

Adapting the International Trade Regime to New Challenges

Carlos Pérez del Castillo

After listening to Minister Tim Groser today, and Pascal Lamy last night, I do not think that the contribution I had prepared for this session could add much to the debate. I share a great deal of the concepts and ideas they have advanced and will therefore refrain from repeating them here.

I will therefore limit my intervention to only two aspects of the challenges we face, which need perhaps further development.

First, I will address what I see as the problem of the fragmentation of global governance. Secondly, I will contribute some further thoughts about the relationship of climate change and the WTO.

On the first subject, I think we all agree that the world is facing a number of very critical global challenges that require global solutions. Climate change is certainly one of the most pressing challenges of our times. But it is not the only one. We can add to the list issues such as: global recession and poverty; sustainable world food security; fisheries depletion; energy crisis and non compliance with the agreed Millennium Development goals. And the list is far from exhaustive. We have also seen that many of these problems are interdependent.

In a world in which political, social, economic and environmental instabilities and their impact are interlinked, we cannot continue to depend for viable solutions on an international institutional framework created more than fifty years ago, with different organizations doing their individual job in isolation from each other. This is even more so when we consider that the relevance and credibility of at least some of these organizations is seriously questioned today.

The current international institutional framework was shaped following the experience at the time, with national governance carried out through specific Ministries. Thus the GATT/WTO was supposed to deal with issues and problems dealing with international trade ; ILO with employment; WHO with health; FAO with agriculture; UNIDO with industrial matters; UNEP with environment and the Bretton Woods institutions with monetary, financial and development issues. Very simple. Very neat.

However, if this fragmentation of global economic governance ever made sense, it certainly does not make any more.

In an interdependent globalized world none of these institutions can, **on their own**, bring sustainable solutions to the type of challenges we are confronting today. If we persist in addressing these different challenges separately, we also run the risk of reducing the chances of success.

In theory, our best option would be to design a new international architecture in accordance with the present challenges and realities. If we succeeded, it would certainly

look very different from the existing one. However in the world we live today this is not politically feasible. Engaging in this direction would be an impossible task and would furthermore divert our attention from the serious challenges we face that need urgent attention. So, realistically speaking, we have to aim for the best available option, and that is to bring those existing competent organizations into a better and more coherent relationship, consultation, coordination and cooperative planning.

The international community needs first to define and agree upon a Plan of Action to tackle these challenges and problems. Secondly, to select which multilateral organization will be given the major responsibility to implement and monitor the Plan of Action and to ensure it is given the mandate, resources and powers to carry them efficiently. Once this is agreed, it needs to define the complementary roles and responsibilities that each and every remaining international institution with competences on the subject should play in the implementation of the Action Plan., and ensure coherence and coordination in their respective actions.

Having said that, let's turn now to the meaning of this approach for the relation between climate change and the WTO.

Climate change is a very important issue that faces us with a number of implications. These may be of a political, economic, social, cultural, scientific and technological nature. Among those, no one will deny that there are trade implications related to climate change that will have to be addressed.

However, this recognition has led some countries to advocate that in the light of the current paralysis in the WTO trade negotiations, the Doha negotiating agenda should be reopened and broadened to address the critical issues of our time, including policies to counter global climate change.

This is a matter of concern for two reasons.

Firstly, it is the role of the UNFCCC, not the WTO, to establish a new international regime to address climate change issues. The Copenhagen meeting may result in new and ambitious targets for reducing greenhouse emissions, and as a result may commit developed and perhaps developing countries also, to common but "differentiated responsibilities" and actions to that effect. But while this is a possibility, these results may also be delayed or not happen at all. It may also well be that the results that finally emerge from this process are of a completely different nature than those that are envisaged today.

So wisdom would advise not to put the cart before the horse, and wait for results in the competent forum before intending to open a parallel negotiating front regarding climate change in the WTO. Do we know if the existing WTO provisions are adequate? Whether they need amendments or adjustments? And if so, in what direction?

In the absence of an internationally agreed regime to address climate change issues, governments may for a number of reasons -including a fear of leakage of production and jobs to firms located in foreign countries or for losing competitiveness as a result of new legislation regarding carbon emission – resort to unilateral action which originates trade conflicts among WTO Members .

To that effect, two considerations:

First, at the broadest level, an open trading system is perhaps the best guarantee against severe disruption in economic activity as a result of climate change.

Secondly, we feel that the WTO is currently sufficiently equipped in terms of provisions to deal with these issues if they arise, and I will not go into details, but we have Article XX, and the Agreements dealing with Agriculture, Subsidies and TBT, among others....

I feel that time has come to recognize that the WTO cannot deal with everything. It is not in its long term interest. Intellectual Property was brought to the WTO during the Uruguay Round because of the binding nature of its commitments and the links with Dispute Settlement. Another reason was that WIPO had no teeth and power to enforce any decision made by members. Unsuccessful attempts were subsequently made to introduce into the WTO agenda, labour standards and environmental issues. Today, as already mentioned, there are voices pushing for the incorporation of climate change, and I would not be surprised if in the near future some will suggest the incorporation of human right issues into the WTO agenda.

The insertion of new environmental standards related to climate change in WTO rules with the principal intention of linking them to the organization's binding Dispute Settlement mechanism, is my second source of concern. Measures to combat climate change should not constitute a means of arbitrary or unjustified discrimination or a disguised restriction to international trade.

Climate change trade implications will need to be addressed and tackled by the WTO. But this does not mean that the WTO is the organization with the best competences and capacity to deal with the subject of climate change at large, in its broadest sense.

What is needed therefore is that whatever actions the WTO undertakes in the area of climate change, they be in line with the global Plan of Action agreed by the international community to deal with this challenge and complementary to measures taken elsewhere.

In other words, what are finally needed are stronger and more inclusive forms of multilateralism for coordinating global responses to global challenges.