

Unedited Event Transcript

## **The WTO at 20**

Roberto Azevedo, World Trade Organization

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Gary Hufbauer:

Well, it's my great pleasure this morning to welcome Director General, Roberto Azevêdo to the Peterson Institute, holding a distinguished career, which included an early stint here in Washington at the Brazilian Embassy. He was elected in May 2013 to succeed Pascal Lamy. Ambassador Azevêdo became the ninth director general of the GATT/WTO system in September 2013. As everyone in this room knows, all three of the Bretton Woods Institutions have had troubles during the past decade but none has faced greater troubles than the World Trade Organization.

When Roberto took office, the Doha Round had stumbled for almost 12 years and he faced the immense challenge of rescuing the WTO from irrelevance. The rescue vehicle was to secure approval from about 159 contentious members for the Trade Facilitation Agreement and Roberto was the captain of that rescue, succeeding at the 11<sup>th</sup> hour and the 59<sup>th</sup> minute at the Bali Ministerial in December 2013, just three months after he took office. That was a dramatic moment.

Now, the director general faces at least two new and large challenges. First, he must show skeptics, of which there are many, that the WTO is truly in business by delivering some agreements at the Nairobi Ministerial in December 2013, just a few months away. And second, he must persuade the members of this – now I think it's 161 members – to chart a course for the WTO that ensures its vitality in a world of competing mega-regional pacts and that vitality for the next 20 years. So, director general, the floor is yours. Thank you very much.

Roberto Azevêdo:

Well, thank you very much, Gary, for the kind words. Well, ladies and gentlemen, it is really a great pleasure to be here again in Washington. It's a city that brings me memories of a different moment in my life as well. And I want to thank our friends here at the Peterson Institute for organizing this event. And what I'm

going to say to you at this point in time is just an appetizer I think for the Q&A session. So, take it as that. I don't want to be talking too long about things you don't want to hear. But I think it will be probably food for thought.

So, let me go back a little bit to 1995. At that point in time, 128 governments came together to create a global organization to govern trade. And so we're now 20 years later and, I think, it's a good time, I think, to assess the progress that we have done over these 20 years and to think a little bit about what the future may hold.

The US, of course, has played a very important role throughout the history of the multilateral trading system. And I don't have to tell you that this leadership is going to be critical for the future steps that we have ahead of us. But despite this, often when I hear about the debates about trade here in Washington, the WTO and the multilateral trading system do not have a very high profile as you can imagine. You're more likely to hear about TPP or TTIP or some other initiatives but no, the multilateral system is not quite there and frankly that's no surprise. The WTO has faced big challenges over the last 20 years and some of those have shaken the faith on the system.

So the slow progress of the Doha Round is clearly an obvious background for all those conversations. So people think about that and it discourages talk about the WTO a little bit and there is no denying this. But I will come back to the negotiating function of the WTO in a moment. But it is important that we remember that the WTO is much more than its negotiating function. So, the organization is much broader and, I think, that we should also remember the very significant contribution that the WTO has given to global economic governance.

So, trade is now governed by a very robust organization, institution with much broader scope than in the GATT years and it is backed up by a fully functioning automatic and mandatory dispute settlement system. And as a result, the cause of a liberalized, inclusive rules-based international trade has been advanced quite significantly. And in these two decades, 33 new members joined the WTO including big ones like China and Russia. So, today the WTO covers over 98% of world trade. Now, it is no coincidence that over this period average tariffs have fallen by half. So, the applied tariffs in 1995 averaged around 15%; now they are at about 8%.

Now, trade volumes have also doubled, more than doubled over that period. And in addition to that I think social issues have also come to the fore. The impact of trade policy on people's lives is something, which is always on the minds of the administration in the WTO, clearly on my mind, largely because it can be a very powerful tool to fight poverty globally.

So, the new sustainable development goals, which we are going to be agreeing in New York this week, are a reminder of this and they place a very significant emphasis on the role that trade can play in this regard. And of course the visit of the Pope here in Washington is something that always brings us to debt. His holiness has delivered very important messages on the role of multilateralism, specifically about the WTO in providing an equitable trading system that supports small and poor countries.

Now, I think that the debate at the WTO now puts much more emphasis on these every important issues and of course the voices of the least developed countries and of developing countries in general are much more heard than they ever were before.

It is also worth remembering that much of the day-to-day work of the organization in Geneva goes unseen. But nonetheless that day-to-day routine work is extremely important. It is vital in administering the global trading system and keeping commerce flowing.

On a daily basis the WTO members monitor each other; they monitor each other's practices and regulations and ensure that the agreements are being observed. The regular activities of the WTO commitments and the WTO bodies in general enable members to exchange information, raise concerns and suggest new approaches on a wide range of issues. They deal with all sorts of things of real life.

For example, the use of chemicals in toys or the use of toxins in food, labeling of products, whether they are adequate or not, whether they actually inform the consumer or whether they have a protectionist intent. So there are hundreds of issues, which are raised at the WTO every single year. More than that, we have also our regular monitoring exercise where we look at the practices and the measures, which are adopted in countries to help to improve the transparency of the exercise, of the practices and to avoid protectionism. In this way, I think that this system helped to avoid an outbreak of protectionism right after the crisis and we have actually stepped up this monitoring exercise after that.

Now, our latest report shows that trade protectionism remains of concern to the global economy but there have also been some positive signs, some positive news. For example, in showing that the number of trade liberalizing measures has also been improving.

Now of course, when disagreements happen, and they do in these monitoring activities, the WTO offers a platform for dialogue, which very often results in mutually acceptable understandings. But if those conversations prove to be or those differences prove to be unbridgeable, we offer a dispute settlement mechanism that has a very solid and impressive track record on the international stage.

In just 20 years, we dealt with almost 500 trade disputes, helping members to settle their differences in a very transparent and legal fashion. In just 20 years, we have successfully dealt with approximately more than 90% of those disputes and they have been actually resolved. This is a phenomenal level of demand. It has put pressure on the dispute settlement system because those cases are coming, they keep coming, and they're coming more and more frequently precisely because the system works. It's proof of the success of the system.

Now, the topics also, and this is very important. People only look, the number of disputes, members are using the system, but they don't often look at what we are discussing, what we are looking at when we are handling these disputes. So recent disputes for example, they touch upon issues like trade and renewable energy, policies to discourage tobacco consumption, packaging information for consumers, preservation and management of exhaustible resources and many other issues, which are critical in today's world. Now in this way, just through the dispute settlement arm, we are somehow updating the system. It updates incrementally, but it is continuously being updated.

So, when they also, and this is important that we recognize that the bulk of WTO agreements, they are about 20 years old. We cannot forget that. So, when the members agreed to them in 1995, so about 20 years ago, and on the legal texts themselves, and that goes even before that, that goes before to the GATT years, they provided the world with a kind of a constitution for trade with basic principles, principles like non-discrimination or national treatment and these principles are perennial. They withstand the test of time. They will never go away. And we are perfecting over those principles.

But of course we need to negotiate new rules, especially where you need to improve the clarity in some areas where we have no rules at all. So it is important that we also do that. But our underperformance, I think under the negotiating front, it has become the Achilles' heel of the organization especially as far as public perception is concerned.

So, of course there have been some real negotiating successes under the WTO over the past 20 years. We did negotiate new agreements and improvements in telecommunications, in financial services, in government procurement. In fact, we had a major breakthrough in the expansion of the information technology agreement this July and this is the first tariff cutting deal that we have in the WTO in the 18 years of its existence and it's a big one. It will eliminate tariffs over 200 IT products and trade in those products are worth above \$1.3 trillion per year. So that means that the deal will eliminate tariffs over approximately 7% of global trade. These are incredibly significant numbers.

But we also have delivered multilaterally. So, all of those things that I mentioned, they were mostly plurilateral but we did negotiate multilateral deals like the Bali package a couple of years ago which included the Trade Facilitation Agreement. Again, this will deliver real economic benefits. It's not a minor agreement. It will boost up to \$1 trillion each year to the global economy. It will provide that kind of boost once of course the agreement is implemented.

So, some promising and auspicious steps have been taken, but clearly we need to deliver more and we need to deliver more quickly. And we cannot at the same time naively, I think, expect that negotiations in market access will move as fast multilaterally as they do regionally or plurilaterally. This has never been the case since the inception of the system. It's not going to change. That's just a reality of life.

Now this is clearly illustrated by the emergence of the mega-regional agreements like TTIP, TPP, and we of course must consider how these agreements impact on WTO rules in particular – not so concerned about market access, but in the rules side. And this is something that the G20 has actually asked us, the WTO, to take a detailed look at that. What we have found so far in this examination, which was requested by the leaders, is that the WTO rules provide the basis for many RTAs, the RTAs that deal with issues which are covered in the multilateral disciplines, by the multilateral disciplines. Those disciplines are maintained.

So essentially what they do is they keep the WTO disciplines. Sometimes they adjust and they top it up a little bit, but mostly it is the WTO disciplines that stay there. This is clearly the case for example in antidumping provisions, safeguards, technical barriers to trade, phytosanitary measures, rules of origin in services – all those things they're essentially building on the WTO rules.

However, the RTAs also go beyond the WTO rules sometimes and we need to think about the implication of this into the future. A proliferation of very different and conflicting sometimes standards would be more of a drag on business instead of facilitating business. And so this is an important area that we need to work on, us until anew on this side.

So, we shouldn't overstate this issue. The multilateral system has always coexisted with regional and bilateral deals and proved to be those two tracks mutually reinforcing. So there are many issues in which the RTAs for example cannot properly or fully address. I'll have to remind you of agricultural subsidies, even fish subsidies, although they are being handles somewhat. But properly and truly effectively handling that, you have to do it multilaterally.

Now, this puts the spotlight back on the WTO and our capacity to negotiate. Let me talk then a little bit about the future of the negotiations. And we need to have a very honest look at the current situation.

Right now we're working very hard to deliver meaningful outcomes in our ministerial conference in Nairobi in December. This is the first time that we are holding this meeting in Africa so it's important that we deliver there. But as things stand today, and of course this is not going to come as a surprise to you, it doesn't look like there will be big breakthroughs in the areas that have been stalled for so many years such as domestic support in agriculture, market access in the three areas – in Ag, NAMA and services. So the gaps in these areas are still very big. The situation may change, but there are not very positive signs that this may happen now.

Now, if there are no prospects for a major advance on these issues, members will need to face reality. They will need to think about what they want the WTO to be and how it should work in the future. Now it is a very important debate. The paper that you yourselves, the Peterson Institute, prepared earlier this year on the future of the WTO was a very welcome contribution to this

discussion. It is indeed a debate that is receiving attention at the highest level, at the highest political level. At the Brisbane meeting of the G20 last year, the leaders themselves discussed what can be done to make the international trading system work better and they are planning to go back to this in Turkey when we meet in November.

Despite the differences on major issues, I think that there is still a potential for a meaningful agreement in Nairobi, a clear potential for that. And indeed I think that delivering a successful Nairobi meeting is perhaps the best thing that we can do to make this system work better.

From the conversations with a very wide range of members there in Geneva, in groups of members, I believe that a set of deliverables is possible for Nairobi and these include outcomes in export competition in agriculture, transparency provisions in many areas in different agreements and also an LDC package and outcomes on special and differential treatment provisions. And crucially, I think, there is a broad understanding that development will have to continue to be at the core. And, I think, that the package for the LDCs is something that all the members agree that is an important component of whatever we do in Nairobi.

So we must continue, of course, our efforts in domestic support and market access. They're difficult but we cannot give up. But we also need to start some serious work in the areas that are promising. So far we have been putting that to a later stage. We're saying let's tackle the difficult things and then we do work on the things that may be more promising, but I don't think that we can postpone that conversation anymore. Even those promising areas are going to be difficult. So we have to start working on that.

I think if we look back at our history, we'll see that there are things we can do, that we can explore more and I think that any future approach that we have will have to be, I think, focusing on the alternatives that we have and clearly there are two alternatives ahead of us. One of us, and I would call it the first track, is where all members are involved. So it's a truly multi-lateral track. And in these cases, we're talking about a very diverse group. We're now more than 160 members with all different orientations economically, ideologically. And of course this means that we can't have a very monolithic, rigid outlook when you are negotiating in that format. So, I think, that's my opinion, that the days of the one-size-fits-all are gone. That just won't happen

anymore, not in the WTO. It may have worked in the GATT sometimes, but I don't think in the WTO it's going to happen.

Now, we need to have flexibilities inbuilt in the agreements, which allow members to take on the obligations at an appropriate pace according to their capabilities and providing also assistance to help them to implement the provisions. In Bali, and I think especially the Trade Facilitation Agreement, provides precisely us this kind of template. Now, there is a new attitude to the way that we look at the negotiations and it, I think, proved that we can find common ground if we insert the right flexibilities in a multilateral agreement. So, this is food for thought. Think about that.

The second track is to advance negotiations in negotiations that embodies less than the full membership so a plurilateral track. And these kinds of approaches have provided a very important avenue I think for group members to tackle some specific issues, which were very important to them. And this is the format that – we know how to work with this format, we've done this before and we've had many achievements following this track. Just recently I mentioned the information technology agreement. This is what we managed to do in July. This is also the template we're looking to use for the environmental goods agreement, which is also a potential deliverable in the near future.

But of course if you do go down this track, then you can be more rigid, more demanding, more one-size-fits-all. But clearly you're not going to have all WTO members in it. You'll have those that can live with that rigidity and with that inflexibility. So, this is an obvious approach. We've done it before and it is easier to put these kinds of plurilateral agreements under the WTO umbrella if the benefits that are negotiated there are extended to all members. Now, we have at least then two possible ways to explore, so the multilateral and the plurilateral and I myself don't exclude hybrid approaches where you have a little bit of both under the same track.

So, of course major trade rounds like the Doha Round or the Uruguay Round, they are important but I think we cannot limit the system to negotiations only in those formats. So when progress is more difficult, I think we need to use the full range of tools that are available to us. So we need to be innovative and to keep an open mind on how we negotiate.

Now, the question that you posed in the title of the event today is what are the future prospects for global cooperation in trade? Now,

I think that the answer based on the WTO's track record over the last 20 years is that the prospects in most areas are encouraging. Indeed, I'm very positive about the future of the organization. I certainly do not agree with some of the doomsayers who will say that our best days are over. I think it's quite the opposite actually. Today, the WTO is firmly established as a component of global governance. The rule of law in trade is spread wider than ever before. Now, the daily work of administering the system, monitoring trade policies and settling disputes provides an invaluable framework for members. I have no doubts about that at all.

So yes, we do need to look at how we can restore the negotiating function, I think, to a more positive footing. But I think that we made a pretty good start in Bali again in July this year while I would not deny under any circumstances that we face real challenges. But if you do expect to be a truly relevant institution for global governance, the challenges and the stakes are always going to be very high. If you want to be relevant, if you want to do things that don't matter then it's easier and the challenges are much more manageable.

So, our record in recent years shows that we can deliver, that we can do so in a variety of ways. We need to use them all. We should not lose sight of the successful accomplishments. We must build on them precisely to deliver more. And there are some clear next steps ahead of us. I think it starts with delivering on the expanded ITA. That's a clear step that we need to take in the short term – implementing the trade facilitation agreement and all the other Bali outcomes, pushing forward the negotiations on environmental goods and most important also delivering important outcomes in Nairobi.

So in fulfilling this mission, I think that your involvement and your contributions like the one you gave this year are very important. We do follow them. I have to say that some look interesting, others look pretty impossible. But that's okay. That's the way that the debate should happen. And we continue to rely on your support, on your engagement, on your attention and your input. And this is a dialogue that I think is a win for everybody. So thank you all very much for listening and I'm going to try to respond and interact with you in a productive way. Thank you.

Gary Hufbauer:

Well, ambassador and director general that was a terrific set of remarks. Now usually the people who are sitting in my place, they start off by asking you a few questions easing you on. We have in

this room many, maybe most of the best trade minds in Washington and therefore I'm going to forego my opportunity to toss some questions at you. I have a lot that I can do. But I'm going to invite immediately as our time is quite limited. The director general has to go on to another very busy appointment in just 25 minutes. So please come forward anybody who has a question. Yeah, we have one person there. And please introduce yourself and let's go.

Kim Frankena:

Hi. Can you hear me? Okay. I'm Kim Frankena. I'm with the Government Accountability Office. I wanted to ask about what specifically you think the United States could be, you know, particularly proactive on in the coming months to make Nairobi a successful meeting?

Roberto Azevêdo:

So many things. I'm not sure they would agree with me though. But look, I think the US clearly is a key player in this endeavor, a key piece of the puzzle. So without that piece, the puzzle doesn't ever complete itself. But I think the conflict that we see today in the WTO is the different perspectives that you see among the key players. And you would say, like many others probably, that the problem with the WTO is that it's too big now. Its 160 members, whatever it is. And I often say that that's not true. The problem with the WTO is not the size of the organization. If we were just six, we would still have no agreement, if we were four maybe not. Maybe two, you would still have no agreement.

And the problem that I see today is that frankly for Nairobi, it's not about the economics, okay. It's not about the economic effort or the economic impact that what we have on the table is going to have on the different players, especially on the key players. It's about the politics of it. It's about the visibility of what is happening, whether the efforts are proportional, whether the--let's say the subsidizers are contributing in a proportional manner. It's not about it's something impossible for me to do. Nobody is being asked in the WTO to do the impossible. No one at this point in time is being asked to do the impossible. Everybody is being asked to contribute with whatever they can.

But some are saying, "All right, I can do this, but I won't do this unless that other guy over there puts something on the table." And the other guy is essentially saying, "Well why? I have already put everything on the table. I don't have anything else in my pockets to put on the table. Actually, I do but it's not fair that I have to put some more on the table." I think that in this kind of environment, we're all missing the big picture. We're all missing the picture that

even if the proportionality, the perfect proportionality is not there, if we want, if we treasure the system, if we want to do more with it, if we want to contribute more, if we want to have more things being delivered, you have to do sometimes an effort also on the political sphere. And I'm not here saying that the US is the problem. I'm saying that everyone, all of them have to have this bigger picture.

This is precisely what we need to do when we get—I think now in Istanbul, I think the seven members have been meeting more frequently, are going to meet at the ministerial level. I hope that they will have precisely this kind of conversation and maybe later on in Istanbul and hopefully by Nairobi we would have a common understanding amongst them that they all need to forget a little bit about how good or how bad this is going to look and think a little bit more about the system because I don't see frankly at this point in time anything that isn't doable being requested from anyone.

Kim Frankena:

Thank you.

Gary Hufbauer:

Jeff Schott and then John.

Jeffrey Schott:

Jeff Schott with the Peterson Institute. Let me just follow up on that because in a negotiation it's not just everyone giving at the same time but you—some can give now like the major countries and some can give later. And indeed if there were commitments by some of the major developing countries in the WTO to commit to a post-Nairobi negotiating agenda, it might be possible. If you and Mike Froman could work miracles in Bali, perhaps you can also do it this year as well. And I think you two were the most important and deserve the most credit for that success.

But let me ask you a specific question on post Bali, and that would be in the area of investment. Investment was taken off the Doha Round agenda in Cancun at the ministerial in September 2003 and yet many of the countries that objected to negotiating investment rules in the WTO are actively working in free trade agreements in mega-regionals to sign on to very comprehensive investment rules in those important agreements. It would seem that that would be an avenue for finding a broader support to move that important issue back into the WTO agenda in the future, perhaps starting with an investment facilitation or framework agreement. And I wondered if you had some comments on that.

Gary Hufbauer:

Okay, as people are lining up, let's get John Lipsky's question as well and then we've got others lining in the background there.

John Lipsky:

Thank you. Well, this really builds on what Gary just said. I was intrigued at your suggestion of a plurilateral approach. And the IMF did try this through the multilateral and negotiations on global imbalances with the idea that the general membership authorized a negotiation among a subset of the members to reach an agreement that then would be potentially approved by the general body.

In the current context, that would mean in other words the WTO membership would authorize for example the TTIP and therefore rather than being an arbitrary grouping outside of the multilateral system, it would be potentially an example of your plurilateral approach. To make that work, however, requires the strong commitment of the major members. Is there any possibility of that happening or are we just going to continue to see these super-regional or original agreements off on their own with the members saying, "Well, someday maybe we'll get the rest of the WTO to come along"?

Gary Hufbauer:

Director General?

Roberto Azevêdo:

Well, I'll try to be quick because of the line that is growing over there. Some future commitments and I think that from the emerging economies and others to make it possible I think are open to that, definitely. I'm not sure how to do it but I am very, very open-minded about anything that happens that may make it happen.

On investments, coming back, I think there's a lot of mistrust among the members about what exactly investments mean. Are we talking about TRIMs, an expansion of the TRIMs or something like that? Are we talking about, like you said, a facilitation framework for investments? I don't know.

So we need to, first of all we want to talk about these very important issues which are not on the agenda of the DDA today, it will require some conversation among members to make sure that if we do that we're not forgetting the very important issues of domestic support, market access, something that they want to negotiate and continue to negotiate.

Their fear is that if we move on and then to incorporate other issues that we are just sweeping those under the rug, and they will never accept that. How do you convince them that you can bring those things and still seriously be talking about this other non-

delivered elements of the DDA? That's the key part of the conversation.

On plurilaterals yes, absolutely, and I think that we have in the rules already so we don't even have to negotiate that. It's already there. Depending on the type of plurilateral, the road is different. So if it is a free trade agreement or a customs union, it's much easier. You don't have to ask for authorization or anything. It's automatically inserted. If it is negotiation of rules, then it's trickier. You may have it but you need to change the—you have to amend the agreement itself and at that point in time you need multi-lateral approval, but it's possible.

Gary Hufbauer:

Okay, Bill Reinsch and Shaun Donnelly. We'll take two.

William Reinsch:

Thank you. Hi, I'm Bill Reinsch with the National Foreign Trade Council. It's nice to see you again. In your opening remarks you listed a number of WTO cases labeling exhaustible resources, things like that. That seems to me moved the WTO and the trading system into some new areas because you're really being asked to rule on government's health policy, environmental policy, consumer protection policies, things that are not traditional trade issues, number one. And number two, I think in the minds of governments a lot closer to how they've chosen to organize their societies and, I think, in their judgments a little less susceptible to international review. I guess my question is, why do you think that's happening and is this a good thing for the WTO or is it going to make your job more difficult?

Shaun Donnelly:

Thanks, Mr. Director General. I'm Shaun Donnelly from the US Council for International Business. I wanted to talk about governance in the WTO. It seems to me that all the international organizations are struggling to figure out how to share power and bring the large emerging countries into a bigger role and so on like that. How is that working at the WTO and do all of these emerging countries that I hope are being given a larger role, do they fully understand with that leadership role comes a responsibility to help show flexibility and really help find solutions? Not just insist that as poor countries they just receive. So, thanks.

Brett Fortnam:

Hi. Excuse me. Hi.

Gary Hufbauer:

Why don't we hold off? I think two questions is enough for a round.

Roberto Azevêdo: Go ahead. I would rather hear them all because there is overlap sometimes, yeah.

Gary Hufbauer: Okay, sure.

Brett Fortnam: Hi, Brett Fortnam from Inside US Trade. You've mentioned a potential deal on export competition, transparency issues and also an LDC package with special and differential treatment. Have you seen any leniency from the US or any flexibility that they might be able to go beyond their current commitments on export competition or commit to more rules on transparency than what is currently in place? And from my understanding, with the negotiations on the different aspects of an LDC package, those are also still very difficult and, you know, even LDC members are not necessarily agreeing in them. How do you see that moving forward as well?

Roberto Azevêdo: What as well?

Brett Fortnam: The LDC package and also the special and differential treatment.

Roberto Azevêdo: Okay, okay.

Brett Fortnam: Thank you.

Gary Hufbauer: Okay, let's go with these. Vastine's going to have a big question.

Bob Vastine: Hi.

Gary Hufbauer: I want to hold you off, Bob. That's going to be a big one and I'm going to supplement it. So let's go with these three.

Roberto Azevêdo: All right. So, on DSU and the WTO ruling on things which are not necessarily, according to the person who was asking the question, trade-related like environmental policy or consumer protection policies and things like that. I disagree. I think they are essentially very, very trade-related and there are agreements that cover that, that have been negotiated. So, this is not an indirect way of handling things that should not be dealt with at WTO. They're squarely within the mandate of the WTO, some less, some more but clearly all of them are clearly under the mandate. If they were not, then the appellate body and the panels would not touch them.

So, I think it's, so far, I haven't heard from the members themselves, no one saying that the WTO has been dealing or handling issues which should not be before them. I have heard

complaints of the members, and they always come, that there was a misinterpretation of this, a misinterpretation of that or that the appellate body went too far. But nobody ever said that this was outside the scope of the WTO.

So I think consumer protection policy, that's absolutely within the mandate of the WTO, absolutely. Environmental exhaustible resources and measure that tackles exhaustive resources absolutely are within the realm of the WTO disciplines as long as it is handling the trade aspect of that, that's all. And I think so far the findings of the appellate body and of the panels have been quite sound and well taken even by the environment NGOs and institutions that handle those issues as well. So I think they're doing a very good job at this point in time.

On governance and emerging economies' leadership versus responsibility, I think they all know that, you know, the big emerging economies are never going to be dealt with or perceived as any other country. And they know that. So China, India, Brazil they understand that they are not going to be perceived or treated as a small LDC. They know that and they understand that. They don't expect to be treated equally with all the other members, but they also don't expect—because people say Brazil, China, India but there are many others. There's Turkey, Indonesia, Korea. There are a number of other countries that are essentially developing countries that understand that they are differentiated, but they would never accept to be categorized in a different category. I think that's the problem that you have.

Now, they will contribute, they will contribute proportionally but they will never accept that they are developed. That's the other point. So it's one thing to say that you have to take more responsibility. It's another thing to say you are now one of the big players and just like the US or Japan or Germany, they will never accept that because they still face some very important social and economic challenges that still differentiates them and still would classify them as developing countries the way that they see it. So that I think is the major difference there.

On the package for Nairobi, I think the US is engaging on all the issue and I don't think that the US disagrees that those are potential deliverables—even the LDC package and the S&D package. If you'd ask me, "Is the US already then in agreement that on the contours and the substance of the package together with the LDCs and the developing countries?" No, clearly they're not. But they all want to deliver on those areas. The US never said that these areas

are not potential deliverables. On the contrary, they are saying they think they are. Now under what shape, what format and how deep we can go, how fast? That's a different story, that's what we have to negotiate between now and December. That's it.

Gary Hufbauer:

Bob Vastine.

Bob Vastine:

Okay, Bob Vastine with the Georgetown Center for Business and Public Policy. Hi.

Gary Hufbauer:

And Mr. Services Trade.

Bob Vastine:

Well, thank you very much. It's easy to say and people do say that the great curse of the WTO has been the Doha Round, the Doha Round declaration and its unrealistic agenda built substantially around special and differential treatment and further confused by the addition of—well, the disappearance of the group before the leadership core of the old WTO, the old GATT and the proliferation of membership and therefore a lack of consensus. And it sort of dismays me as we've moved along through the final phases, shall we say, of the Doha Round. I'm thinking about the ministerial around 2010 where finally it was allowed that countries could pursue other alternatives. And we've got around to a TiSA. Still we are laboring with the leftovers, shall we say, the ghost of the Doha Round. Can we drive a stake in its heart and start all over?

Gary Hufbauer:

Well, I thought he was going to ask a big question about services. So I'm going to supplement with a services question, which is that, we know that the barriers to services trade are very high. We know that most of our economies, more than 50% of all economies are service and we think we know that if you're going to get trade growing faster than world GDP, well, it's been growing slower than world GDP for the last eight years that you really need to liberalize services trade a lot. So the question is, do you think TiSA is going to deliver something truly meaningful in the next year? Why don't you take those two and then we're going to take our distinguished guest here.

Roberto Azevêdo:

On those two on whether or not we can drive a stake at the heart of the DDA, well, you can try. I'm not sure it's a vampire and I'm not sure that that will do the trick. Look, I think members in general— if you don't have an outcome that delivers on domestic support and market access, for example in Nairobi, and if you ask members, "Can we forget this?" I don't think that you'll get an affirmative

answer to that. They will all say that these are issues that will be important and that will continue to need treatment somehow.

The developing world is never ever going to rest and accept that they are not—that they have to compete in agriculture against heavily subsidized products coming from developed countries. They will never accept that. They don't have the tools today to avoid that.

When they do, they go to dispute settlement like Brazil did against cotton and others will if there is no other alternative. But this issue is not going to disappear. They are never going to accept that because particularly in industrial goods that doesn't exist, right? So they can't subsidize their inefficient production to compete against more efficient production coming from somewhere else. The issue itself is not going to disappear. The question I think is under which framework are you going to continue to negotiate or talk about these issues? I think that is the question. And the reality is if you know from the beginning that these issues are not going to be swept under the carpet, that they're going to still be there, then people are already preparing for that conversation. I mean, let's not be naïve about that.

Put yourself in the place of a negotiator. You know that subsidies, agricultural subsidies are going to come back to the table at some point in time. It may not be tomorrow or the day after tomorrow, but at some point it's going to come back. If I am that negotiator, I am going to be preparing for that conversation today and I will make sure that I have on the table all the elements and all the papers and all the history that backs my case. That's what the DDA is all about. It's not about whether people believe or do not believe that it's going to be done in the next few days or in the next few years. It is about setting the stage for the negotiations when they come. This is what it's about and I think that if you understand that, you'll have a different focus, maybe on the question. But that's my take. What do I know?

TiSA. TiSA, I don't know whether fortunately or unfortunately, is not negotiated in the WTO. It's done completely outside the WTO. I actually know what's happening because members are generous enough to tell me what's happening sometimes. But I don't have the details of that, I don't follow that. It is done completely outside. The secretariats not involved. We don't provide any support. Zero.

What I can tell you, not to avoid the question completely, because that's not the intention – I'll be as transparent and honest as I can in this format – what I think is going to be a tough discussion is that a lot of the TiSA participants would like to see TiSA as a platform for multilateral understanding or a platform for something that will happen and be brought into the WTO.

And I think that they would—they have a certain reluctance in accepting to conclude a deal outside the WTO without knowing whether those commitments are going to be brought inside the WTO. Why? Because they would like to see the others contributing too. They're going to say, "Well, I'm doing this outside the WTO. That's fine. I agree on this. But look, if we are serious about this let's bring it to the WTO. Let's see whether the others are going to chip in" or something like that. That may be a trickier exercise than if all of them were in full understanding and agreement that that's something to be self-contained and that it's not going to have or need any kind contribution or insertion in the structure of the WTO. I think, but again I'm telling you from my personal perspective because I don't negotiate TiSA. What I'm telling you is essentially what I'm hearing from others. Maybe I misinterpreted but that I think is a challenge – not the only one, but clearly a challenge.

David O'Sullivan:

Thank you very much, Roberto. Welcome to DC. Thank you very much for your—sorry, David O'Sullivan, European Union Ambassador in Washington and the former trade negotiator with Roberto in driving a stake through the heart of the DDA. I don't know if we have the silver bullet capable of—and I agree entirely with your remarks. Thank you for your remarks. Thank you for the great leadership you've shown, the success in Bali and we hope that you'll have a similar success in Nairobi.

And for those of us who care about trade, the vitality and success of the WTO remains absolutely fundamental and we will continue to support everything that you are doing in this regard. I have a question as a former trade negotiator in Geneva and I know it's a rather unfair question but I'm going to put it anyway. In your description of the negotiating function of the WTO, do you think there's any scope for revisiting the way those negotiations are conducted? I know the mantra, it's a member-driven organization, but given the diversity of the membership, given the complexities of these negotiations, is there not scope perhaps for thinking of a little more of a leadership or right of initiative role forth director general or for the chairs of the groups to try and take the process forward in a more effective way? I know it will be controversial

but I sometimes wonder that we're so trapped in the actual working methods of the WTO that perhaps these working methods are no longer adapted to the situation in which we now find ourselves. Thank you.

Gary Hufbauer: Why don't you take that one and we'll have one more question.

Krista Hughes: Krista Hughes from Reuters. The refugee crisis in Europe is putting a lot of pressure on the Schengen visa-free zone. Do you see any negative implications for trade if indeed the Schengen system crumbles?

Roberto Azevêdo: I couldn't hear you too well.

Gary Hufbauer: Could you repeat that because it wasn't coming across clearly.

Krista Hughes: The refugee crisis in Europe is putting a lot of pressure on the Schengen visa-free zone. Do you see any negative implications for trade if the Schengen system crumbles?

Roberto Azevêdo: Well, Schengen by itself is a different, and that I would say is a non-trade related issue. I think what I'm more concerned about is the integrity of the economic cooperation in Europe and the system of trade, of liberalizing trade, not collapsing or not being affected by those things. I don't think at this point in time there is any immediate threat. I just don't see that on a trade front or from a trade perspective. These things are always very pervasive and you may have different kinds of—even geopolitical tensions inside and outside Europe. It's difficult to tell the consequences of that. But I don't see any immediate and automatic relation between the two things. In the WTO and in Geneva, I have never seen anything that directly links the two.

Now, David, for those of you who don't know, he was the NAMA negotiator and services negotiator throughout most of the life of the Doha Round. So where we are is also due to him. But I have to say, he was always very tough, very difficult but also constructive, and he tried to find solutions as well. And it think we're very close, in 2008 maybe not as close as we thought, but clearly closer than we are today. That's also true.

And I think what David is referring to is the fact that when we are negotiating those things, the director general had a very, very remote participation. It was essentially done by the members themselves. So they sat down and they negotiated and sometimes rightly or wrongly, I don't know. They even wanted the DG to be,

you know, away from this. Although in the end he always came and tried to facilitate things. And is it something that today we should change or could change? Look, I don't know, David.

I have been doing this long enough and so have you to know that the dynamics of a negotiation is also very much impacted on the personalities, right? So, who the negotiators are is also as important as what the substance is. If you have bad chemistry, it's sometimes very difficult. And each case is a case, each moment is a moment.

So, for example, in Bali, I had to be more involved in the final stretch. If I wasn't then frankly it wouldn't happen because there was no conducting, no thread pulling those things together and I think that members at a certain point in time they needed to blame it on somebody else. So I was it. All right. So I had to be there. If it works, fine. If it doesn't work, blame it on me. You go to your capitol and say, "This proposal was made by this crazy director general. You know, I had nothing to do with it. I hate this. But this is what we have so let's go with it." And they would never accept that they were a part of that give and take. In that situation it worked. Now, I have been trying.

You know, a lot of the proposals that are on the table came not from the negotiators because no one wanted to put anything on the table and have their fingerprints associated with that. So we had to be bolder and put some ideas. Look, what about this and what about that? And well, sometimes it was well received. Sometimes it was immediately shot down by one or two. But that's, you know, you're in the rain you get wet. But that's fine. I don't have a problem with getting wet, you know? But it depends on the negotiation. It depends on moment of the negotiation.

I think members are not strongly attached to a particular format or a particular rule of the DG or of the secretariat. I think it depends. It depends on the moment. It depends on the issue. It depends on whether for that particular issue they trust you or whether for that particular issue they don't trust you. And then if they don't trust you, better stay away. Don't even try. But if for a particular negotiation, a particular issue they think that you are helpful, then you'll know when they think that you have a role to play. They come to you and they say, "Do something." You know, and then you do. Sometimes they say, "DG, you better not mess with this." Then you don't.

What you cannot do is impose yourself and try to do what they don't want you to do. So I'm open-minded. I help what I think I can or what I think I should, where I think the help is going to be useful. Sometimes you think they that they need to go at each other first. Sometimes they say, "Put something." I say, "No. I'm not putting anything. You guys fight, you know? Bleed yourselves to death and when you really don't have anywhere to go..." Which happened with ITA, which happened with ITA. I was not involved with ITA at all, at all. They were negotiating by themselves and doing things by themselves. When they really had a mess in their hands that they couldn't go anywhere, then they said, "Well, let's ask the DG to help." Right, and then you do. You do your best to finalize the things.

I think going back to your question; I don't think that today they are attached to any particular kind of role or any particular type of way to negotiate. I think in that sense we have more flexibility, there is more—the only cardinal sin, I think, in any process, with DG, without DG, with secretariat, without secretariat, is transparency and inclusiveness. If you try to impose things on them, then you have a problem. They're okay if they're not in the room negotiating because they understand that sometimes the give and take has to be confidential, just a few, et cetera, et cetera. But they need to know what went on in the room and they need to have an opportunity to comment on what happened there. That I think is the cardinal principle. They all need to know.

They may not like what they're signing on to but they have to know why they're signing them, why that particular comma has been placed at that place and that I think is what you have to be very, very mindful of. You can do whatever you want but don't do it behind their backs. Be transparent and be ready to be accountable. That's all.

Gary Hufbauer:

Director General, this has been very good. In fact, it's excellent, extremely candid. The Director General has a schedule, which is as busy as the Pope's, so unfortunately I can't take your question. Mike, we promised we'd get him out ten minutes earlier than now. Thank you very much.

Roberto Azevêdo:

Thank you. Thank you all.

