



THE CONFERENCE REPORT ON THE WARWICK COMMISSION

THE MULTILATERAL TRADE REGIME: WHICH WAY FORWARD

4 April 2008 ||
Singapore ||



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INTERNATIONAL POLITICAL ECONOMY PROGRAMME
S. RAJARATNAM SCHOOL OF INTERNATIONAL STUDIES,
NANYANG TECHNOLOGICAL UNIVERSITY

WELCOME REMARKS



Panel of speakers

Ambassador See Chak Mun extended a warm welcome to all participants and thanked them for their presence. The Ambassador noted that the Warwick Commission has put up an interesting report that correctly identifies the challenges faced by the multilateral trade regime, and made important recommendations on the way forward. He cautioned that the challenge lay in convincing policymakers to shed their pre-conceived

beliefs about multilateral trade negotiations and heed the Commission's recommendations. He remarked that the roundtable would serve as a good opportunity for debate and policymakers could benefit from the Commission's recommendations.

Professor Richard Higgott of the Warwick Commission began by explaining the Commission's intentions behind the project. The Commission had sought to bring together a varied generation of scholars and practitioners who would identify the systemic problems faced by the multilateral trade regime. He remarked that the proposed recommendations could advance the multilateral trade system in the twenty-first century if the recommendations were placed on the World Trade Organization (WTO) discussion agenda. He looked forward to the interesting presentations and discussion, and encouraged critical participation and constructive comments from the audience.

KEYNOTE ADDRESS



*Mr Lee Yi Shyan
Minister of State for Trade and Industry, Singapore*

Minister of State (Trade and Industry) Lee Yi Shyan noted that the financial world is being increasingly inter-connected and the level of market confidence is affected by investor sentiments around the world. He observed that the sub-prime crisis in the United States has had reverberating effects globally and caused large banks to suffer billions of dollars in losses. The negative impact is also felt by fast-growing economies China and India, which have been forecasted to grow at 10 and eight percent respectively this year.

What role does trade liberalization play against this backdrop? It is important to remember that the WTO had served as the foundation of these emerging economies. Without the WTO and a fair system of

trade, the world would lack stability, as shown by the expansionist ambitions that led to the First and the Second World Wars. A global multilateral trade regime is the only guarantor of equitable world trade. Although countries do not benefit equally from multilateral world trade, the system has been beneficial to all.

In moving forward, changes should be made to improve the current multilateral trade regime. In this regard, the Warwick Commission has identified five pertinent problems that need to be addressed: (i) the growing opposition from industrialized countries for further trade liberalization; (ii) insufficient engagement from large economies; (iii) the lack of defined boundaries and broad agreement on WTO functions and objectives; (iv) a pressing need to ensure that the WTO's weakest members benefit from trade agreements; and (v) the need to foster greater transparency and non-discrimination in preferential trade agreements.

In order to address these challenges, developing countries must open up their economies, and countries ought to put in place adequate safety nets and ensure that people are able to face the challenges of an open economy. In closing, the Minister reiterated that the establishment of a multilateral trade regime is critical for the global economy and a robust rules-based trading system is the best way towards world order.

SESSION I

The WTO After Doha: Prospects for Institutional Reform

The reach and content of WTO regulations have been among the most contentious issues of the multilateral trade regime. The negotiating and rule-making objectives would determine how the institution serves the interest of all members. One of the main challenges lies in shaping the agenda in a way that secures the interests of members and ensures the commitment of all parties. The panellists were invited to discuss institutional reforms that would be necessary for the WTO to remain relevant in the future.

Redefine the Agenda and Improve Transparency



*Dr Patrick Low
Chief Economist, World Trade Organisation*

Patrick Low, Chief Economist of the WTO and member of the Warwick Commission, noted that labour and environment issues have come to the forefront and

impeded trade negotiations, created competition and strained relationships between countries. Although the WTO has a voting system in place, its members have relied on a consensus-based decision-making process. Further, the development of special preferential treatment has challenged the effectiveness of consensus-based decision making. Hence, the focus of reform should be on decision making and, more specifically, on enhancing transparency in the process. The panellist said the Commission proposed a critical mass approach towards agenda setting. Members of the WTO would need to relate to the concerns of developing countries, address issues of economic welfare and ensure there is no discrimination in the process of critical mass decision. In doing so, the weaker members would become a part of critical mass decision making and the institution would become more relevant to a larger group of people.

Impediments to Reform



*Ambassador See Chak Mun
Adjunct Senior Fellow RSIS, NTU*

Ambassador See Chak Mun, former Lead Trade Negotiator for Singapore, remarked that the inclusion of non-trade issues have caused developing countries to regard these issues as protectionist measures, or as bargaining chips of developed countries during negotiations. Further, the pressures of climate change and the increasing use of export controls as a way of dealing with product shortages could also challenge the pace of institutional reform. Regarding decision-making reforms, he noted that there is almost invariably a trade-off between transparency and efficiency. If a voting system were implemented, he cautioned that the WTO could become divided along geographical lines and key countries could still continue to engage in private negotiations.

A participant suggested that the Commission could study the voting systems of other multilateral institutions and consider a renewal of the system for the WTO. In response, a panellist explained that the Commission had done so and found a voting system to be unfeasible as a one-member-one-vote system would never be accepted by key members with large economies. Instead of trying to resolve the “green room” problem through a voting system, it might be advisable to work around it.

Overall Decline in Support for World Trade

Besides the direct challenges of institutional reform, the participants highlighted the declining support for world trade, particularly in the United States, and the problem of electoral and political posturing. A panellist said that governments needed to “own” the WTO and not attempt to “disown” the institution according to their political agenda. However, it was also noted that governments are unlikely to defy the wishes of their electorate and risk losing electoral support. Another panellist remarked that poor distribution of benefits from globalization is the cause of declining support for world trade. Apart from the United States, countries such as Germany have grown increasingly worried about competition from emerging economies, while voters of the OECD countries have shown unhappiness at the growing income gap. Although these problems can be attributed to the financial sector, public perception of trade and trade liberalization has been negatively affected, and the OECD countries have had to justify trade decisions to their electorate.

SESSION II

Preferentialism in Global Trade: Can We Multilateralize Regionalism?

The proliferation of preferential trade agreements (PTAs) over the past decade has raised trade costs and questions over the quality of trade relations. As a result of growing frustration over the slow pace of decision making in the WTO, policymakers have turned towards bilateral and regional preferential agreements. However, such agreements have also raised issues of stability, fairness, opportunity and coherence. The Commission was hopeful that the PTAs could incorporate the established principles of multilateral trade. The panellists were asked to consider the compatibility of the multilateral trade regime with regionalism.

Threat of Bilateral Agreements



*Dr Heribert Dieter
Adjunct Professor, Free University of Berlin*

Heribert Dieter, Senior Fellow, Free University of Berlin and member of the Warwick Commission, discussed the erosion of core principles of the WTO in bilateral agreements and the disadvantages of such agreements. The post-war trade regime's core principles of non-discrimination and most-favoured-nation treatment have not been adhered to in PTAs. Although Article 24 of the GATT treaty allows for bilateral trade

agreements as an exception to the rule, the proliferation of bilateral agreements suggests that this has become the norm. PTAs however, bring with them several disadvantages. Economically, PTAs are less efficient in liberalizing trade as compared to multilateral liberalization, and PTAs are also accompanied by complex administration and implementation problems. Politically, PTAs have contributed to political tension among member countries as it involves the discrimination of third parties, bypassing of dispute settlement mechanisms and greater competition among the United States, China and the European Union. As a result, the world trade regime has suffered from reduced support and media coverage, and the Doha Round has remained at a standstill.

Improve Regulation on PTAs

In order to advance the principles of non-discrimination and transparency in international trade, the panellist suggested strengthening PTA regulations. First, the disciplines and procedures of PTAs should be clarified and improved. For example, the WTO should define substantially the WTO provisions on regional trade agreements (RTAs) and harmonize the rules of origin. Second, major industrialized economies and major developing countries should refrain from establishing PTAs among themselves. Third, WTO members should strengthen the Transparency Mechanism for reviewing RTAs. It was also suggested that Article 21 be modified to permit only customs unions while the enabling Clause 979 should be scrapped to end "shallow" agreements between developing countries, and make the WTO the most attractive venue for regulation of international trade.

Need for Stronger Recommendations



*Dr John Ravenhill
Visiting Professor RSIS, NTU
Professor, Research School of Pacific & Asian Studies,
Australian National University*

John Ravenhill, Adjunct Professor, RSIS, and Professor, Australian National University, spoke about the need for stronger recommendations that extend beyond those detailed in the Commission's report. Although the Commission had correctly identified the challenges and problems, and provided succinct explanations for the proliferation of PTAs, the report tended to err on the side of caution and lacked strong recommendations. For instance, according to Ravenhill, the private sector has deemed the benefits of PTAs, such as the ASEAN Free Trade Agreement, insufficient to offset the high cost of paperwork. However, this was not put forth in the Commission's report. Likewise, he noted that the arguments in the report on the rules of origins fell short of other developmental debates, and cautioned that the proliferation of PTAs could set off a domino effect where private sectors could lobby governments to defend their interests. He was also critical of the fact that while the report proposed that members "consider" a surveillance mechanism for PTAs, it did not advocate its adoption.

In response to Ravenhill's comments, a member of the Commission pointed out that the panel had not been able to agree on whether PTAs were beneficial. Hence, governments, instead of the WTO dispute

settlement mechanism bodies, would be better placed to reflect on these issues. The participants also had divided opinions on the benefits of PTAs. One participant remarked that it is inevitable that governments seek alternatives to multilateral trade due to agricultural protection in industrialized countries and the effects of globalization. He argued that PTAs could help countries to open up gradually and ease their entry into larger multilateral trade agreements. Another participant was in agreement and added that instead of finding ways to hasten the progress of multilateral trade agreements, the recommendations in the report seemed to only address the symptoms of the problem.

In addressing these comments, a panellist clarified that the crux of the problem lies in the proliferation of bilateral agreements rather than regional PTAs. He explained that the larger regional PTAs could be transported to the global level whereas an abundance of bilateral agreements would only increase the complexity of the agreements and impede multilateral trade. On the lack of progress in WTO negotiations and its impact on trade regulations, it was pointed out that the two are separate matters and slow progress should not be associated with a lack of regulations because the WTO has clearly established some vital trade regulations.

Improve Dispute Settlement with the Rule of Law

Participants who were well-verse in law suggested implementing the rule of law in dispute settlement mechanism bodies (DSM), and allow the DSM to provide definitions for the provisions under Article 24. It was noted that the WTO could improve efficiency by establishing a Common Law system and by standardizing WTO rules on trade and multilateral trade procedures. However, others noted that the strict rule of law might raise problems of political economy, as governments would be unlikely to accept the regulations imposed on them by the DSM.

SESSION III

Roundtable Discussion: Competing Futures for the World Trade System

Vision Versus Reality



*Professor Richard Higgott
Pro Vice Chancellor, Professor of Politics and International Studies,
University of Warwick*

Richard Higgott, Professor, University of Warwick, addressed the germane comments that were raised by the participants. On Ravenhill's comments that the Commission's recommendations were weak, he noted that the recommendations had to temper vision with reality. As the Commission had gathered people of varied backgrounds and experiences to contribute to the report, a range of differences would inevitably manifest in the recommendations. Further, the Commission recognized that the recommendations were targeted at policymakers and governments rather than academics. Hence, the Commission had tried to put up a list of generic and nuanced recommendations that would more likely be included in the WTO discussion processes. He said the Commission could not make recommendations to politicians but it could try to absorb them through the issues raised in the report. Hence, the Commission suggested a period of reflection in the WTO as an opportunity to discuss the challenges facing the multilateral trading system and to draw up a plan of action to address these challenges.

Practicality of Recommendations



Participants at the Roundtable

Several participants expressed uncertainty over the practical benefits of the Commission's recommendations and the lack of concrete steps to overcome existing challenges. The problems of tedious DSM procedures and delayed justice were also raised by a participant who said the recommendations should have focused on expediting the DSM process. One of the panellists explained that the recommendations should be seen in the overall context of the report, and the suggested integrated framework that reviews the decision-making process and the approach towards preferential treatment. Regarding the WTO's lack of legitimacy as perceived by anti-globalization groups, he said that the Commission rejected the view but it acknowledged that to bring the WTO forward, more must be done for its weaker members.

Role of NGOs

The increasing role of non-governmental organizations (NGOs) in world trade had raised concern among participants who cited a general lack of transparency and accountability in NGOs. It was noted that the wider NGO movement exists due to a lack of trust in governments, and the changing nature of global governance, which is a multi-active phenomenon. Hence, NGOs would continue to gain traction from the media and the public. However, there is a need to distinguish between NGOs as there are NGOs that are supportive of world trade. Although activism might make the deliberative process more complex and difficult, one panellist said that activism should still be welcomed.

Different Developmental Models

The unresolved debate on the effectiveness of different developmental models was raised by several participants. There appeared to be some uncertainty

on the assumption that rapid trade liberalization would benefit countries. While the economies of Hong Kong and Singapore have experienced success with the trade liberalization model, there have also been other models where countries, such as Australia and China, had liberalized more gradually by protecting their industries first before slowly liberalizing their economies. A panellist and member of the Commission acknowledged the issue and agreed that liberalization does not necessarily lead to prosperity. However, he explained that a study on the relationship between liberalization and prosperity was beyond the scope of the Commission, and added that there can be several solutions and policies to economics.

Closing Remarks

In closing, the panel thanked the audience and participants for their comments and also for the opportunity to present the Commission report in Singapore.

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Fullerton Hotel, Singapore

April 4, 2008

Hosted by: S. Rajaratnam School of International Studies (RSIS)
and the University of Warwick

- 1300 -1310 Welcome Remarks
See Chak Mun,
Senior Advisor, Ministry of Foreign Affairs,
Singapore

Richard Higgott,
Pro Vice-Chancellor, University of Warwick
and Director of Studies,
The Warwick Commission
- 1310-1330 Keynote Address
Lee Yi Shyan,
Minister of State for Trade and Industry,
Singapore
- 1330-1345 Tea Break
- 1345-1445 Session I:
The WTO After Doha:
Prospects for Institutional Reform
Patrick Low,
Chief Economist of the World Trade
Organization (WTO) and Member of the
Warwick Commission

See Chak Mun,
Senior Advisor, Ministry of Foreign Affairs,
Singapore
- 1445-1530 Session II:
Preferentialism in Global Trade:
Can We Multilateralize Regionalism?
Heribert Dieter,
Senior Fellow,
Free University of Berlin and
Member of the Warwick Commission

John Ravenhill, Adjunct Professor,
S. Rajaratnam School of International
Studies and Professor,
Australian National University,
Australia.
- 1530-1600 Coffee Break
- 1600-1700 Session III:
Roundtable Discussion:
Competing Futures for the
World Trade System
Richard Higgott,
Pro Vice-Chancellor, University of Warwick
and Director of Studies,
The Warwick Commission

Simon Evenett,
Professor, University of St. Gallen and
Member, Warwick Commission

Deborah Elms,
Assistant Professor,
S. Rajaratnam School of International
Studies, and Head, Temasek Foundation
Centre for Trade and Negotiations.

ABOUT RSIS

The S. Rajaratnam School of International Studies (RSIS) was established in January 2007 as an autonomous School within the Nanyang Technological University. RSIS's mission is to be a leading research and graduate teaching institution in strategic and international affairs in the Asia Pacific. To accomplish this mission, it will:

- Provide a rigorous professional graduate education in international affairs with a strong practical and area emphasis
- Conduct policy-relevant research in national security, defence and strategic studies, diplomacy and international relations
- Collaborate with like-minded schools of international affairs to form a global network of excellence

Graduate Training in International Affairs

RSIS offers an exacting graduate education in international affairs, taught by an international faculty of leading thinkers and practitioners. The teaching programme consists of the Master of Science (MSc) degrees in Strategic Studies, International Relations, International Political Economy, and Asian Studies as well as an MBA in International Studies taught jointly with the Nanyang Business School. The graduate teaching is distinguished by their focus on the Asia Pacific, the professional practice of international affairs, and the cultivation of academic depth. Over 150 students, the majority from abroad, are enrolled with the School. A small and select Ph.D. programme caters to advanced students whose interests match those of specific faculty members.

Research

RSIS research is conducted by five constituent Institutes and Centres: the Institute of Defence and Strategic Studies (IDSS, founded 1996), the International Centre for Political Violence and Terrorism Research (ICPVTR, 2002), the Centre of Excellence for National Security (CENS, 2006), the Centre for Non-Traditional Security Studies (2008); and the Temasek Foundation Centre for Trade and Negotiations (2008). The focus of research is on issues relating to the security and stability of the Asia-Pacific region and their implications for Singapore and other countries in the region. The School has three professorships that bring distinguished scholars and practitioners to teach and to do research at the School. They are the S. Rajaratnam Professorship in Strategic Studies, the Ngee Ann Kongsi Professorship in International Relations, and the NTUC Professorship in International Economic Relations.

International Collaboration

Collaboration with other professional Schools of international affairs to form a global network of excellence is a RSIS priority. RSIS will initiate links with other like-minded schools so as to enrich its research and teaching activities as well as adopt the best practices of successful schools.



S. RAJARATNAM SCHOOL OF INTERNATIONAL STUDIES

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