

Preferential Trade Agreements

As regards the relationship between the WTO and regional trade agreements, the usual arguments are known: some regard the regional deals as “stumbling blocks” that, owing to their discriminatory nature, tend to impede rather than facilitate multilateral trade liberalisation; others view regional agreements, more optimistically, as “building blocks” - “islands” of trade liberalisation that might eventually coalesce into a global trade regime.

From a systemic viewpoint, I have no doubt that it is preferable to advance as much as possible on the multilateral front, so that regional or preferential arrangements work as a sort of “residual” category in the process of world trade liberalisation. In terms of market access, for example, a result achieved in the round will be much more significant, for all countries involved, than a result obtained with the conclusion of a regional or plurilateral agreement which benefits only its participants. Moreover, regional arrangements tend to be less efficient economically, not only because of trade discrimination, but also because of the costs incurred by economic operators in face of the need to cope with the multitude of different regulations created under each agreement. These costs may be particularly severe where businesses want to benefit from operating in supply chains connected across the globe, to the point of offsetting the gains originally conceded in terms of market access.

Besides the costs associated with the regulatory complexity and the possible *reduction* in economic welfare that result when the trade diverting effect of regional agreements *exceed* their trade creating effect, regional or preferential deals tend to be less balanced as regards the demands of smaller countries. Moreover, such agreements are usually less suitable for the negotiation and adoption of several types of rules and disciplines which are horizontal in nature or which a player will be willing to endorse only if all other relevant players also agree to abide by them.

This does not mean that regional agreements are harmful to the world trading system. These agreements tend to bring material benefits to their participants. Otherwise their number would not have grown so dramatically in the last two decades. Today, I think it is fair to say that practically all WTO Members are somehow involved in the negotiation and implementation of such deals.

However, for the reasons that I mentioned, in comparison with multilateral agreements, preferential and regional arrangements are only a second best option. So how should the WTO deal with this challenge?

As I said in my response to question two regarding plurilateral agreements, I believe the number one priority for the WTO should be to deliver *results*, however modest the first results may be. This would restore a currency of which we have been very much in need - the Members’ ability to trust each other and thereby conclude multilateral negotiations.

Additionally, Members might also consider reinforcing the roles of the Committee on Regional Trade Agreements and the Committee on Trade and Development, so as to, as a first step, allow for more transparency and information to the WTO membership. On the basis of such information, areas of convergence among the numerous regional agreements might be identified with a view to a possible harmonisation of commitments where commonality is the greatest.

I reiterate what I said to the WTO General Council in my presentation last January: whatever the reasons behind regional trade agreements, I firmly believe that the countries entering

those initiatives would gladly negotiate a much broader and more encompassing multilateral deal. What we must do is ensure that the multilateral trading system remains a viable option for trade liberalisation.

Industrial Policy

I do not share the view that WTO disciplines irremediably constrain the ability of governments to implement sectoral or horizontal national economic policies. In this connection, I tend to agree with Dr. Razeen Sally's statement, to the effect that the GATT/WTO disciplines are not a substitute for national governance in trade policy, but rather a helpful auxiliary to good national governance. This is because WTO rules are generally not of a *prescriptive*, one-size-fits-all character. Rather, they reflect rules of conduct that aim at protecting the expectation of individuals and businesses that they will be able to engage in international trade, on a level playing field, while at the same time preserving the ability of governments to promote economic growth and development in a diversity of ways, consistently with their national goals and policies.

Thus, governments can act and intervene in the economy - as they actually do - in ways that are fully consistent with the multilaterally agreed rules.

Of course, governments may also act in ways that, in the view of one or more of its trade partners, are *not* consistent with the multilateral trade disciplines. However, I believe that the WTO is very well equipped to deal with these situations, through a variety of mechanisms, including a highly successful dispute settlement system.

Food Security

Any recent shift in the traditional patterns related to trade in agricultural products would be the result of complex structural *and* circumstantial phenomena. The relative weight of each aspect in this process is difficult to measure, but a definitive conclusion on this topic is not required to define the proper multilateral response. Irrespective of new challenges affecting the supply side in agricultural economics, in many countries restrictions in the supply side for foodstuff remain very relevant, in stark contrast with a generally predictable and open regime for trade in manufactured products. These restrictions do not contribute to solve the supply-side constraints we now face; as a matter of fact, such distortions inhibit bottom-up solutions from appearing in the mid- to long-term for those constraints.

I would not venture into trying to ascertain which, between supply-side and demand-side distortions, would be more burdensome for food production in the next few years. We do know, however, that WTO Members have negotiated for more than ten years new disciplines on market access for agricultural products, export competition and domestic support that, when implemented, will substantially reduce distortions affecting trade in agriculture. Also in the DDA, there are negotiations covering a number of provisions covering food security concerns. From a practical standpoint, therefore, I would - quite literally - go for potentially achievable results: focus on the conclusion of the Doha Round with an ambitious and balanced outcome in agriculture, addressing both the issues of market distortions and food security, which are, by the way, often mutually supportive.

Climate Change, Energy access and security

There are several new - and not-so-new - issues clearly intersecting with trade policy and trade rules that the WTO will have to deal with one way or the other. If Members choose not