play an important role. The job creation potential of trade reform depends on the extent of the supply and demand response following shifts in relative prices. Initiatives such as Aid for Trade that focus on improving the supply side can contribute to job creation. Reformed and strengthened financial markets may also have high pay-offs to the extent that they make it easier for firms to invest and become more competitive. Adequate access to trade finance at reasonable prices is also crucial to increasing job opportunities.

Mounting concern about inequality leads to the question whether trade reforms should be linked to redistribution measures. Governments pursue a number of different approaches in an effort to secure this link. Larger scale efforts to address distributional concerns related to globalization would have to include not only social protection aspects — as suggested above — but also taxation policies, an area that typically falls under the realm of finance ministries.

A neglected and costly policy omission has arisen in some countries in the field of education and skills policies. These policies have great potential to improve the employability of the workforce. Yet fiscal pressure has sometimes led to prolonged neglect of investment in education. One way to prepare the young for the challenges of their future working environment is to ensure that they have a good basic knowledge and strong competencies in such general domains as reading and understanding, mathematics and science, and the ability to employ this knowledge in different settings. But ensuring that young people have a skill set that makes them "adaptable" is unlikely to be enough for them to find a job if current levels of unemployment are not reduced, in particular when they first enter the job market.

In hiring processes, employers are typically looking for candidates that have a set of skills specific to the job, or to the sector or subsector the company is active in. Successful integration of the young into labour markets is therefore likely to depend to a significant extent on whether the cohorts of young entering the labour market have the set of specific skills that roughly correspond to demand in the market at any specific point in time. This is a challenge, given that education and training planning tend to precede the moment of market entry, often by years. Nevertheless, challenges of this nature are no pretext for allowing the neglect of education and skills to weaken the capacity of populations to adapt to change.

To minimize this problem and reduce the occurrence of skill mismatching, it will be increasingly important for governments to strengthen skill anticipation mechanisms in their economies. This implies strengthening the collection of information about current and possible future skill demand by employers, ensuring that the social dialogue necessary to scale up apprenticeship systems takes place, and that qualification-based training and education is available to students.

Trade can support sustainable development

Trade has sometimes been characterized as a negative influence on sustainability, from a number of different angles. One argument is that goods have to be transported across distances because of trade, eating up scarce environmental resources. This view is based on a partial view of the economy. When all activity implicated in production is taken into account, environmental impacts may vary considerably depending on production technologies and location. Trade provides opportunities for resources to be used more efficiently as a result of specialization.

Another argument is that trade leads to accelerated depletion of finite resources or the destructive abuse of renewable resources. The problem here is one of pricing. If resources are not priced at a level that reflects their scarcity value and ensures sustainability, restricting trade will not be an effective approach to move to a greener economy. Trade policy does not work well as a tool of resource management for the simple reason that international trade only accounts for part of total production and consumption.

Trade opening needs rules

Some reference has already been made to the need for well-designed rules that enjoy legitimacy on account of their balance. The existence of such rules is an important condition for realizing the benefits from trade. Few contest the role that the WTO and the GATT before it have played in creating a framework for the conduct of trade. Many could point to ways of improving the rules. Moreover, they need constant reaffirmation through compliance and a properly functioning dispute settlement system serves as a foundation of legitimacy.

The rules fulfil two vital roles for the trading system. First, they reduce uncertainty and thereby change the risk profiles facing decision-makers. Second, by creating a world that is driven by pre-committed policy behaviour rather than by reactions to outcomes, the rules help to level the playing field and reduce power asymmetries.

Conclusions

In this first chapter of our report we have visited the reasons why countries need trade to augment growth and opportunities for people. We have cautioned against neglecting trade on the altar of managing the social, political, economic and environmental challenges facing market-based economies. These challenges need to be addressed. But blaming trade for that for which it is not responsible, or looking to trade policy to provide fixes much better provided through other policies would only undermine confidence in and commitment to trade. We have focused particularly on development and on the employment and distributional aspects of trade, in recognition of the particular challenges we face in managing these aspects of national economies, and their impact on the conduct of trade.

International trade has contributed enormously to development, growth and greater global peace and prosperity. But trade is a means to an end, not an end in itself. Trade takes place in a broader socio-economic and political context that must embrace a broader and deeper context than gains from importing and exporting. Among the most pressing concerns facing societies across the world today are the imperative of development, the scourge of unemployment and the divisiveness of inequality. If these concerns are neglected or set aside in the drive for prosperity at the national level, they risk provoking a legitimacy crisis that will undermine the organizational fabric of economies as we know them. Governments must respond to the challenges posed by development, and a deficit of jobs and unequal opportunities without jeopardising the advantages accruing from international specialization and cooperation. In order to achieve this goal we need to ensure the coherence, completeness and convergence of policies that impact directly and indirectly on trade.

Endnotes

1 With the exception of Mode 3 trade under GATS.

CHAPTER 2: TRANSFORMATIONAL FACTORS SHAPING INTERNATIONAL TRADE

The world economy has undergone major changes in recent years, changes that are likely to persist and that will shape trade in the years to come. They bring with them many new opportunities and challenges for societies and governments. We will look at those changes we believe to be particularly transformative. Our initial focus is on how globalization, along with rapid growth in some regions and nations, has changed our world. We shall consider how production patterns have been transformed through the rise of international value chains. We also look at two dominant policy trends with far-reaching consequences – the explosion of preferential trade agreements (PTAs) and the rise of non-tariff measures (NTMs).

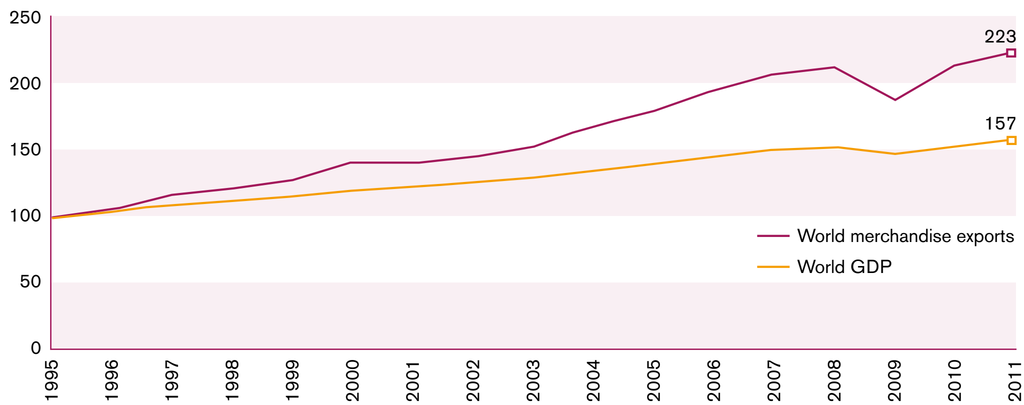
The world economy is changing

Globalization has changed our world in ways scarcely imaginable by bygone generations. A combination of new technologies, social adaptation, policy openness and innovative business models has led to intensified economic, social and political interdependence among nations. At the same time, the centre of economic and political gravity is shifting. The rise of Asia and emerging economies in other parts of the world is ushering in a new configuration of economic power and influence. This is a continuing process, and we are now beginning to see the emergence of Africa. Globalization has made for a much richer world, but as we noted in Chapter 1, ensuring a better distribution of opportunity and inclusive growth remain key challenges, as does the imperative of environmental sustainability. Globalization has made our world more robust in some ways and more fragile in others. Globalization can only be reversed at prohibitive cost. We must learn to manage and direct this rich source of opportunity, not seek to suppress it. To do so we need more international cooperation.

Expanding trade and investment reflect globalization

On the economic front, the internationalization of society is reflected most obviously in the explosion of international trade and investment. World trade growth has outstripped production growth by a significant margin every year in the post-Second World War period, except for the relatively few occasions when output growth has dipped and turned negative. Figure 1 demonstrates the trend with data since 1995, the year when the WTO was established. Merchandise trade measured in volume terms more than doubled between 1995 and 2011, while global GDP grew by less than half of that.

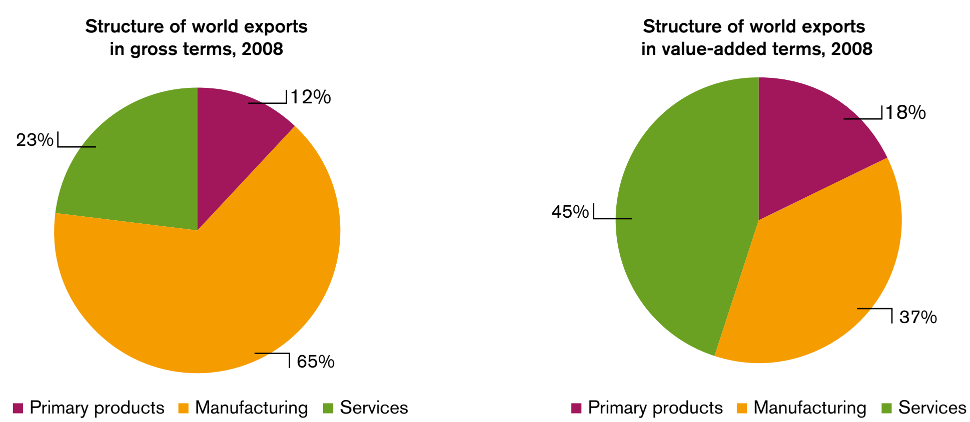
Figure 1
World merchandise export volume and GDP at market exchange rates, 1995-2011
(Index 1995=100)



Source: WTO Secretariat

Only recently have we begun to realize more fully the importance of services to the world economy. The contribution of services to production and trade has been steadily growing. New statistical work by the OECD and WTO shows that when we measure services in terms of their real contribution to trade – that is in terms of value-added rather than gross flows – the share of services in global trade was almost half in 2009, as opposed to less than one-quarter using the old measure (Figure 2).

Figure 2
The share of services in global trade

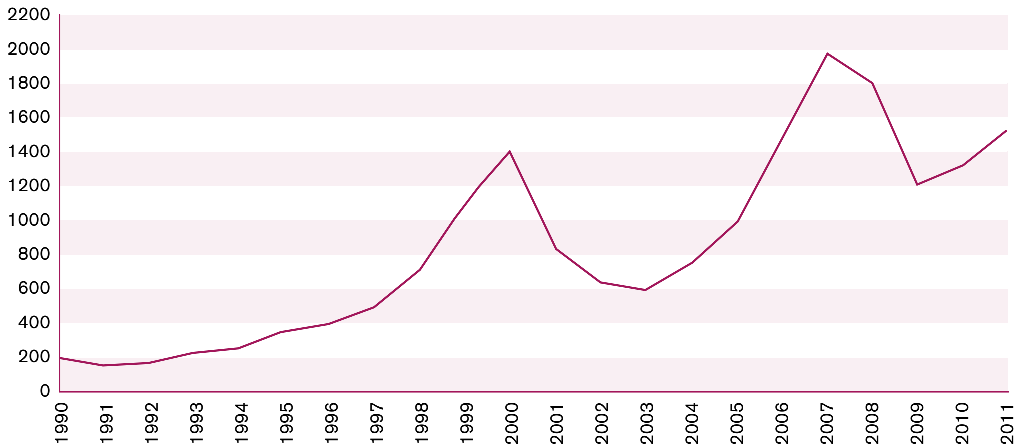


Source: OECD/WTO value-added trade database

Figure 3

World FDI flows, 1990-2011

(Billions of US$)



Source: UNCTAD

For its part, world foreign direct investment (FDI) inflows increased by an average of some 12 per cent per year between 1991 and 2011 (Figure 3). That rate of growth implies that the volume of FDI almost doubled every six years. The growth of FDI has been far from steady, experiencing successive peaks and troughs. The flow of FDI in 2011 was still below the 2007 peak.

Geographical shifts in trade and investment reflect changing power relationships

Rising shares of international trade and investment accounted for by emerging and developing economies are a striking feature of the overall growth in international product and factor movements in recent years. Without trade and foreign investment, it is difficult to imagine the attainment of high growth such as we have witnessed from a range of emerging economies.

According to the Growth Commission,[1] 13 economies managed to average GDP growth of 7 per cent or more for a period of 30 years or more between the second half of the 20th century and the early 21st century. Ten of these economies were in Asia, one in Africa, one in Europe, and one in Latin America.[2] These economies and others similar to them have not grown merely as suppliers of commodities, as would have been the pattern in the past, but as producers of manufactured goods and increasingly sophisticated services. Measured in purchasing power parity terms, the economies of emerging and developing countries now constitute about half of world GDP. They have also become more important destinations and sources of FDI.

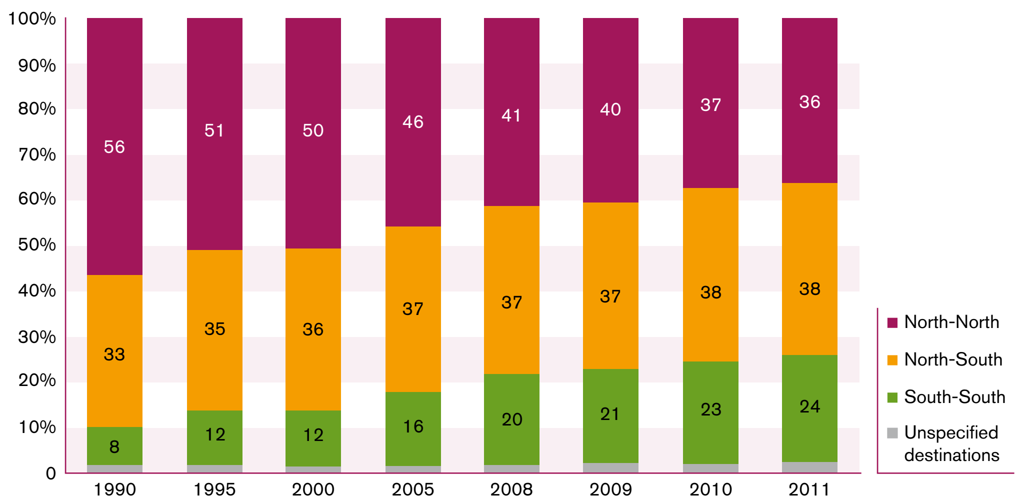
Figure 4 shows how the share of North-North trade has shrunk in in the last 20 years, while those of North-South and South-South trade have expanded. If the trends observed in the last few years were to persist, by 2020 the share of South-South trade would have increased to 34 per cent, compared to the 24 per cent share in 2011.

Figure 5 shows the changing patterns of inward and outward FDI. As emerging and developing economies attract proportionately more inward investment and account for a growing share of outward investment, these new patterns are transforming national attitudes towards foreign direct investment. We believe they are creating new opportunities for closer cooperation in this area.

Figure 4

Shares of North-North, North-South and South-South Trade in world merchandise exports, 1990-2011

(% of world trade)

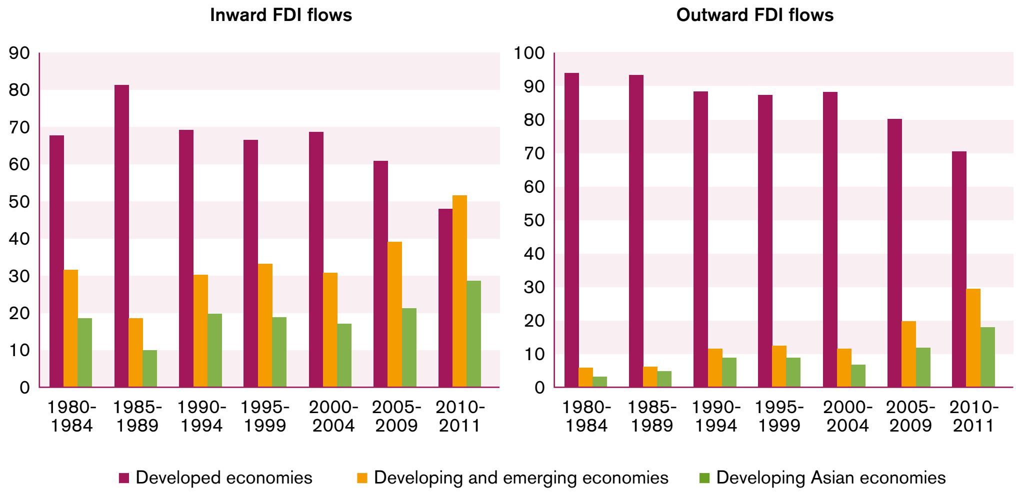


Source: WTO Secretariat

Figure 5

Changing patterns of inward and outward FDI by country category, 1980-2011

(% of world trade)



Source: UNCTAD

The global shift in economic power offers many new opportunities, and has been influential in pulling millions out of abject poverty. We also acknowledge, however, that power shifts pose a challenge for international cooperation. Change of this magnitude calls for statesmanship and vision by leaders. Today these qualities are not abundant, which in our view partly explains the difficulties we are encountering in managing international relations in such diverse areas as trade, climate change and the international financial and monetary architecture.

Technology is the engine of globalization

The influence of technology as a driver of change would be difficult to over-state. New technologies have shrunk the cost of distance and fostered new, instantaneous and inexpensive means of communication. In reducing the cost of distance, technology has placed a premium on efficiency. These changes have nurtured the internationalization of production and contributed greatly to the construction of value chains. The development of the jet aircraft – a faster and lower cost option than the piston – driven planes it displaced – has reduced transportation costs more than ten-fold over the last 50 years. Sea transport has also evolved in significant ways. The arrival of the container, an otherwise nondescript metal box of standardized dimensions, resulted in an entire industry (the logistics industry) being built around it and dedicated to the speedy, predictable, safe and low-cost delivery and handling of traded goods.

Advances in information and communication technology and the development of the personal computer, smart phones and the internet have revolutionized industries of all kinds. A wide variety of commerce and trade now takes place on the internet, and this will grow further as more of the world's people gain access. Business is being re-configured by new and innovative ways of harnessing electronic communication in production, consumption, buying and selling. Together these innovations have made possible today's highly integrated world, just-in-time production, value chains and offshoring of many tasks, all adding to the reliance of the global economy on trade and foreign investment for income, growth and jobs. Moreover, technology will not stand still. Robotics and 3D printing will further transform the way we produce and consume.

Joined-up production: the rise of international value chains

The embrace of globalization is starkly reflected in the rise of international value chains. Gone are the days when production was largely about fabricating products from beginning to end in single countries, either for domestic sale or export. Whether within large multinational corporations (MNCs) or through networks of small and medium-sized enterprises (SMEs), the production process today often involves several countries, each specializing in different tasks along the supply chain, from the earliest production stages to final consumption. This reality has forced us to think of trade in a different way. Because components are produced in multiple locations we can no longer attribute final products to a single origin without creating a misleading impression. We need to identify the different production sites that have added value across different countries. This goes for goods production as well as services production. Measuring trade in terms of value-added rather than gross flows has transformed the way we see trade relationships.

The value-added trade picture underlines the extent and nature of interdependence among nations. It emphasizes the organic relationship between imports and exports, reflected in the growing share of intermediate goods in trade. Today, this share is, on average, anywhere between 50 per cent to 60 per cent of total merchandise trade. Similarly, these trade relationships are reflected in the import content of exports, which has risen from around 20 per cent in the 1970s to some 40 per cent today. Value-added measurement also imparts important information about the origins of the technological content of trade, instead of merely attributing this to the last producer along the supply chain.

This more realistic view of trade also emphasizes key complementarities between trade and investment. These are no longer just alternative means of accessing markets, they are essential partners in supply chain production. But it is not only a matter of a close nexus between trade and investment. Moreover, the fusion of goods and services markets is a fundamental part of this story. The role of services in virtually all economies has been under-estimated. As noted earlier, using a value-added metric for measuring trade reveals that services are almost half of total trade, rather than less than one–quarter as estimated in gross numbers. In short, markets are deeply integrated today, both nationally and internationally. Treating them separately in policy terms is likely to result in foregone opportunities.

We have also understood that bilateral trade balances will tend to differ significantly in gross and value-added terms, even though of course each nation's total trade balance remains the same. While we do not attach great economic significance to bilateral trade balances, a potential lesson to derive from the value-added estimation is if a country restricts imports, it might also be frustrating its own exports further upstream on the supply chain.

Policy is an important determinant of effective supply chain participation

Regardless of whether MNCs or SMEs are at the centre of particular international value chains, these do not simply land on a country's doorstep. Successful participation depends crucially on a range of policies. As a mechanism for economic diversification, value chains allow countries to insert themselves into international production processes through component production rather than having to dominate entire production lines. The services-intensity of many value chains also offers diversification opportunities that do not necessarily entail manufacturing. While international value chains have led to increased competitive pressure on costs and prices, they have also created jobs and moved increasingly towards improved standards of production, partly in response to greater consumer transparency. From a developmental perspective, governments will often be seeking ways to add more value domestically along value chains. Different forms of support can help this process along, although the quest for deeper involvement must also be balanced by competitiveness considerations. Adequate infrastructure, policy design, predictability and proper administration are all crucial in this regard.

The World Economic Forum's 2012 Executive Opinion Survey of over 14,000 businesses in 139 economies reported that 14 per cent of respondents cited high costs or delays caused by national and international transportation as the most problematic factor facing exports. Just over 20 per cent of the respondents cited burdensome port procedures as the main obstacle to importing. A further 12 per cent said their main problem was corruption at the frontier. Tariff and non-tariff barriers were identified by 20 per cent of the respondents as the main obstacles to importing. These survey numbers are indicative of some of the things which governments can rectify. Moreover, policies have a magnifying effect on outcomes when goods and services cross successive frontiers along a supply chain. These realities make a strong case for a more holistic approach to barriers affecting trade. We need a more comprehensive approach. By focusing narrowly on particular obstacles, we may misunderstand the real obstacles to reaping the benefits of efficiency through trade.

International cooperation in trade and investment has become increasingly preferential

The GATT/WTO's traditional mainstay of non-discriminatory trade has increasingly yielded ground to preferential arrangements. This has occurred for a complex array of reasons, increasing trading opportunities but also raising challenges for the core principle of non-discrimination enshrined in multilateralism. In conceptual terms, preferential arrangements can focus on countries or on specific policy areas. Preferential arrangements established geographically (among countries) will by definition embody some elements of discrimination. Agreements focusing on specific issues may or may not be discriminatory. This will depend on their design. They may simply implicate a sub-group of countries which establishes a balance of rights and obligations in a particular policy area, implying a discriminatory outcome for third parties. Or they may entail obligations for signatories with benefits extended to all countries on a non-discriminatory basis. Some policy areas, whether the subject of specific agreements, or folded into geographically-based arrangements, will by their very nature tend towards non-discriminatory outcomes, even of a *de facto* basis. Trade facilitation measures are a good example of what could be a *de facto* or a *de jure* non-discriminatory outcome.

Notwithstanding the multiple ways in which globalization has taken hold, beginning in the 1980s, we have seen a rapid multiplication of PTAs and Bilateral Investment Treaties (BITs). Some 300 PTAs are currently in operation and many more under negotiation. On average, each WTO member belongs to 13 separate PTAs. Every WTO member belongs to, or at least is negotiating at least one PTA. Similarly, over 6,000 BITs regulate international investment.

Preferential trade agreements are not new to the GATT/WTO, but they show every sign of continuing to increase in number. The intention of the United States and the EU to launch a PTA negotiation pushes preferentialism further than ever before in the history of the GATT/WTO. The WTO's *World Trade Report 2011*, which is focused on regionalism, reveals an eclectic collection of agreements, of uneven quality. Half of them are bilateral, and almost two-thirds are between developed and developing countries. Around half of the PTAs in force are cross-regional. The WTO report also discusses the varied reasons why countries seek to establish PTAs.

In many PTAs, it has proven no easier to eliminate high tariffs. Among PTA partners, more than two-thirds of product lines facing tariffs of over 15 per cent have not benefited from any reduction under PTAs. Despite the persistence of high tariffs in key product areas, including agricultural and labour-intensive manufactured products, the overwhelming impression of modern PTAs is that they are not primarily about tariffs. Indeed, more than four-fifths of trade flows take place on a non-discriminatory basis, and less than 2 per cent of world trade is eligible for preference margins above 10 percentage points. This means that regulations are far more important as potential trade barriers and sources of discrimination.

Preferential trade agreements add to trade costs, not least because traders may often need to negotiate numerous criss-crossing regimes of origin rules. PTAs can be exclusionary, leaving smaller countries outside their purview. They may also lead to regulatory divergence, intentional or otherwise, resulting in segmentation of the world economy. On the other hand, some regulatory reform under PTAs may be intrinsically non-discriminatory, leading to a *de facto* MFN dividend.

The rise of regionalism raises important questions both as to the role and the relevance of the WTO. The expansion of preferential trade opening among subsets of countries may be easier or politically more attractive, but the economic benefits from such opening may be less. Governments need to ask themselves if there are good reasons why the fundamental logic of non-discrimination – a cornerstone of post-war trade governance – no longer serves a useful purpose.

With the gradual fall in most tariffs, non-tariff measures increasingly influence trade outcomes

Although tariffs remain an instrument of trade policy, they have progressively become less significant as a result of unilateral, bilateral, plurilateral, and multilateral trade opening. As most tariffs have tumbled, however, some high tariff peaks remain. International value chains for some labour-intensive manufactures and agricultural products, where developing countries have comparative advantage, are also afflicted by tariffs that escalate with the degree of processing. This escalation can reduce opportunities for developing countries to acquire additional value-added along the affected international value chains.

The term non-tariff measure only tells us in the vaguest sense what these measures are by indicating the one thing that they are not. They can take many forms and serve a wide array of purposes, with varying implications for trade. They are regulatory in nature. They may be designed to limit trade or they may have that effect because of the way they are implemented, either with a lack of transparency, inefficiency or corruption.

Increasingly, NTMs are associated with public policy objectives and raise issues of far greater complexity than tariffs, and they merit closer attention than ever before.

Where public policy informs NTMs, we no longer think of reduction or elimination as the objective, like with tariffs. Public policy motivations for intervening have become more commonplace on grounds such as health, safety, and environmental quality. The pursuit of these objectives grows as the world becomes more interdependent, and rising incomes also increase concerns of this nature. Information and communications technologies have helped raise awareness and empower consumers.

NTMs motivated by public policy considerations may well restrict trade, such as in the case of the prohibition of trade in harmful products. But they may also limit trade even though this is not their explicit intention. In such cases, trade as a means appropriately yields to public policy as an end. The trade policy challenge in this context, however, is to ensure that NTMs do not unnecessarily truncate the benefits of trade. Both the design and the implementation of measures can lead to dual-purpose policy, unwittingly or otherwise. An intervention could both meet a public policy imperative and impart an additional advantage to domestic producer interests. While NTMs may reduce trade, the point to guard against is that they do so excessively or with unjustifiable discrimination.

Divergent public policy design is likely to carry trade costs. But divergence can occur for different reasons. It may be a reflection of different social preferences and values. In this case, the notion of “levelling the playing field” in trade relations takes on an additional layer of complexity – the search cannot be for uniformity in cases where an attempt to homogenize societal preferences would be an intrusive step too far. Cooperation in this case can only be about avoiding unnecessary friction or unwarranted discrimination.

Differences in NTMs may simply be incidental – a matter of form – driven by the shadow of past practice. Incidental divergence suggests the need for work on the harmonization of standards or the development of mutual recognition arrangements. Differences may also result from a lack of technical or enforcement capacity.

Endnotes

1 Commission on Growth and Development (2008), The Growth Report Strategies for Sustained Growth and Inclusive Development, World Bank on behalf of the Commission on Growth and Development.

2 The economies concerned include Botswana; Brazil; China; Hong Kong, China; Indonesia; Japan; Republic of Korea;; Malaysia; Malta; Oman; Singapore; Chinese Taipei; and Thailand.

CHAPTER 3:
OPENING TRADE IN A COMPLEX WORLD: WHERE DO WE GO FROM HERE?

In Chapter 1 we revisited the case for trade and located the discussion in the context of the economic, political and social realities of today. We emphasized that we cannot do without trade and must encourage it. But trade is not an end in itself and we must construct a proper environment to share its benefits widely.

In Chapter 2 we examined how our world has changed in recent decades and considered a range of transformational changes and challenges that must be core in informing our actions now and in the future.

Chapter 3 seeks to draw together and complete our deliberations by asking how the WTO can better serve an open, vibrant and relevant multilateral trading system in the future. Our starting point in this endeavour is the conviction that the world is worse off without the system. This short analysis is presented as a set of suggestions to WTO members from interested stakeholders. We freely express our views, but it is governments that are ultimately responsible for strengthening, modernizing and rendering more relevant the multilateral trading system. They must find agreement through balanced mutual accommodation and compromise.

We do not make specific recommendations in this report about how to deal with the Doha Round. We would only like to make two observations we regard as fundamental to the consideration by members of the next steps. First, the issues underlying the stalled negotiations will not disappear. They remain as relevant today as they were when they were included on the negotiating agenda. Circumstances and interests may have changed, but not the basic challenges. Second, we believe closure is a political imperative. Whatever form this takes, a decade-old collective undertaking remains to be fulfilled. At stake are future progress in mutually beneficial cooperative endeavours, as well as the health of the multilateral trading system itself.

In what follows, we divide our discussions about the future of trade along the lines of principle, processes and a series of topics for consideration.

Principles are the foundation of the system

We focus on three areas where principles defining the system are crucial. These relate to non-discrimination, transparency and the relationship between flexibility and reciprocity. In our view the first two principles are robust in design and do not need to be reconsidered. The third one, dealing with the relationship between reciprocity and flexibility does, however, need fresh thinking.

Non-discrimination: managing preferential trade

We believe that the principle of non-discrimination must continue to serve as the basis for trade relations among members. This is not to say we should avoid all kinds of discriminatory action, but the permitted departures from the non-discrimination principle – notably to support weaker countries in their development efforts and to permit members to establish PTAs – must be properly regulated and monitored to prevent corrosion of this core principle of the WTO.

As we discussed in Chapter 2, PTAs are becoming increasingly dominant. They can serve a range of important objectives. Preferential agreements can provide benefits for their signatories and also for non-signatories through promoting growth. They can be laboratories for deeper integration at a multilateral level. They allow countries to move further and faster than is sometimes possible in the WTO. They can respond to particular regional imperatives, including those of a political nature, that are not catered to in a wider setting. We also recognise that PTAs can result from the difficulty of finding consensus at the WTO.

None of this diminishes our conviction that a non-discriminatory, more inclusive and vibrant multilateral trading system is preferable to a fractured and overlapping set of plurilateral and bilateral arrangements. We are aware that PTAs can fracture trade relations, exclude countries in discriminatory ways, and risk increasing regulatory divergence in a world where NTMs increasingly affect trade.

In order to conserve and build upon the benefits of PTAs while at the same time strengthening the multilateral trading system, we recommend that members engage explicitly in an exploration of ways in which PTAs and the principles underlying them could be consolidated within the multilateral system. The work of the Asia-Pacific Economic Cooperation (APEC) in developing best practices for PTAs could serve as an example of how to move forward. Such efforts could lead to consolidation around binding rules in agreed policy areas. We believe that the absence of discriminatory intent in many PTAs, along with the practical difficulties of discriminating in some regulatory areas, such as trade facilitation, make this a feasible course of action.

We are also convinced that once this process of consolidation is under way, members will find it easier to make progress on re-writing GATT/WTO rules in this area – rules that are widely regarded as incomplete and ineffectual. This applies to goods, in particular under GATT Article XXIV that contains disciplines on customs unions and free trade areas. Many unsuccessful attempts have been made in the past to improve the disciplines under Article XXIV of the GATT, including in the Doha negotiations. This also applies to services under GATS Article V, which offers legal cover for departures from the most-favoured-nation principle for services similarly to the way GATT Article XXIV does for goods. The multilateral system will remain deficient until a real set of disciplines is established to facilitate the convergence of PTAs with the multilateral trading system.

Non-discrimination: managing non-tariff measures

As mentioned in Chapter 2, the topography of trade barriers is changing. With the reduction in tariffs, NTMs naturally attract more attention. While we urge vigilance as to the manner in which they are designed and used from a trade perspective, we also recognize that NTMs are here to stay. Where they serve public policy objectives, the issue is not elimination. Rather, we must manage them appropriately in relation to their effects on trade.

Regulations in key areas of the economy, such as health, safety, environmental quality and labour rights are not set in the WTO. What this means is that the WTO must consider how to articulate the relationship between trade opening and the existence of measures outside its remit that are nevertheless relevant to the conditions under which trade takes place. While a convergence of public policy design would facilitate matters from a purely trade perspective, we recognise that respect for differing social preferences is paramount. We must work towards a shared understanding of what constitutes a level playing field. As a matter of principle, we argue that the discriminatory application of NTMs must be avoided where possible and that members should not restrict trade where this is not essential to the pursuit of public policy objectives. Capacity-building and technical assistance should also be available to help developing countries in this area of policy.

Transparency, accountability and stability

The world becomes a darker, less certain and less stable place when information is sparse or poorly distributed among interested parties. This is why transparency is a key governing principle of the WTO. Members have an obligation to pursue a transparent approach in their dealings. Policies should not be a secret. Procedural aspects of their application and decisions taken in pursuance of their objectives should not be secrets either. Few would disagree with the observation that transparency has not been a strong suit of many members. An absence of commitment to transparency negates a principle, weakens the system, fosters mistrust and breeds a culture of opacity.

Transparency and legitimacy across the full range of policies that affect trade could be strengthened through domestic dialogue among interested parties, including business, civil society and trade unions. Some WTO members have experience in this field that is worth sharing. Moreover, in a cooperative world, governments should be willing to advise and consult their trading partners when formulating policies. Finally, if governments embrace greater transparency as a principle for conducting relations with their trading partners, there is every reason to suppose that this will extend to policy data. The strength and legitimacy of the trading system would be significantly promoted by a greater willingness on the part of governments to supply in a timely manner and openly share trade policy information. The provision of data should not be seen as a bargaining chip or an optional extra. We recommend that members build on the Trade Policy Review process to strengthen its effectiveness as an instrument of transparency and dialogue, much as was done with the WTO's monitoring exercise following the financial crisis.

Managing reciprocity and flexibility

The notion that not all countries should share exactly the same set of obligations at a given point in time has been well understood and incorporated in the GATT/WTO system since the beginning. No fundamental disagreement exists with the proposition that countries at different levels of development have different priorities and needs, and that these must be accommodated if the multilateral trading system is to serve all its members. The challenge is how to achieve this and how to adjust to the dynamics of development.

Special and differential treatment for developing countries – in other words, the balance between reciprocity and flexibility – relates both to the level of trade openness and the application of trade rules. On the market access side, developing countries tend to have higher average tariffs than their developed country counterparts. They can also benefit from tariff preferences on their exports if they qualify to receive these under the various schemes of their trading partners. When it comes to the rules, developing countries may be permitted to adopt different rules aligned to their own capacities. Their trading partners are also permitted to depart from the non-discrimination principle in order to fashion special rules for developing countries that facilitate compliance and ease of access to markets.

It is important to note that rules covering many NTMs, particularly those addressing public policy concerns, simply do not lend themselves to departures from non-discrimination. Governments will never agree, for example, to buy harmful products from one source and not from another in the name of supporting development. The growing influence of NTMs on trade should therefore take some of the sting out of the special and differential treatment debate.

We believe it is time to embrace a new perspective on managing reciprocity and flexibility. We do not question differentiation and consider it an essential feature of a fair and effective trading system. We are aware that the least-developed countries and other low-income developing countries, as well as developing countries facing particular difficulties, cannot be expected to aspire to the same degree of trade opening as more developed countries while these challenges persist.

But in recognizing the legitimacy of differentiation, we consider that policy effectiveness is crucial. We need a dynamic approach to flexibility, tailor-made for specific needs and supported by appropriate capacity-building programmes. This approach should be based on four guiding principles.

- First, flexibilities should be based on needs and capacities.
- Second, they should target specific challenges, and not focus only on categories of countries.
- Third, flexibilities should be time-specific to advance progressively towards convergence.
- Fourth, we need dynamic monitoring of the manner in which flexibilities are helping countries converge.

All these principles are related to one another. A key to nuancing the balance between reciprocity and flexibility is to take a more granulated approach to different sectors and population groups within economies. Distinctions are becoming increasingly blurred as certain emerging economies and industrial ones have begun to converge in a number of areas of economic activity. The search for appropriate flexibility requires thoughtful analysis of specific conditions. There is no single tipping point that appropriately defines a country's developmental status as one condition or another. We must rethink the balance between reciprocity and flexibility, and recognise this as a process. Growth and development, after all, are part of the same phenomenon. They are merely different points on the same spectrum.

We consider that there are two factors that could facilitate progress towards achieving a more fruitful dialogue on managing reciprocity and flexibility. The first is to consider the policy content of the convergence target. There are still rules in the system that reflect historical power relationships. We need to embrace openness to the idea that it is both legitimate and necessary to revisit such rules. Any perception that countries are being asked to embrace rules that are unfair and hostile to the national interest will not foster convergence.

Another factor that can contribute towards convergence is technical assistance and capacity building. We need coherence among these efforts, and the Aid for Trade and Enhanced Integrated Framework initiatives are positive moves in this direction. The WTO and many other international and national institutions, both inside and outside government, contribute to capacity building. Stakeholders must purge any symbolism, superficiality and grand-standing from technical assistance and capacity building efforts, focusing instead on results in a process of continuing assessment. The more these efforts respond to demands and initiatives from the beneficiaries, the more effective these programmes will become.

We suggest a sequenced two-stage approach to striking an agreed balance between reciprocity and flexibility. The first stage is to recognise the objective of progressive convergence. In some ways, we are talking about the reaffirmation of a principle first laid out in the GATT Tokyo Round in the late 1970s. In the end, this is about empowerment, not about exclusions and exceptions. The second stage is to negotiate its elements.

Processes matter

We need to progress from principles to processes. Adequate processes are essential for the efficient working of the system. Process is not about defining outcomes. Rather, it is about how to get there, and processes should be well-defined, respected and stable.

Consensus decision-making

The GATT/WTO was built on the practice of consensus decision-making at the outset, except in matters considered to be of a procedural nature. This might have been different had there been a weighted system of voting when the organization was established. But even then, the notion that a country could have sensitive trade policy decisions involving real resource transfers in the domestic economy imposed upon it through a vote by trading partners was regarded as a step too far. We conclude from this reasoning that consensus decision-making will not be changed. One of the challenges facing the WTO, however, is how to prevent the process of attaining a consensus from being frustrated by the exercise of veto. If countries wish to prevent a decision from being taken or a proposal from being adopted, it should be made impossible for them to do so without giving a reasoned explanation for their opposition. Simply saying no should not be enough. Moreover, consensus does not always elude the membership because of a desire to stop something, especially when decisions with multi-faceted consequences are at stake. In the case of the Doha Round, for example, it is not the absence of a consensus about the desirability of completing the negotiations that prevents this from happening. Rather, it is a stand-off among a few members over a number of specific negotiating issues.

In our view there is no easy solution to these problems. No substitute exists for building consensus gradually, through negotiation and mutual accommodation, including where a sub-set of issues prevents progress on a larger endeavour. Progress requires that members value the WTO sufficiently as an institution neither to push issues opposed by many, nor block progress desired by many.

Building the agenda

The WTO is an organization driven by its members. Traditionally, it is also only members who table proposals for action through a bottom up process. We believe that permitting the Secretariat to table proposals, as is done in some other member-driven international organizations, could speed up deliberative processes and facilitate consensus by providing technical information and fresh ideas. This would in no way compromise the exclusive right of members to decide.

Notifications

We have already expressed our concern at the lack of commitment among some members to the principle of transparency. In the WTO an important instrument of transparency is notifications. Two major problems exist with notifications. One is that some members disregard their notification obligations or leave their notifications very late. Another is that some of the notifications requirements themselves are not designed to provide adequate information in the most useful format. We are aware that efforts are being made to address these problems, but such efforts should be a matter of priority. We suggest that members might consider extending the current arrangement where the Secretariat can gather information and present it to the member concerned for comment or correction prior to the information being recorded as an official notification. We also urge the continued provision of technical assistance on notifications for those countries needing it.

A second element here is databases. Databases are indispensable for comprehensive information, ready access to such information, and for analysis. Databases should also be open, not limited to access by a few. The WTO Secretariat has a responsibility here, which it is aiming to meet though initiatives such as I-TIP and cooperation with other international agencies. These must be continued and facilitated through support from members.

The WTO Secretariat

The Secretariat is a vital lubricant of this member-driven organization. The Secretariat provides a range of services essential to the smooth and effective running of the institution. We believe that the members should support a stronger Secretariat, with sharpened expertise across the WTO's range of activities, and stronger research capacity. The Secretariat has considerable scope for contributing to effective communication and fostering deliberations. These activities should be encouraged because they can facilitate the work of the membership. The Secretariat can never replace members, but members cannot deliver without a strong, efficient, neutral and well-funded Secretariat.

Reaching out to stakeholders and the public at large

In our view, the WTO should engage more directly with non-governmental stakeholders as well as the public at large. These stakeholders include business, trade unions, academics and non-governmental organizations that focus on various aspects of public policy and developmental issues. We believe that platforms should be established for regular encounters with stakeholders. These platforms would foster communication and better understanding through dialogue and consultation. Such arrangements would not replace informal channels that already exist for dialogue. Engagement of this nature does not in any way dilute the ultimate responsibility of members to take decisions. Rather, it would better inform decisions. We also believe that this is not only the responsibility of the WTO, but also of individual members in the national context. As noted earlier, many governments already have experience of this kind of interaction.

An evolving agenda in a changing world

One might say that this Panel is a reflection of the membership of the WTO. During our deliberations many issues were raised by different panel members because they regarded them as important. The priorities attached to these topics varied considerably among the individual panellists. The Panel's own experience was mirrored in turn by the wide array of different issues raised by participants in consultations and discussions that the Panel held with diverse parties in different parts of the world.

All this reminds us that if governments are to secure a degree of international cooperation that they value, that reflects and respects different interests, and that retains its relevance in a changing world, they need to show flexibility. They need to understand why managing diverse priorities and interests ultimately speaks to a single common purpose. Governments should also reflect on what the world would look like if they fail to rise to the challenge of forging that common purpose.

The issues raised below all came up in the Panel's various discussions. We have tried to order them systematically, but not in any order of priority. We are not suggesting that every one of these issues should become the subject of a WTO negotiating mandate. On the contrary, some of them have trade relevance but a natural home in another part of the architecture of international governance. Others are not necessarily for negotiation at all. The WTO does not only make rules and adjudicate them. It also provides a forum for deliberation in various guises, such as committee discussions, forums, and processes such as the Trade Policy Review Mechanism. Sometimes the process of deliberation itself may secure a desired objective.

We stress that we are not proposing a specific, holistic negotiating agenda or work programme for the WTO. We do, however, highlight what we think is important. Some of these issues are being addressed in the Doha negotiations, while others are not. We emphasize that we do not attempt to pronounce on how members should go about addressing the Doha negotiating agenda nor on the priority members attach to different elements referred to below.

Issues directly linked to existing WTO provisions

Trade distorting subsidies

Subsidies have long been an issue with which the GATT/WTO has grappled. The rules have evolved over the history of the multilateral trading system. At the core of the problem is the reality that few members would argue subsidies are always bad and should be banished from the trade policy lexicon. At the same time, it is recognized that subsidies affect relative prices, can distort markets and affect the conditions of competition. The presence of high levels of subsidy in agriculture has been a long-running source of friction in the trading system. The membership only began to address this in the Uruguay Round, and much remains to be done.

We see other emerging tensions today. We are currently in a situation, for example, where most governments are aware that subsidies are likely to be needed for research and development in order to develop renewable energy sources and mitigate climate change. Yet these subsidies affect competition and the temptation is to countervail them. This is part of the green growth debate. Ways must be found of accommodating the need for well-designed subsidies to manage market failures.

A further subsidy-related issue which we believe requires urgent attention is subsidies to fishing. This is a classic resource depletion problem that governments are simply allowing to worsen by failing to control fishing subsidies.

Tariff peaks and tariff escalation

The existence of tariff peaks and tariff escalation is a very old issue of particular concern to developing countries, going back to the 1950s. It deserves more vigorous attention. It should be considered a priority for convergence in the sense we discussed above. Tariff peaks and escalating tariffs along processing chains frustrate efforts by developing countries to add more value to raw materials and agricultural products as they seek to diversify and grow their economies. This problem would be significantly addressed in the ongoing negotiations on industrial and agricultural products.

Export restrictions

The impact of export taxes and quantitative restrictions on trade in primary products has attracted attention. In effect the GATT/WTO rules on imports and exports are quite asymmetric. While provisions cover, *inter alia*, taxes, licensing and valuation with respect to imports, these provisions have not been developed on the export side. We recognize that, just as with tariffs, members have their own reasons for wanting to use them or for wanting them not to be used. As with tariffs, we believe this is an issue on which negotiations could be usefully engaged.

Agriculture

There has long been asymmetry between agriculture and manufactures in the degree of progress in trade opening. This has been a source of considerable concern to countries with a significant dependence on agriculture for export earnings. The issue encompasses both access to domestic markets and the effects of government policies on exports and prices in world markets. It is a question therefore of import and export barriers, and domestic and export support. Among the reasons for slower progress are concerns about food security, food safety and the impact of trade opening on farmers' incomes. Trade restrictions on food and agricultural products can worsen price volatility by segmenting national markets. It must be recognized, however, that when international prices are high, governments become concerned about the impact on domestic prices. Nevertheless, if markets were more open, trade would provide a means to bridge differences in conditions of demand and supply among countries. Food-scarce countries would be able to meet their needs from countries where these goods are more widely available. With regard to food safety, there is no intrinsic reason why a more open trade regime for food products cannot be reconciled with the use of scientifically-based sanitary and phytosanitary measures to safeguard the health and safety of consumers. Finally, farm incomes can be protected through support programmes that are decoupled from production rather than through import protection or trade-distorting price supports.

Trade facilitation

This is one of the leading candidates in the Doha Round for early resolution. We start from the assumption that most governments do not see any advantage in fostering cost-raising inefficiencies in trade processes and administrations – inefficiencies that simply make economies less competitive. With the growing prominence of international value chains in many economies, and the implications these have for links between importing and exporting, we are reminded of the increased damage unnecessary barriers to trade can cause to national economies. The costs of such barriers multiply as intermediate products used in production cross successive national frontiers. International cooperation can certainly help to ameliorate this problem by encouraging mutually beneficial concerted action, establishing a platform for consolidating commitments internationally, and providing support through technical assistance and capacity building. We strongly encourage members to complete the trade facilitation negotiations by the Ninth Ministerial Conference in Bali.

The digital economy

We referred at some length in Chapter 2 to the remarkable contribution that the digital economy has made to our world in so many ways. The capacity for electronic communications to lower costs, shorten distances, squeeze time, and provide a vast range of new opportunities across many segments of society, has been impressive. WTO members have embraced the principle of "technological neutrality", meaning that WTO rules and principles apply irrespective of the means through which trade takes place. Challenges inevitably arise as to content and such matters as intellectual property rights, local infrastructure requirements or cross border information flows. Challenges also arise in translating the opportunities provided by the digital economy into realities for developing countries. We would urge, however, that regulatory concerns do not stifle this valuable medium. We believe that the current WTO work-programme on electronic commerce needs to be re-invigorated to discuss these challenges. This arrangement is essentially built on the premise of "do no harm". We also believe that the WTO could foster a public debate over issues related to the digital economy, including through its Public Forum.

Issues raised as being relevant to the WTO

Competition policy

Practices that frustrate international competition, whether through market behaviour or government policy go against the interests of consumers and producers. Rules aimed at fostering competition and open trade policies are to some extent complementary, and they both contribute to welfare. Current arrangements for international cooperation are fragmented and leave gaps in the fabric of international economic governance. We believe that members should engage in the quest for a more trade-supportive international competition policy framework, building on the work of other international organizations such as UNCTAD, the OECD, and the International Competition Network.

International investment

As discussed in Chapter 1, trade and investment are closely linked as sources of openness and contributors to growth and development. They used to be characterized as alternative means of accessing markets. With the advent of value chains, this characterization has become blurred. It is far more relevant to think of trade and investment as complements along international value chains. Like in the area of competition, we see the absence of multilateral rules on investment (beyond those contained in the GATS with respect to its Mode 3) as a gap in cooperation. Current bilateral arrangements are not, in our view, a satisfactory substitute for a comprehensive international investment agreement.

Currencies and international trade

The effect of currency levels and volatility on trade has been a long-standing issue. When exchange rates behave in a disorderly manner, the volatility affects business. Primary institutional responsibility over monetary matters rests with the International Monetary Fund (IMF). But GATT rules, in particular Article XV, require that the IMF and the WTO cooperate over measures affecting exchange and trade. Members are required not to frustrate the intent of the GATT provisions through actions on exchange rates, nor to undermine the provisions of the IMF Article of Agreements through trade actions. Avoiding a regime clash requires a full understanding of the essential relationships underlying trade and exchange rates, and thus of the appropriate instruments for dealing with tensions that arise. We believe that the current discussions taking place in the Working Group on Trade, Debt and Finance should continue, along with existing cooperation between the WTO and IMF on this matter, in order to prevent mutually destructive policies in the trade and exchange rate spheres from taking hold.

Trade finance

The bulk of international trade requires finance to lubricate the payment chain. If this is lacking or unduly costly, the negative impact on trade can be severe. The regulation of trade finance does not fall within the remit of the WTO, but following the Great Recession it became clear that this piece of the international financial architecture was being neglected. The WTO Expert Group on Trade Finance filled the gap in discussions on the financial system and financial reform. Trade finance was side-swiped by the crisis and liquidity problems began to have a significant effect on trade flows. The Expert Group has played a useful role in mobilizing trade finance, ensuring that financial regulations would not harm this low-risk form of financing, and developing programmes to help traders in developing countries secure access to trade finance. Hence, trade finance has been folded into the Aid for Trade agenda. This is an area where the WTO should continue to partner with other relevant stakeholders.

Labour

Globalization has shone a light on a range of issues relating to the legal rights of labour and working conditions across the world. As we argued in Chapter 1, this must be a shared concern at the international level. The primary institutional mandate and responsibility for global standards in the area of labour rights rests with the International Labour Organization (ILO). The link between trade and labour standards was established by the WTO and ILO membership respectively in the 1996 Singapore Ministerial Declaration and in the 1998 Declaration on the Fundamental Rights and Principles at Work. In the world of international value chains, one idea that has been mooted is to look at the establishment of labour standards along the chains.

Climate change and trade

Many areas of climate change policy potentially intersect with trade policy. In the past, international agreements on the environment, such as the Montreal Protocol, have managed both the environmental and trade aspects of cooperation without a clash. This should provide inspiration to governments as we risk encountering problems of incompatibility that could lead to a clash of regimes that would hurt climate change mitigation efforts and trade. This has not occurred yet, although it has been widely discussed and is a concern of many. One way we already see how this may happen is in the rash of contingent protection cases initiated at the WTO among several countries in relation to government support for renewable energy. In our view it is the primary responsibility of the environment negotiators to define what is necessary in order to ensure adequate mitigation actions, and then it is a shared responsibility of the trade and environment communities to ensure that measures do not undermine trade and pander to special interests.

Corruption and integrity

The Panel encountered many individuals in the course of its consultations who expressed concern about the prevalence of corruption in many parts of the world, and the destructive effect this has not just on economies, but on the fabric of society itself. The WTO does not have a negotiating mandate or a work programme on corruption. On the other hand, we would argue that the WTO can nevertheless play its part in mitigating this cancer. We have already spoken of transparency, and treated it as a principle of the WTO. Greater respect for transparency in trade policy and administration would certainly be one contribution. Effective actions to facilitate trade would be another. Rules on government procurement can also contribute, including through an expansion of the membership of the Agreement on Government Procurement. In thinking about these as trade policy issues, we believe it is worth remembering that progress in these areas could have a useful by-product as a curtailing force on corruption.

Aid for Trade

Aid for Trade is a valuable instrument for mainstreaming trade into the economy at large through trade capacity-building. It is an essential ingredient for many poor countries to benefit from trade opening, and as such it should be anchored in the WTO. Over time Aid for Trade should develop into Investment for Trade, thus building a closer relationship between development assistance and private investment. This could be done through multi-stakeholder platforms such as we have seen emerge in Africa in the area of food.

Coherence of international economic rules

A final issue that merits mention is that of coherence and regulatory convergence among and within different bodies of international economic rules. As the Panel explored and attempted to understand better the phenomenon of internationally fragmented production, we became increasingly aware of the fact that separate international regulatory regimes have each emerged within their own context at particular times over the last several decades. Just as modern technology supported by policymakers and business have joined nations more closely in value chains, why should we not explore the possibility of achieving more coherence and better synergies in international policy regimes? We believe it would be worth considering how to bring a range of stand-alone agreements closer together, to render them more coherent, and more attuned to the environments in which they currently operate largely in isolation from one another. In order to reflect further on the implications of such a potentially far-reaching endeavour, we recommend the establishment of a forum to explore these issues in depth.

CONCLUSIONS: THE CHALLENGES OF CONVERGENCE

Regulating trade opening is only one of the many challenges facing a rapidly integrating world economy. But it is also one where we already have a system that has shown resilience in the current crisis. Like all assets, what it needs is not just proper maintenance, but also investment in the future.

We have covered a wide range of issues in this short report. We offer it as a call to action and a contribution to further reflection – action and reflection that we believe are essential to address our current stasis and the real risk this carries of imposing significant economic, social and political costs across the globe. We must not be remembered as the "can't do" generation.

In summary, we believe that governments face a four-pronged convergence challenge:

- Convergence among members: this first convergence concerns negotiations among members, as well as their sequencing, in order to achieve progressive, development-friendly convergence of their trade regimes.

- Convergence of non-multilateral trade regimes with the multilateral trading systems: this second convergence relates to the gradual alignment of different trade regimes, in particular preferential trade agreements and the multilateral trading system.

- Convergence between trade and domestic policies: this third convergence requires deeper coherence between trade and other domestic policies, such as education, skills and innovation.

- Convergence between trade and public policy non-tariff measures: this fourth convergence requires greater coherence between trade rules and policies, norms and standards in other areas of international co-operation.

In all these endeavours the WTO must seek out complementary and mutually supporting initiatives, including in cooperation with other international agencies and non-governmental actors.

ANNEX: BIOGRAPHIES OF THE PANELLISTS

Talal ABU-GHAZALEH

Chairman and Founder, Talal Abu-Ghazaleh Overseas Corporation, Jordan

HE Dr. Talal Abu-Ghazaleh, born on April 22, 1938 in Jaffa, is the Chairman and Founder of Talal Abu-Ghazaleh Organization (TAG-Org). Founded in 1972, TAG-Org is an international professional services group, which operates out of its 73 offices in the Middle East, North Africa, Pakistan, India, Cyprus and China. It has representative offices in Europe and North America and non-exclusive strategic alliance agreements with various networks and individual firms, thus enabling it to choose a firm best suited to its clients' needs in virtually every country in the world.

It currently offers a composite range of professional services covering: Accounting, External Audit, Internal Audit, Corporate Governance, Taxation, Educational Consultancy, Economic and Strategic studies, Management Advisory Services, Professional and Technical Training, Technology Transfer Project Management, Real Estate Management, Investors and Business Advisory Services, Human Resources and Recruitment Services, E-Government, E-Commerce, E-Education, IT and Security Audit, Webmastering and Web Design, Professional Interpretation and Translation, Website Arabization, Domain Names Registration, ICT Strategic Planning, ERP Consulting Services, IT and Internet Skills Training and Examinations; Intellectual Property News Agency, IP Business and Asset Valuation and Branding Services, IP Registration and Protection, Intellectual Property Renewals, IPR Protection and Management, Legal Services (Solicitors and Attorneys), and Public Offering.

Sharan BURROW

Secretary-General, International Trade Union Confederation

Sharan Burrow was elected General Secretary of the ITUC at its Second World Congress in Vancouver, June 2010. Prior to this, she held the position of ITUC President since its Founding Congress in Vienna (November 2006) and the position of ICFTU President since its 18th World Congress in Miyazaki (November 2004). She is the first woman to have hald any of these positions.

Sharan was born in 1954 in Warren, a small town in western NSW, into a family with a long history of involvement in unions and the struggle to improve the lives of working people.

Her great, great grandfather participated in the shearers' strike of 1891/92, becoming one of the first organisers for the Australian Workers' Union and standing for the state seat of Cobar for the fledgling Australian Labor Party in 1896.

Sharan studied teaching at the University of NSW in 1976 and began her teaching career in high schools around country NSW.

She became an organiser for the NSW Teachers' Federation, based in Bathurst, and was President of the Bathurst Trades and Labour Council during the 1980s. Sharan was elected Senior Vice-President of the NSW Teachers' Federation and became President of the Australian Education Union (AEU) in 1992. She represented the AEU on the ACTU Executive through the 1990s.

Sharan was previously Vice-President of Education International from 1995 to 2000. Education International is the international organisation of education unions representing 24 million members worldwide.

In May 2000, Sharan Burrow became the second woman to be elected President of the Australian Council of Trade Unions (ACTU).

In October 2000, Sharan also became the first woman to be elected President of the International Confederation of Free Trade Unions Asia Pacific Region Organisation.

She has also served as a member of the Governing Body of the International Labour Organisation and a member of the Stakeholder Council of the Global Reporting Initiative. As part of her ILO responsibilities, Sharan chaired the Workers' Group of the Sub-Committee on Multinational Enterprises.

Helen CLARK

Administrator, United Nations Development Programme

Helen Clark became the Administrator of the United Nations Development Programme on 17 April 2009, and is the first woman to lead the organization. She is also the Chair of the United Nations Development Group, a committee consisting of the heads of all UN funds, programmes and departments working on development issues.

Prior to her appointment with UNDP, Helen Clark served for nine years as Prime Minister of New Zealand, serving three successive terms from 1999 - 2008. Throughout her tenure as Prime Minister, Helen Clark engaged widely in policy development and advocacy across the international, economic, social and cultural spheres. Under her leadership, New Zealand achieved significant economic growth, low levels of unemployment, and high levels of investment in education and health, and in the well-being of families and older citizens. She and her government prioritized reconciliation and the settlement of historical grievances with New Zealand's indigenous people and the development of an inclusive multicultural and multi-faith society.

Helen Clark advocated strongly for New Zealand's comprehensive programme on sustainability and for tackling the problems of climate change. Her objectives have been to establish New Zealand as being among the world's leading nations in dealing with these challenges. Helen Clark was also an active leader of her country's foreign relations and policies, engaging in a wide range of international issues. As Prime Minister, Helen Clark was a member of the Council of Women World Leaders, an international network of current and former women presidents and prime ministers whose mission is to mobilize the highest-level women leaders globally for collective action on issues of critical importance to women and equitable development.

Helen Clark held ministerial responsibility during her nine years as Prime Minister for New Zealand's intelligence agencies and for the portfolio of arts, culture and heritage. She has seen the promotion of this latter portfolio as important in expressing the unique identity of her nation in a positive way.

Helen Clark came to the role of Prime Minister after an extensive parliamentary and ministerial career. First elected to Parliament in 1981, Helen Clark was re-elected to her multicultural Auckland constituency for the tenth time in November 2008. Earlier in her career, she chaired Parliament's Foreign Affairs Committee.

Between 1987 and 1990, she was a Minister responsible for first, the portfolios of Conservation and Housing, and then Health and Labour. She was Deputy Prime Minister between August 1989 and November 1990. From that date until December 1993 she served as Deputy Leader of the Opposition, and then as Leader of the Opposition until winning the election in November 1999.

Prior to entering the New Zealand Parliament, Helen Clark taught in the Political Studies Department of the University of Auckland. She graduated with a BA in 1971 and an MA with First Class Honours in 1974. She is married to Peter Davis, a Professor at Auckland University.

Frederico Fleury CURADO

President and CEO, Embraer S.A, Brazil

Frederico Fleury Curado has been President and Chief Executive Office of Embraer S.A. since April 2007. Embraer is the world's largest manufacturer of commercial jets of up to 120 seats and one of Brazil's leading exporters.

Mr. Curado began his career in 1984 as a manufacturing engineer at Pratt & Whitney Canada, working on behalf of Embraer. In February 1995, he became an executive officer of the Company, initially in the capacity of Executive Vice President for Planning and Organizational Development, and then as Executive Vice-President for the Airline Market, a position he held from 1998 until his appointment as CEO.

Mr. Curado has been awarded the Medal for Aeronautical Merit by the Brazilian Government and the Medal for Merit by the Brazilian Association of Military Engineering.

Born in 1961, in Rio de Janeiro, he earned a degree in Mechanical Aeronautical Engineering from ITA — Instituto Tecnológico de Aeronáutica and a M.B.A. from the University of São Paulo.

Thomas J. DONOHUE

President and CEO, US Chamber of Commerce

Thomas J. Donohue is president and CEO of the U.S. Chamber of Commerce. Since assuming his position in 1997, Donohue has built the Chamber into a lobbying and political powerhouse with expanded influence across the globe.

Donohue has aggressively advanced a competitiveness agenda that includes doubling U.S. exports in five years, strengthening capital markets, forging a national energy strategy, reforming health care and education, and protecting intellectual property rights. In addition, Donohue spearheaded the creation of the American Free Enterprise. Dream Big. campaign, a positive, long-term program to defend, protect, and advance a free enterprise system based on individual initiative, hard work, and personal responsibility—operating with free trade, free capital markets, and reasonable taxes and regulations.

During Donohue's tenure, the Chamber's lobbyists, policy experts, and communicators have helped secure many legislative victories, including major tax cuts, more sensible workplace and environmental regulations, and increased funding for transportation. On the international front, the Chamber has become a leader in knocking down trade barriers, winning new free and fair trade agreements, and fighting isolationism at home and abroad.

Under Donohue's leadership, the Chamber has emerged as a major political force by educating the public about the business records of congressional candidates and generating voter enthusiasm through the Chamber's powerful grassroots program.

Donohue established the U.S. Chamber Institute for Legal Reform, which has won significant legal reforms in the courts, at the state and federal levels, and in elections for state attorneys general and Supreme Court judges.

The National Chamber Litigation Center, the Chamber's law firm, has become more aggressive in challenging anti-business measures in court. In 2010, NCLC filed as a party or intervenor in 17 cases and 90 times as a friend of the court. The National Chamber Foundation, the Chamber's public policy think tank, drives the policy debate on key topics and provides a forum where leaders advance cutting-edge issues facing the U.S. business community.

Donohue has also launched a number of multimillion-dollar initiatives around several key issues, including a national energy strategy, stronger capital markets, and protection of intellectual property.

Previously, Donohue served for 13 years as president and chief executive officer of the American Trucking Associations, the national organization of the trucking industry.

Donohue serves on two corporate boards of directors — Union Pacific Corporation and Sunrise Senior Living Corporation. He is president of the Center for International Private Enterprise, a program of the National Endowment for Democracy dedicated to the development of market-oriented institutions around the world.

Born in New York City in 1938, Donohue earned a bachelor's degree from St. John's University and a master's degree in business administration from Adelphi University. He holds honorary doctorate degrees from Adelphi, St. John's, and Marymount universities. Donohue and his wife, Liz, live in Potomac, Maryland. They have three sons and five grandchildren.

Yoshiaki FUJIMORI

President and CEO, LIXIL Group Corporation and LIXIL Corporation, Japan

Mr. Fujimori became President and CEO of JS Group Corporation (now LIXIL Group Corporation) in August 2011. LIXIL Group is a leading company of housing and building material company operating globally with $20 Billion in revenue. Major overseas subsidiaries include Permasteelisa S.p.A and American Standard Asia Pacific.

Mr. Fujimori also serves as the Non-Executive Member of the Board of Directors of Tokyo Electric Power Company, Incorporated. He is a Vice Chairman of Keizai Doyukai and leads the Committee on the promotion of EPAs/FTAs.

Prior to joining the LIXIL Group, Mr. Fujimori worked for 25 years at GE where he was Senior Vice President and member of the Corporate Executive Council. He served as president and CEO of various business divisions including Medical Systems Asia and GE Plastics, GE Capital Asia and Chairman of GE Japan. Prior to joining GE he worked for Nissho Iwai Corporation (now Sojitz) for 10 years.

He holds a bachelor degree in Petroleum Engineering from University of Tokyo and an MBA from Carnegie Mellon Graduate School of Business.

Victor K. FUNG

Chairman of Fung Global Institute, Hong Kong, China
Honorary Chairman of the International Chamber of Commerce

Dr Victor K Fung is the Group Chairman of the Li & Fung group of companies, which comprises major subsidiaries in Trading, Logistics, Distribution and Retailing, including publicly listed Li & Fung Limited, Convenience Retail Asia Limited and Trinity Limited. He also is the Founding Chairman of the Fung Global Institute, an independent and non-profit think-tank that generates and disseminates innovative thinking and business-relevant research on global issues from Asian perspectives.

Dr Fung holds a number of civic and professional appointments. He is a member of the Chinese People's Political Consultative Conference and a vice chairman of China Centre for International Economic Exchanges of the People's Republic of China. He is Chairman of the Greater Pearl River Delta Business Council. He is also a member of the Commission on Strategic Development of the Hong Kong Government. From 1991 to 2000, Dr Fung was

Chairman of the Hong Kong Trade Development Council, from 1996 to 2003, he was the Hong Kong representative on the APEC Business Advisory Council, from 1999 to 2008, Chairman of the Airport Authority Hong Kong and from 2001 to 2009, Chairman of the Council of The University of Hong Kong.

Dr Fung is Honorary Chairman of International Chamber of Commerce headquartered in Paris, Chairman of Asia Advisory Board of Prudential Financial, Inc (USA). He is a member of the WTO Panel on Defining the Future of Trade. He also is an independent non-executive Director of Baosteel Group Corporation and China Petrochemical Corporation (People's Republic of China), Bank of China (Hong Kong) Limited, Chow Tai Fook Jewellery Group Limited (Hong Kong) and Koc Holding A. S. (Turkey).

Born and raised in Hong Kong, Dr Fung holds Bachelor and Master Degrees in Electrical Engineering from Massachusetts Institute of Technology and a Doctorate in Business Economics from Harvard University. He also taught as a professor at Harvard Business School for four years before returning to Hong Kong in 1976. Dr Fung is married with three children.

Pradeep Singh MEHTA

Secretary-General, CUTS International, India

Pradeep S Mehta (64) is the founder secretary general of the Jaipur-based Consumer Unity & Trust Society (CUTS International), one of the largest consumer groups in India, with offices in London, Lusaka, Nairobi, Hanoi and Geneva. Established in 1983/84, CUTS International has now completed 30 glorious years. Mehta studied at The Scindia School, Gwalior (higher secondary), St Xavier's College at Calcutta (B. Com) University and law at the Rajasthan University, Jaipur.

Mehta serves/has served on several policy making bodies of the Government of India, related to trade, environment and consumer affairs, including the National Advisory Committee on International Trade of the Ministry of Commerce and its working groups. He chairs the Advisory Board of the South Asia Network on Trade, Economics and Environment, Kathmandu.

Mehta also serves on the advisory boards of Centre Advisory & Review Group of the Research Centre on Regulation and Competition, Institute for Development Policy and Management, Manchester University, UK; Institute for Consumer Antitrust, Loyola College, Chicago, USA; Brains Trust of the Evian Group, Lausanne; the OECD's Advisory Committee for Investment in Africa, OECD, Paris; Advisory Committee of the Central Electricity Regulatory Commission, New Delhi.

In the past, Mehta has been an NGO Adviser to the Director General, WTO, Geneva, besides serving on the governing boards of the Life Insurance Corporation of India, Mumbai; the International Centre for Trade & Sustainable Development, Geneva and the Consumer Coordination Council, New Delhi.

A prolific writer, gifted speaker, skilled trainer and organiser in the social science field, Mehta has been named as one of the 30 most famous columnists in India by a leading newspaper in

India. Over 1100 articles of Mehta have been published in several newspapers and magazines on issues relating to consumerism, competition policy, and trade & economics.

He has written and/or edited several books and monographs such as: Towards a Functional Competition Policy for India; Competition Regimes around the World; WTO and India: An Agenda for Action in Post Doha Scenario; Analyses of the Interaction between Trade and Competition Policy; Multilateralisation of Sovereignty; How to survive as a consumer; Numbers, at what cost.

Festus Gontebanye MOGAE

Former President, Botswana

H.E. Mr. Festus Mogae served as the third President of the Republic of Botswana from 31st March 1998 until his tenure of office ended on 31st March 2008.

Born on 21st August, 1939 at Serowe in the Central District of Botswana, he trained as an Economist at the Universities of Oxford and Sussex in the United Kingdom.

Mr. Mogae started his career in the public service in Botswana as Planning Officer in 1968 and progressed to become Director of Economic Affairs, and then Permanent Secretary, Ministry of Finance and Development Planning. He became Alternate Governor for Botswana at the International Monetary Fund, African Development Bank and the International Bank for Reconstruction and Development from 1971 to 1976. During this period, he served on the boards of various Parastatals as: Member of the Board for Water Utilities, Botswana Housing Corporation, Botswana Meat Commission, Botswana Meat Commission (United Kingdom) Holdings, ECCO Cold Stores Limited and Allied Meat Importers Limited. He was also Director, then later Chairman, Botswana Development Corporation, Representative of the Commonwealth Fund for Technical Cooperation, Director of the De Beers Botswana Mining Company (Pty) Limited (Diamond Mining Company), Botswana RST Limited, Bangwato Concessions Limited (BCL) and Bank of Botswana.

Mr. Mogae also served in Washington, DC as Alternate and Executive Director, International Monetary Fund for Anglophone Africa from 1976 to 1980 before he came home to take up the position of Governor of the Bank of Botswana, after which he served as Permanent Secretary to the President, Secretary to the Cabinet and Supervisor of Elections. He was appointed Minister of Finance and Development Planning in 1989 and became Vice President in 1992, until 31st March, 1998 when he became the third President of the Republic of Botswana.

He was Chairman of Southern African Development Community (SADC) Council of Ministers from 1992 until 1996. By virtue of his position as Vice President, he was also Leader of the House for Botswana National Assembly. In 1994, he contested in the general elections and won a seat for the Palapye Constituency. He was also Member of the Commonwealth Parliamentary Association, Member of the Parliamentarians for Global Action based in New York and the Global Coalition for Africa based in Washington D.C.

His Excellency was Governor for Botswana for the International Bank for Reconstruction and Development, Member of the Joint Development Committee of the World Bank and the International Monetary Fund on the transfer of real resources to developing countries, Washington DC from 1989 to 1990.

He was also involved in community oriented organisations which include Kalahari Conservation Society, Botswana Society (Research Organisation) of which he is President, Lions Club of Palapye, President of the Botswana Society for the Deaf as well as being Patron of the Junior Achievement Botswana. He is also Chairman of the National AIDS Council (launched 30 March 2000).

In 1989, Mr. Mogae was awarded the Presidential Order of Honour of Botswana followed in 2003 with the award of the highest honour of the Republic of Botswana, Naledi Ya Botswana — Gaborone. He holds numerous other honours and awards at the local, regional and international levels.

His Excellency Mr. Mogae is married with three daughters and a grand-daughter.

Josette SHEERAN

Vice Chairman, World Economic Forum

Josette Sheeran is Vice-Chairman of the World Economic Forum. She previously served as Executive Director of the United Nations World Food Programme (2007) and Chair of the UN High-Level Committee on Management. She serves on several boards including Mars Global Advisors, the Center for Strategic and International Studies Development Council and the US State Department's International Council on Women's Business Leadership Committee on access to markets. She was Under-Secretary for Economic, Energy and Agricultural Affairs at the US Department of State responsible for economic issues including development, trade, agriculture, finance, energy, telecommunications and transportation. In 2006 she was appointed to the High-level UN Panel on System-wide Coherence in the areas of development, humanitarian assistance and the environment. Ms Sheeran also served as Deputy US Trade Representative responsible for trade negotiations in Asia and Africa. She was Managing Director of Starpoint Solutions and was also President and CEO or Empower America. She is a member of the Council on Foreign Relations and was on its Washington advisory board and has served on a number of other boards, including the Washington board of the Urban League and the United Negro College Fund. Ms Sheeran has a BA from the University of Colorado.

Jürgen R. THUMANN

President, BUSINESSEUROPE

Jürgen R. Thumann is President of BUSINESSEUROPE. With 41 member organizations from 35 European countries BUSINESSEUROPE represents the interests of more than 20 million European companies towards Euorpean and international instituions. Since 2008 he is also Co-Chair of the Transatlantic Business Dialogue (TABD), the official dialogue between American and European business leaders and the U.S. and EU government.

Thumann is a born entrepreneur. At the age of 19, he took over the management of the family business. Later he founded Heitkamp & Thumann Group which today comprises 21 companies with a total of about 2000 employees. The company is world market leader for the supply of metal and plastic components for specialized markets within the pharmaceutical, automotive and consumer battery industry. In 1998 he resigned from an active managing role and became Chairman of the Advisory Board.

George YEO

Former Foreign Minister, Singapore
Vice Chairman of Kerry Group Limited, Hong Kong, China

George Yeo joined Kerry Group on 1 January 2012 as Vice Chairman. From September 1988 to May 2011, he served 23 years in Government, and was Minister for Information and the Arts, Health, Trade & Industry, Foreign Affairs till his defeat in the May 2011 General Election.

George Yeo studied Engineering at Cambridge University on a President's Scholarship, graduating with a Double First in 1976, and became a Signals Officer in the Singapore Armed Forces. After graduating from the Singapore Command and Staff College in 1979, he was posted to the Republic of Singapore Air Force. He graduated with an MBA (Baker Scholar) from the Harvard Business School in1985. He was appointed Chief-of-Staff of the Air Staff (1985-1986) and Director of Joint Operations and Planning in the Defence Ministry (1986-1988), attaining the rank of Brigadier-General.

George Yeo chairs the International Advisory Panel of the Nalanda University Governing Board. He is a member of the Foundation Board of the World Economic Forum, the Nicolas Berggruen Institute's 21st Century Council, the Asia-Pacific Advisory Board of Harvard Business School and the International Advisory Board of IESE Business School.

He is Patron of LASALLE College of the Arts and Advisor to the Sun Yat-Sen Nanyang Memorial Hall.

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