REBUILDING GLOBAL TRADE:

PROPOSALS FOR A FAIRER, MORE SUSTAINABLE FUTURE

SHORT ESSAYS ON TRADE AND GLOBAL ECONOMIC GOVERNANCE

Edited by Carolyn Deere Birkbeck and Ricardo Meléndez-Ortiz

ICTSD
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FOREWORD AND INTRODUCTION

As G20 leaders work to promote effective, coordinated responses to the global economic crisis, the state of global trade and the future of the multilateral trading system must not be neglected. Around the world, governments face domestic pressures to retreat from the rules-based trading system they have designed and to protect industries and jobs under threat.

In the context of the crisis, the immediate focus of many governments and trade experts is rightly to stop the collapse of global trade, complete a development-friendly Doha Round, improve surveillance to discourage new trade barriers, boost Aid for Trade, and ensure access to trade finance on reasonable terms, particularly for developing countries. But just as the G20 leaders' ongoing work on global finance combines immediate responses to the crisis with forward-looking efforts to restructure the rules that govern the financial system, so too we need to think and act now on the rules, institutions and reforms needed to better govern world trade. Actions taken now will set the stage for how well governments address the host of enduring and emerging challenges the multilateral trade system faces – from making progress on the Millennium Development Goals to addressing sustainable development priorities such as the collapse of global fish stocks and a global green new deal to protect the world's climate.

In this compilation, the Global Economic Governance Programme (GEG) and the International Centre for Trade and Sustainable Development (ICTSD) have gathered short essays from a broad range of scholars and experts around the world to provide proposals on:

1. immediate trade priorities in the context of the economic crisis, and

2. a forward-looking agenda for global trade governance.

Contributing authors were asked to:

- Propose concrete trade-related actions that G20 leaders should take at their April 2009 London Summit and subsequent meetings

- Consider challenges the multilateral trading system will face in the in the longer term (i.e. 2015) and propose reforms these will demand of global trade governance

- Focus special attention on the needs of developing countries and sustainable development considerations such as poverty reduction, environmental sustainability, and social justice

Importantly, while this compilation is published in the lead up to the G20 leaders' London Summit, it has a broader audience and purpose: to feed into ongoing debates on the governance of the multilateral trading system and the future of the Doha Round, and to reinforce the case for a full, broad-ranging WTO Ministerial Conference this year.

The G20 process provides an important opportunity to stimulate discussion among and within governments, as well as with stakeholders around the world, on the kind of global trading system we need, both now and to respond to future challenges. While the G20 is a more representative international grouping than the G7/8, there are however legitimate concerns from developing countries about its composition. Improved global economic governance requires stronger representation from

the diversity of developing countries. The emergence of the G20 should not dissuade us from the search for a more representative global forum, one that includes the voice of the poorest countries, that engages a revitalized United Nations, and that provides clear mechanisms for engagement of stakeholders, whether from unions, NGOs, academia or the business sector. While we should encourage the G20 to take leadership on important matters concerning the multilateral trading system, the G20 should not subvert already struggling efforts to engage all WTO members in the consensus-building process on multilateral trade negotiations and decision-making.

That said, the task of improved global trade governance can not be left to trade negotiators in Geneva. It demands high-level political commitment from trade ministers and from the all parts of national governments active in discussions on how to manage the unfolding economic crisis and national strategies for engaging in the global economy.

The essays in this volume offer proposals for responding swiftly to the economic crisis but also to enduring interlocking crises in the area of food, fuel, climate and poverty. Many of the essays emphasize the importance of an explicit focus on values, highlighting that efforts to stimulate growth, employment and economic stability must also prioritize international commitments to development and sustainability. Most contributors to this compilation express shared concerns for restoring growth and trade, but also highlight the importance of the quality of growth and trade, the distribution of their social benefits, and their impacts on environmental sustainability.

The volume does not conclude with specific collective recommendations. Rather, as editors, we have gathered an illustrative set of highlights of the immediate priorities for action drawn from the compilation.

Together, we would like to thank our respective donors, including the Ford Foundation and ICTSD's core donors for this support. We also thank the contributors for meeting the short-deadline for this compilation so efficiently and, in some cases, agreeing to the republication of abridged versions of essays published elsewhere.

We trust that you will find this publication a constructive contribution to debates on global economic governance and sustainable development. We look forward to your feedback.

Carolyn Deere Birkbeck and Ricardo Meléndez Ortiz

23 March 2009

HIGHLIGHTS – PROPOSALS FOR ACTION

This box presents an illustrative list of action proposals drawn from those presented by authors in this compilation. Given the diversity of perspectives, no consensus is presumed on all points below. Some authors emphasize immediate trade priorities for action by the G20 to respond to the current crisis, while others question the legitimacy of the G20. Still others caution that the G20 should take a catalytic not activist role on trade. Others focused their essays on broader systemic challenges to the governance of global trade, many of which were at hand well before the current crisis.

Respect Multilateral Trade Rules	▪ Ensure crisis responses respect international obligations under multilateral trade rules ▪ Extend the existing moratorium on new trade restraints and protectionist measures until the end of 2010
Complete a development-friendly WTO Doha Round	▪ Call on trade ministers to conclude a development-friendly outcome to the Doha Round this year and to report on progress at the next G20 meeting ▪ Take immediate action to implementing areas of the Doha Development Agenda where agreements exists and that will stimulate trade and demand in the most vulnerable economies (i.e., duty free, quota free market access for LDCs)
Commit to a WTO Ministerial Conference this year	▪ Agree to hold a full, broad-ranging Ministerial Conference this year ▪ The Ministerial Conference should occur irrespective of the Doha Round to safeguard and reinforce the value and institutionality of the multilateral trade system and safeguard its existing agreements
Improve Trade Surveillance and Transparency	▪ Reinforce and improve institutional mechanisms for monitoring how WTO members honour existing commitments and obligations ▪ Strengthen the WTO's trade policy review process and endorse an enhanced surveillance role for the WTO Secretariat to provide a 'radar' picture of trade-distorting measures taken in the wake of the crisis. Request a report from the WTO by the next G20 meeting ▪ Report any changes in applied tariffs and subsidies to the WTO Secretariat, as well as safeguards, countervailing duties, and antidumping initiatives and sanctions – and monitor their negative impacts on developing countries ▪ Fulfill notification obligations under current WTO agreements ▪ Enable greater scope for independent consultations among Members and with the WTO Secretariat and the Director-General on trade policy options for responding to difficulties emerging from the crisis ▪ Establish international consultative groups to monitor sensitive sectors and launch private monitoring initiatives involving companies, NGOs, academics and foundations
Comply with International Development and Sustainability Commitments	▪ Take measures to make trade policy respond better to social, development and sustainable development objectives, including the UN Millennium Development Goals and international commitments to human rights, food security, quality jobs, and environmental sustainability ▪ Maintain and boost overseas development assistance to developing countries ▪ Ensure trade rules provide policy space for development and for the technology diffusion and acquisition necessary for a law-carbon development trajectory
Boost Trade Finance	▪ Ensure access to affordable trade finance, particularly for the poorest countries, particularly for sectors and activities disrupted by the credit crunch ▪ Tackle liquidity-traps by establishing cross-currency payment facility schemes ▪ Establish an 'Anti-shocks Financing Facility' to provide large-scale, low conditionality, rapid-disbursing grants to reduce the impact of falling exports on LDCs
Bolster Aid for Trade	▪ Promote multilateral rather than bilateral approaches to Aid for Trade ▪ Devise a stimulus package for Africa – the 'Vulnerability Fund for Africa' ▪ Ensure the delivery of Aid for Trade that enables effective participation of developing countries in the multilateral trade system, supports adjustment to trade rules and builds the institutions needed to available themselves of their rights under trade rules ▪ Ensure crisis responses do not undercut support for Aid for Trade ▪ Ensure trade-related capacity building, training, technical assistance reflect careful needs assessments led by recipients
Improve Dispute Settlement	▪ Commit to bolstering the WTO's ability to field the potential for a growing number of disputes ▪ Address outstanding concerns to improve developing countries' access to justice through the WTO's dispute settlement system at large, particularly the least developed countries

Deliver Transatlantic Leadership	▪ Provide US and EU leadership by renouncing existing protectionist measures and future protectionism and repealing its new barriers to imports of goods, especially from developing countries ▪ Provide US and EU leadership by ensuring coherence between agreements negotiated at the bilateral level (e.g., Free Trade Agreements and the Economic Partnership Agreements), with multilateral trade commitments and progress on the Millennium Development Goals (MDGs)
Democratize and Expand Developing Country Participation	▪ Boost developing county involvement in global economic management and trade decision-making ▪ Recognize that global economic management demands a body that is more representative of the world's people than the G20
Renew the UN's Role and Pursue Regional Collaboration	▪ Decide on a more inclusive global forum for global economic governance, such as the proposed UN global economic council ▪ Build deeper collaboration among regional finance and trade initiatives
Forward-thinking on the Multilateral Trading System and WTO Reform	▪ Establish a Standing Task Force of trade ministers to strengthen and rationalize the international trade regime ▪ Establish a working group of members and/or experts to propose WTO reforms ▪ Call for an independent study of lessons from the Doha Round on negotiating processes that balance transparency and inclusiveness ▪ Devise mechanisms within the multilateral system to ensure regular agenda-setting, dialogue and problem-solving to ensure coherence of global policy priorities ▪ Discuss the scope of a post-Doha agenda that could address issues such as WTO rules on state aid and government procurement (particularly in the event of macroeconomic crisis), export-restricting policies, food, fuel/energy, finance, and climate change
Improve Coherence	▪ Take action to improve coordination domestically and internationally to ensure that trade policies are not at cross-purposes with employment, development and sustainability goals ▪ In macroeconomic and environmental management, particularly in the area of climate change, and bolster complementary economic policies on savings, investment, technology, corporate governance, training, education, health energy and public infrastructure
Discipline Regional and Bilateral Trade Arrangements	▪ Better discipline regional and bilateral trade arrangements ▪ Resist asymmetric preferential trade deals in favour of multilateral trade cooperation ▪ Establish a mechanism or high-level expert team for regular review of the relationship between the WTO and the myriad of preferential trade agreements - regional and bilateral
Improve Impact Assessment	▪ Conduct ex ante and ex poste impact assessments of trade policy to disaggregate social impacts (particularly on vulnerable and marginalized groups, on women, on food security, and on human rights such as the right to food and health, etc) and environmental impacts ▪ Use existing global principles and benchmarks on development and sustainability to assess the performance of the trade system ▪ Introduce a 'trade and development ombudsman' at the WTO to whom third-party complaints about trade impacts can be brought
Climate and Energy	▪ Ensure WTO rules enable the transition to a low-carbon economy and other responses to climate change ▪ Identify and address trade-related obstacles to a green economy ▪ Commit to discussing issues of climate change and energy subsidies ▪ Commit to a moratorium on trade sanctions or border carbon measures pending the outcome of the UN Framework Convention on Climate Change negotiations
Natural Resources, Biodiversity and Pollution	▪ Conclude and implement effective Doha Round agreements on environmental goods and services, and on fisheries subsidies ▪ Address illegal trade that harms the environment, such as trade in chloroflourocarbons (which contribute both to climate change and to ozone depletion) and endangered species ▪ Invite the Secretariats of key environmental agreements and intergovernmental environmental organisations as observers to relevant WTO bodies
Employment	▪ Commit funds to help developing countries build safety nets for workers ▪ Adopt a clause against lowering of labour standards to maintain investment ▪ Ensure actions to boost employment in developed countries are not biased against developing country employees (upon which many developing countries rely for remittances)
Democratize National Trade Policymaking Process	▪ Promote discussion of a trade agenda that supports poverty reduction, quality growth, and sustainability by involving the full range of stakeholders including parliamentarians, business, academics, and civil society

ALAS, WE ARE NOT ALL KEYNESIANS NOW

Susan Ariel Aaronson

The most famous economist of the 20th century, John Maynard Keynes, had an evocative image of capitalism. He once said that markets were propelled by animal spirits. These spirits could yield growth, but at times they must be domesticated to ensure that the law of the jungle—eat or be eaten-does not apply. As markets run wild, policymakers must work at both the national and international levels.

Keynes was particularly concerned with how these animal spirits might affect workers. His views were colored by the massive unemployment he saw during the Great Depression. Keynes feared a "senseless international competition" for jobs. He wanted "new and better arrangements" to link trade and employment. These views influenced the international economic architecture. After years of negotiation, policymakers agreed to new and better arrangements, as stated in the preamble of the General Agreement on Tariffs and Trade (GATT), which governed trade from 1948-1995, and its successor organization, the World Trade Organization (WTO). Both affirm the parties recognize "that their relations in the field of trade and economic endeavour should be conducted with a view to raising standards of living, ensuring full employment and a large and steadily growing volume of real income and effective demand." Thus, the members of the GATT and WTO posited trade could create a virtuous circle: by regulating protectionism, trade would expand. Firms could achieve economic efficiencies—producing more goods and services at lower costs. More people would have jobs, access to new opportunities, and ultimately see improvements in economic welfare. By collaborating to regulate protection, the signatories could ensure that trade works for more workers.

However, as the world confronts the worst downturn since the Great Depression, the idea that expanded trade will create and maintain jobs is losing support. The World Bank has forecast that in 2009 global industrial production could decline by 15 percent and world trade may record its largest decline in 80 years. Policymakers have not yet devised effective multilateral responses. Most countries have adopted a wide range of domestic strategies including domestic stimuli; make-work programs; buy-local policies; and sector-specific subsidies. After examining these strategies, last month the WTO found "limited evidence" that its members were adopting trade distorting measures. However, while such strategies may not be protectionist in intent, they are not internationalist in their ends. Few policymakers appear to have considered how these strategies designed to restore domestic employment and growth might affect conditions abroad. Because they have eschewed collaboration, the fabric between global trade and national employment is increasingly frayed.

In 2008, for the first time, the WTO and the International Labor Organization (ILO) partnered to examine the relationship between trade and national employment. The two organizations recommended that national policymakers find ways to make their trade and labor policies more coherent. They also suggested that policymakers could focus on their own citizens' employment needs and act to help developing countries job markets and policies. Many developing countries don't have the funds or capacity to provide such services. But the report suggested no incentives to make such strategies a reality.

So here is a suggestion. The world''s largest economies (which include developed and industrialized countries) will meet soon in London. These members of the G20 should consider a two pronged approach to expanding trade and increasing employment. As evidence of their commitment to multilateralism, these countries should go beyond their pretty words about the Doha Round and commit funds to help developing countries build a social safety net for their workers as well as to establish programs for lifetime learning. Along with this incentive,

these countries should agree to (and ask other WTO nations) adopt a "no standards lowering clause." With such a clause, members agree that they will not attempt to attract or maintain investment by lowering labor (or other standards) in the interest of maintaining jobs. Such a clause is consistent with a key objective of the WTO: to increase market access. Governments can distort market access when they change the rules governing markets.[1] In addition, the WTO should establish a web site which would disclose which countries are adopting trade distorting policies, discuss the specific policies these countries have adopted, and encourage web visitors and scholars to examine how these policies might affect national and international employment. Such transparency can also play an important role in making global markets more efficient and more equitable.[2]

Some have argued that because so many governments have adopted Keynesian solutions to the downturn, "we are all Keynesians now." But we are not truly Keynesian unless we are willing to find global strategies that expand trade and stimulate employment at home and abroad.

Dr. Susan Ariel Aaronson is Research Associate Professor and 2009 Policy Research Scholar at the George Washington Unversity. This article was originally published in www.voxeu.org.

1 Bagwell, Kyle; Mavroidis, Petros C., and Staiger, Robert W. (2002), "It's a question of market access," *American Journal of International Law,* 96, No. 1, 56-76.

2 Aaronson, Susan Ariel and Zimmerman, Jamie M. (2007), *Trade Imbalance: The Struggle to Weigh Human Rights in Trade Policymaking* (Cambridge University Press), Conclusion, 186-207.

GLOBAL TRADE GOVERNANCE AND THE G20: THE NEED FOR US LEADERSHIP

Roberto Bouzas

The challenges faced by developing countries and sustainable development regarding global economic governance are not substantially different from those faced by the developed world. In fact, both groups of countries share common challenges.

The first and most urgent challenge is to revive the multilateral trade regime. In the last half century, trade has been the policy area in which the international community has made the most strident progress towards cooperation. In the last decade, however, the effectiveness of the international trade regime has eroded under the weight of a changing international and domestic landscape (a new balance of power, an expanded membership, the emergence of new constituencies, and the development of uncharted regulatory areas). These structural transformations were underway well in advance of the financial crisis, but a creeping recession and mounting protectionist pressures have sharply deepened existing tensions.

The second challenge is to build more effective regimes in areas where international cooperation has been undersupplied. The financial meltdown of the last six months has made it clear that more effective regulation of the financial markets is necessary both at the domestic and global level. Similarly, more structured international cooperation is needed to cope with the effects of contagion and interdependence not only in the financial markets, but also in macroeconomic policy management. Another area in which more effective international cooperation is urgently required is the environment, especially climate change.

Since they are global in nature, these two challenges are faced by developing and developed countries alike. The major difference between each group is not the nature of the challenges, but their respective abilities to offer solutions and cope with the consequences of failure. If neither challenge is adequately addressed both will suffer, but the effects will be far more devastating in the developing world, where there are less institutional resources and poverty is a more urgent and demanding problem.

Preventing a backlash against the multilateral trading system is the pre-requisite to a constructive governance response. The trade regime is the most developed international regime to deal with a finite (albeit ever expanding) set of global issues. A constructive response would include two main ingredients: 1) in the coming months the World Trade Organization (WTO) should prove that it can serve effectively to prevent a protectionist revival, and 2) the Doha Round should be concluded promptly to give way for a new approach to the process of negotiations (comprehensive and ever-expanding trade rounds are unlikely to offer a useful roadmap for the future). If the multilateral trade system fails in this endeavor, it is hard to expect that successful governance regimes will emerge in other relatively underdeveloped areas of global intercourse.

Building more effective international regimes in the area of macroeconomic management, financial markets, and the environment will be much harder than reviving the international trade regime, but closely interconnected. The track record of international institutions in these areas is much less developed and not encouraging. Moreover, the tensions emerging from the financial crisis will raise new obstacles to making substantive progress. The International Monetary Fund (IMF)-World Bank Annual meetings in late 2008 passed unnoticed and there is a high chance that the Copenhagen conference on climate change later in 2009 will fail to reach a substantive agreement. The demand for progress, however, is still there.

In the current context of falling demand and output, rising unemployment and lower real incomes, the range of domestic political demands on economic policy are turning more defensive. This domestic

dimension of the global crisis threatens to overload international institutions and regimes already shaken by paralysis. Even if it were possible to design the right international arrangements for responding to the crisis, the challenge would be one of persuading myopic national governments that owe their basic allegiance (and survival) to domestic constituencies to approve and implement them. Even if governments see that acting for the common good will pay off, organizing collectively to deliver such public goods will be problematic. It might be possible, but the process is likely to be slow and painful. Meanwhile, things are likely to worsen before they get better.

This leaves us with the unexpected search for a hegemon to push for solutions in a world where power has become more evenly distributed. Despite the remarkable progress made by the European Union in the last few decades, it can still not be considered as a coherent international actor (except perhaps in the realm of trade). Similarly, despite the rise of China, Brazil, Russia, and India, they are still too small and carry too heavy a domestic burden to be able to take a lead. The European Union, the BRICs, and others will have to be on board, but the initiative and the push can only come from the United States, which is still the single most influential country in the world economy (as well as in military prowess).

This presents the new US government with a big challenge. The G20 meeting in London can be a step forward if it becomes an opportunity for the United States to take the lead and persuade other important players to join. In London, the United States should make explicit commitments to:

1) lead WTO members to conclude the Doha Round and request a Congressional renewal of fast track trade negotiating authority;
2) implement a standstill on protectionist measures;
3) deal with the domestic financial and economic crisis boldly, cleaning the balance sheet of wrecked financial institutions and providing fiscal stimulus to prevent a severe depression;
4) reform the IMF by expanding its resources, strengthening its surveillance and oversight authority, and changing its governance structure to reflect more fully the current global distribution of economic power;
5) work with US Congress and other governments for a successful conclusion of the Copenhagen Conference on climate change later in 2009;
6) improve financial regulation and fight against innovations that shift transactions away from the eye of public regulators; and
7) call on the rest of the G20, and especially the European Union, the BRICs and the Asian NICs, to follow suit on each of the above points.

This may seem to place too much trust on unilateral action, but at this time any other approach will take too much time and allow things to worsen too much more before they get better. If the United States takes the right steps, benign US-led unilateralism need not be the worst case scenario. While such benign unilateralism may not succeed, other options seem even more unlikely and still less likely to succeed.

For Latin America, the main danger is a return to across the board inward-oriented policies that have had such high costs in the past. Although the El Dorado promised by the proponents of liberalization in the 1990s was far from real, switching the pendulum in the opposite direction would not be a wise response. Latin American governments need to build upon those reforms undertaken in the last two decades that were sensible, leave naïve policies behind, and be pragmatic. A worsening international scenario will not help them to do so.

A final word of caution for economists: this time the profession should be prudent and modest, not only because the row of recent shocks to its pride counsel it, but also because in the present circumstances other social scientists may have more interesting things to say. Economic fixes are badly needed, but if taken isolated from their broader political context, they are unlikely to be of much use.

Roberto Bouzas is an economist, currently serving as an Associate Professor (Universidad de San Andrés) and Senior Research Fellow (National Council for Scientific and Technical Research). His latest edited book is Después de Doha: la Agenda Emergente del Sistema de Comercio Internacional (Madrid: Marcial Pons Editores, 2007).

RESIST US PROTECTIONISM: THE TOP TRADE PRIORITY FOR THE G20

Steve Charnovitz

The motto of the G20 leader's forthcoming London Summit is "Stability Growth Jobs." The world economy is producing an insufficient amount of all three of these economic virtues and so it is appropriate for powerful governments to get together in London to try to improve and coordinate their social, economic, and environmental policies.

The most important thing the G20 leaders can do is to take a strong stand against trade protectionism. A hundred years of economic history has shown that the erection of import barriers diminishes economic growth and creates instability. While tariff and non-tariff barriers can "save" some jobs from import competition, such policies will necessarily reduce other jobs in companies that depend on imports or exports. Although the net effect of protectionist policies on the quantity of jobs is impossible to predict, we do know that the inefficiencies of protection lower the aggregate real income to workers through labor markets.

Thus, promoting freer trade should be a core component of any international plan to promote long term global economic prosperity. Trade needs to be accompanied by complementary policies on saving and investment, technology, corporate governance, training, education, health, energy, and public infrastructure. Moreover, governments need to coordinate these various policies domestically and internationally so that they do not work at cross purposes. No policy should be used in the short-run, for example trade restrictions or wasteful government spending, that does not also make sense in the long run.

All G20 countries should be the object of the G20 recommendations, but the government most in need of external normative pressure from other governments is the United States. That's so for several reasons: First the United States has the largest and wealthiest economy at the G20 meeting and therefore has the weakest excuse to adopt beggar-thy-neighbor policies. Second, if the United States gives in to sirens of protection, other countries as a practical matter will find it much harder to resist. Third, as a result of the 2008 election, the Democratic party in the United States has gained firm control of the Congress and the Executive Branch, and so the usual internal checks and balances against wasteful and counterproductive policies have been attenuated.

Vibrant world trade and a strong World Trade Organization (WTO) are terrible things to waste. And yet the Obama Administration and the new Congress have been quick to adopt protectionist policies, some of which violate WTO rules.

Consider the American Recovery and Reinvestment Act of 2009, better known as the First Obama Stimulus. As the title indicates, the new law is inward looking. The Act has 20 titles, none of which recognize, at least in name, the rest of the world or the interdependence of the US within the world economy. Perhaps the most notorious provision of the Act is Section 1605 titled "Buy American." According to this provision, with certain exceptions, "None of the funds appropriated or otherwise made available by this Act may be used for a project for the construction, alteration, maintenance, or repair of a public building or public work unless all of the iron, steel, and manufactured goods used in the project are produced in the United States." In those 51 words, the Congress and Obama Administration repudiate the benefits of open trade and embrace domestic content policies that will make it harder for the US economy to stabilize, grow, and create good jobs. Those cruel words also send a signal to private social and economic actors in the United States that discriminating against America's trading partners is now thought by Washington elites to be good governance.

In addition to being bad for the US taxpayer and bad for countries that produce manufactured goods and steel, the Buy American provision, if implemented, also violates WTO rules. While it is true that the Act has a provision saying that

it "shall be applied in a manner consistent with United States obligations under international agreements," any application of the provision to make the subsidies conditional on domestic content is a *per se* violation of the WTO Agreement on Subsidies and Countervailing Measures (SCM), Article 3.1(b). The Act was signed into law on February 17, 2009 by the President who urged that the funds be disseminated quickly. One can only assume that serious WTO violations by the United States are already occurring.

Article 3.1(b) of the SCM Agreement contains an absolute ban on domestic content requirements linked to subsidies. Specifically, the treaty language prohibits "subsidies contingent, whether solely or as one of several other considerations, upon the use of domestic over imported goods." Although the SCM Agreement does not contain a preamble stating its purposes, the WTO's Appellate Body has explained that the Agreement is designed to address "unfair" trade practices. Certainly, an official government preference for domestically produced over foreign goods is unfair. But that is not the main reason why Article 3.1(b) prohibits such restrictions. Article 3.1(b) is not a simple national treatment requirement. Instead, the unfair practice prohibited is preconditioning a subsidy on using domestic content. The unfairness is not just the trade distortion, but more importantly the fact that the richer a country is, the more able it will be to compete in subsidy wars.[1] Thus, Article 3.1(b) contains an absolute prohibition on practices that tilt toward higher-income governments that will have the ready cash to expend on such subsidies.

Unfortunately, most commentators have missed the big picture when analyzing the new US Buy American provision by examining it solely through the lens of the WTO's Government Procurement Agreement.[2] That lens is appropriate for the federal procurement spending in the Stimulus Act. But other provisions in the Act provide many billions of dollars of grants to US states and local governments that are subsidies to them. It should be noted that there is no WTO caselaw yet on whether subsidies from one part of a government to another are immune from SCM disciplines.

Another autarchic provision in the Act (Section 1612) will make it harder for banks and other large companies receiving government subsidies to hire foreign-born workers. Such labor market discrimination against aliens is not a violation of the WTO, but it is a violation of another international agreement, the International Labour Organization (ILO) Convention on Discrimination (Employment and Occupation), No. 111. Unfortunately, the United States is not a party to that Convention. Indeed, of the countries invited to attend the G20 meeting, only the United States and Saudi Arabia have refused to sign on to this Convention.

In taking note of the worst provisions in the Stimulus Act with respect to international economic policy, I should also mention that there are also some constructive provisions, such as the Trade and Globalization Adjustment Assistance Act of 2009 (Section 1800 of the Stimulus). This Act makes some improvements in the US trade adjustment assistance programs that help economic actors that are injured due to trade. A workable and effective adjustment assistance program needs to be a central part of every country's trade policy if governments are to obtain and maintain public support for trade liberalization. Unfortunately, there are no WTO requirements that governments operate such programs and no international surveillance. The United States commenced an adjustment assistance program when it launched what became known as the Kennedy Round of GATT negotiations in 1962, but the US programs have never been effective at helping workers or at building public support for trade. The new Act authorizes more spending for worker training and makes some supply-side improvements through community colleges and on-the-job training. But the new Act sadly misses an opportunity to cure the central problem in the existing program which is its reliance upon the flawed delivery system of moribund state agencies rather than seeking to empower workers through adjustment vouchers. Perhaps the best feature of the Act is the re-establishment of an adjustment assistance program for communities beset by major layoffs (Section 1872). Community adjustment assistance had been part of major reforms enacted in the Trade Act of 1974, but that program was abolished by the US Congress in 2001 at the request

of President Ronald Reagan, whose Administration preferred voluntary export restraints by trading partners rather than adjustment assistance for US workers, firms, and communities.

In addition to the Economic Stimulus Act, the Obama Administration has signaled that it will continue the policies of the Bush Administration in bailing out US manufacturers, such as automobile companies, that request financial aid. Subsidies to domestic firms are not per se WTO violations, but can violate the SCM Agreement (Article 5) if they cause adverse effects on other WTO members by promoting the relative competitiveness of exports or reducing the competitiveness of imports. On March 11, 2009, US Representative Sander Levin, a Michigan Democrat and chair of the House Trade subcommittee, defended such subsidies by saying that "In this time of crisis, countries also need the temporary flexibility to help rescue their own industries—through loans, incentives, and regulations—without charges of "protectionism."[3] Yet in the same speech, he also called for "the creation of an interagency team led by the Department of Commerce and USTR to investigate subsidies by leading trade partners." Presumably other G20 countries are now considering whether to ask their agencies to investigate US subsidies to see if they are actionable or countervailable under the SCM Agreement.

The new 2009 Trade Policy Agenda issued by the Obama Administration on March 2, 2009 sends a mixed message. On the one hand, the President's Trade Agenda states that "The President's approach will be to promote adherence to the rule-based international trading system in order to promote economic stability, while introducing new concepts – including increasing transparency and promoting broader participation in the debate – to help revitalize economic growth and promote higher living standards at home and abroad" (page 1). Yet this positive message is not backed up with anything concrete such as a commitment by the United States to follow WTO rules and comply with the numerous WTO decisions in which the United States was found to be a scofflaw. These included decisions on cases on anti-dumping, *Cotton, Stainless Steel, and Gambling*. Embarrassingly, the United States has lost more WTO disputes as a defendant than any other G20 country. Nor did the Administration take the opportunity in its 2009 Trade Agenda to publicly pledge its long overdue compliance with Mexico's 2001 case against the United States on trucking services under the North American Free Trade Agreement (NAFTA). Even worse, in early March 2009, the Obama Administration gave the go-ahead to the Congress to cut off funds for the cross-border trucking pilot project that had been launched by the Bush Administration to show that Mexican trucks do not present a safety hazard to the United States. The Administration also signed onto legislative provisions serving to maintain nontariff barriers on certain poultry imports from China and beef or lamb from Argentina.

The Obama Administration has been timid on the issue of securing Congressional approval of the three pending US free trade agreements with Colombia, Panama, and Korea. To be sure, Senator Obama made clear in his campaign that he did not support these agreements. But many observers had hoped that once he became President he would adopt a more centrist position on trade. Perhaps he will, but so far the President's Trade Agenda pledges only that "We are in the process of developing a plan of action to address the pending trade agreements in consultation with the Congress" and that "we will promptly, but responsibly, address the issues surrounding the Colombia, Korea and Panama Free Trade Agreements" (President's Trade Agenda, pages 2 and 4).

On labor, the "President's Trade Agenda" states: "To make support for global markets sustainable, our consideration of the effects of trade can not stop at the edge of our borders. Trade is more beneficial for the world, and fairer for everyone, if it respects the basic rights of workers. Our trade policies should build on the successful examples of labor provisions in some of our existing agreements" (page 2).

As someone who has worked on labor rights and trade for 32 years, let me make a few comments about that puzzling paragraph. First, trade is an economic transaction, not a human being, and so trade itself cannot respect or fail to respect the basic rights of workers. Instead protecting the basic

rights of workers is the role of governments, the private sector, and the voluntary nongovernmental sector. Sadly, the United States government has been derelict in failing to ratify the ILO Convention on Freedom of Association and the Right to Organize (No. 87) which has been sitting on a dusty shelf in the US Senate since 1949. On labor policy and on foreign policy, the Obama Administration should be judged on whether it asks the Senate to approve this treaty, which has been ratified by Colombia and Panama (but not South Korea). Second, there are no truly "successful" examples of labor provisions in any of the existing US free trade agreements. Of course, every US free trade agreement (except Israel) contains a labor chapter or side agreement. But the only labor language within a free trade agreement that has produced anything at all is the side agreement to the NAFTA which ironically is the one that Obama was vociferous in criticizing during his Presidential campaign. While it is true that the NAFTA labor side agreement has produced some output, it would go too far to say that it has been successful, even on the very limited ambitions its tri-governmental authors gave it.

The connection between trade and environment is another issue that may arise in the G20 Summit. If it does, there are several concrete steps that governments can take: First, there should be a commitment to a moratorium on trade or border measures used to level the playing field between countries that have different prices for carbon emissions. For example, the leading industrial countries could pledge a three-year moratorium to allow negotiations to occur within the United Nations Framework Convention on Climate Change (UNFCC) on what border measures are appropriate and when. Second, the G20 could establish benchmarks for progress in the ongoing WTO negotiations on the liberalization of environmental goods and services and on the supervision of fishery subsidies. Third, governments could pledge greater cooperation to address illegal trade that harms the environment such as trade in chlorofluorocarbons (CFCs) (which contribute both to climate change and to ozone depletion) or endangered species. Fourth, the G20 countries could ask the United States to stop blocking an invitation to the Secretariat of the UN Convention on Biological Diversity (CBD) for observer status at the WTO's Council for Trade-related Intellectual Property Rights (TRIPS). The G20 countries could also support observer status for the International Union for Conservation of Nature (IUCN), an important international organization with a hybrid membership that includes 87 states. These steps could improve the mutual coherence of the trade and environment regimes and provide for more transparency in the WTO's work.

In summary, because trade is so beneficial, the G20 should take a strong stand against protection and should call on the United States to back away from its recent protectionist tendencies. Amazingly, the US Trade Policy Agenda (page 2) takes note of the November 2008 G20 commitment to "refrain from raising new barriers to investment or to trade in goods and services" and then goes on to criticize other countries by name (Argentina, Brazil. France, India, and Russia) for having "faltered" in that commitment. Yet the US document omits any mention of recent US protectionism or any self-criticism for the faltering in Washington. Can such omission be anything other than hypocrisy in a President's Trade Agenda that includes among its goals: to "Advance the social accountability and political transparency of trade policy" (page 3)? The G20 leaders should summon the courage to insist that the US government repeal its new barriers to imports of goods, especially from developing countries.

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THE UPSIDE OF A DOWNTURN: A CHINESE PERSPECTIVE

Shuaihua Cheng

The most critical problem facing global trade governance at this moment is that we have focused too much on problems at the World Trade Organization (WTO). It is dangerous to disregard the fact that the WTO has functioned well as a stabilizer of basic global economic order amidst economic turmoil.

Too often people perceive the WTO cup as half empty. In comparison to the inadequacy of financial governance today, the world is fortunate to have the WTO! In spite of the dramatic financial crisis and economic downturn, widespread protectionism has not occurred. As observed by many economists, trade contractions in the past few months are mainly attributable to shrinking demand as an indicator of international nature of recession, rather than trade protectionism.[1] There have been some new trade restrictive measures in major economies, but that happened even before the crisis. Several new WTO disputes have been launched at the WTO in recent months on such measures,[2] which again demonstrate the credibility of the multilateral trading system and the trust that the WTO's members place in it.

HAVE CONFIDENCE IN THE WTO

At the G20 London Summit, finance will be the center of attention. However, the meeting provides a crucial and opportune moment for leaders to be reminded of the great value of the WTO. This will not only help reinforce the right priorities in the global trade agenda, but also provide lessons for crafting future global governance on finance as well as perhaps on climate change.

The first and highest value of the WTO is its legitimacy. All WTO Agreements are based on peaceful negotiations and consensus among all Members. The creation of such a system was not an accident. One of the most important features of the WTO system is that it has been designed to prosper during not only good times, but challenging ones as well. Through a package of legally binding Agreements, all Members can avoid wild trade protectionism, such as that which took place in 1930s, for instance. This value might not be so obvious in an economic boom, but it is critical when protectionism pressures are higher, such as during an economic crisis.

For politicians, trade protectionism can be an easy policy tool to pick up, although it does appear to be widely understood that closed markets will do little to protect domestic economies but risk spurring damaging retaliatory protectionism. The existence of WTO commitments pushes policymakers to look harder for alternative solutions. It reinforces the principle of an open economic order as a rule-based regime that can not simply be put aside.

Secondly, WTO Agreements seek to strike a balance between trade liberalization and sustainable development. Some commentators continue to describe the WTO as an organization solely devoted to promoting freer trade. Some negotiators and even WTO staff also emphasize (too much) this market access dimension. But the Preamble to the WTO Agreements signed in Marrakesh recognizes that trade liberalization is only a means to a broader end – that of sustainable development. Indeed, the WTO sets out a broad range of objectives for the multilateral system, including "raising standards of living, ensuring full employment and a large and steadily growing volume of real income and effective demand, and expanding the production of and trade in goods and services, while allowing for the optimal use of the world's resources in accordance with the objective of sustainable development, seeking both to protect and preserve the environment and to enhance the means for doing so in a manner consistent with their respective needs and concerns at different levels of economic development."[3] Also, there are clear arrangements to address sustainable development concerns in specific WTO agreements,

from those concerned with trade in goods and services to those focused on issues such as technical barriers to trade, and sanitary and phytosanitary measures, etc.

Thirdly, the WTO boasts a rule-based, independent dispute settlement system. Viewed as the "crown jewel" of the Uruguay Round and the "linchpin" of the multilateral trading system,[4] the WTO Dispute settlement system aims to address conflicts arising from different understandings of Members' commitments under WTO Agreements. The dispute settlement system is not perfect. Several reform proposals to make it fairer are under discussion among Members. But the system has demonstrated considerable success in dissuading Members from irresponsible violations of their commitments, in part due to the constructive fear of retaliation and profound understanding of WTO's systematic dividends.

At their London Summit, G20 leaders should consider how the values and lessons of the WTO could assist their efforts to craft sustainable governance of global finance in the 21st century.

2009 PRIORITIES FOR GLOBAL TRADE GOVERNANCE

Having not fully recognized the value of WTO in defending global trade from unbridled protectionist interventions in past year, there have been many faulty recommendations for G20 priorities in the trade arena. Many commentators have suggested that concluding the Doha Round must be the top priority. Others emphasize the importance of a 'moral' commitment to curbing new protectionism.

A conclusion of Doha Round deal would indeed have important symbolic significance in addition to the benefits of greater market opening opportunities. But there is question of opportunity cost. Should leaders invest their energy now in concluding the Doha Round, or focus on monitoring how Members honor their existing commitments and obligations? The latter is perhaps more relevant, urgent and achievable. If members are not able to implement their existing commitments and WTO rulings, who will believe in any new deals? The only agreement that WTO Members currently share about the Doha Round is that what is currently on the table is "imbalanced".[5] The failure of WTO members to meet the deadline set by the G20's November 2008 Summit reflects lack of the necessary progress on the domestic progress. In many key countries, trade ministries have simply proven unable or unwilling to strike a deal to open own national markets where the potential foreign market opportunities are obscure or subject to implementation hurdles.

We have also seen a broad range of appeals for the G20 moral and political commitments to avoid taking "murky protectionism"– "measures that abuse legitimate discretion allowed by various international trade agreements"[6] (i.e., trade measures that are protectionist but legally-consistent with WTO rules). It is true that current WTO agreements and the dispute settlement system may not be able to properly address such legal but perhaps immoral measures. While political success is possible in this area, the prospect of policy failure is high because such commitments are hard to measure and murky protectionism is difficult to define.

Making lofty or vague political commitments on abstract issues is always easy but less often makes a difference on the ground. To the contrary, such promises can make situations worse when rhetoric is revealed to be hypocrisy as policymakers and the public come to appreciate the challenges of persuading powerful domestic lobbies, already suffering under the weight of economic crisis, to undertake moral obligations.

The top priority, therefore, should for G20 Members to honor their existing WTO commitments. This pragmatic goal has four benefits. First, it is fundamentally legal and concrete. Second, it is strategically vital for global trade and economic stability. Third, it is measurable and transparent. Fourth, WTO has functions assigned for solving conflicting understandings of the WTO legality of specific trade measures.

At a moment when any tensions are so easily politicized, we should avoid name-calling and refrain from labeling simply any trade restrictive measures as protectionism. Instead, we should employ the test of 'WTO legality' as the single most important benchmark against which to assess disputable trade measures. It is important to note that certain trade restrictive measures are legal under WTO rules and even encouraged for sustainable development purposes, provided they abide by agreed principles. A balanced view about the balanced WTO is critical for stabilizing global social and economic order.

The second priority is to strengthen the WTO Secretariat's personnel and expertise in two areas: dispute settlement and monitoring. The current crisis is expected to increase the number of WTO disputes. The Secretariat's legal affairs department may thus have a heavier burden. An efficient and top quality service is essential to help clarify and resolve disputes on controversial trade measures. In the area of monitoring, there is a need to improve the WTO Trade Policy Review system and to enable greater scope for independent consultations among members and with the Secretariat on their trade policy options for responding to financial and trade difficulties.

Third, transatlantic leadership is key to making the G20 process a success. The UK Prime Minister, Gordon Brown, has already called for stronger transatlantic partnership for a global new deal.[7] The United States and Europe need to find a solution for a financial crisis which began within their shores and power centres. They also need to address negative impacts of this crisis on other countries, particularly the poorest countries, through multilateral development assistance schemes, including Aid for Trade in the WTO context. The transatlantic powers also need to accommodate other G20 members in the spirit of trust and partnership with a view to sharing proper responsibilities in a new political and economic order.

TRIPLE BOTTOM LINES

The leaders should express their confidence in the WTO as a manifestation of the potential for effective global economic governance. Members should agree on concrete matters such as honoring their existing commitments in WTO Agreements, rather than making any new unreachable or immeasurable commitments. The United States and European Union should implement respectively the WTO Appellate Body's rulings against them in recent cases on cotton and bananas.[8]

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2 The WTO has established 12 disputes cases since September 2008. For more details, see www.wto.org/english/tratop_e/dispu_e/dispu_status_e.htm

3 "Marrakesh Agreement Establishing the World Trade Organization," www.wto.org/english/res_e/booksp_e/analytic_index_e/wto_agree_01_e.htm

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7 See, for instance, "Brown arrives in Washington in search of new special relationship," 3 March 2009, *TIMES,* www.timesonline.co.uk

8 For the update news report of EU Bananas case, see ictsd.net/i/news/bridgesweekly/35126/; US case on cotton, see ictsd.net/i/news/bridgesweekly/6629/

RESURGENT PROTECTIONISM: RISKS AND POSSIBLE REMEDIES

Uri Dadush[1]

As the global financial crisis intensifies, world leaders are facing growing political pressure to enact protectionist measures. Since the inaugural G20 summit was held in November, nearly all G20 members, including the United States, the EU collective, China, India and Russia, have taken steps that have the effect of protecting their own producers.

While the impact of measures enacted so far is small, the risk of a devastating resurgence of protectionism is real. A resurgence of protectionism today would generate even greater losses than it did in its last surge during the Great Depression, when tariffs were much higher at the outset than they are today and countries were less integrated through complex international production chains.

Counter-cyclical policies and banking bail-outs are absolutely necessary to contain the crisis. But they also imply a much expanded role of the state in – and therefore an expanded risk of politicization of – economic decisions. Even when support measures are intended to mitigate the downturn, their unintended effect is often to protect, and such measures can easily be misinterpreted by other governments as protectionist even when they are not intended to be. If, as is unfortunately quite possible, the crisis continues to deepen and becomes even more protracted, the pressures to protect could become overwhelming.

Policy-makers at the coming G20 meetings need to take important and urgent steps to avoid backsliding or, worse, a trade war. Establishing a monitoring function with teeth in the World Trade Organization (WTO) is an obvious immediate step. The G20 should also establish a working party to strengthen the world trading architecture.

RISING RISK OF PROTECTIONISM

(1) Intensity of the crisis

Experience of previous crises suggests that the pressure to protect grows in step with the speed, depth, and duration of the downturn. The impact of the current economic downturn has been momentous, not just in scale, but also in the rapid pace with which it has transformed from an isolated US and Western European financial crisis into a global meltdown pervading all sectors. In the fourth quarter of 2008, world industrial production fell at a 20 percent annual rate; these declines have so far continued unabated in the first quarter of 2009. Jobs are being shed in every country; the International Labour Organization (ILO) expects 50 million workers around the world to become unemployed due to the global recession. The dearth of trade finance, combined with reduced global demand, has had an immediate and significant impact on global trade, which the World Bank predicts will contract in 2009 for the first time since the early 1980s.

Though most forecasts predict recovery sometime in 2010, the unprecedented nature of this episode makes these projections exceptionally uncertain. Financial crises tend to last two years longer than recessions driven by other factors. Assuming this crisis conforms, the US would be only about one-third to one-half the way through its recession, while in the vast majority of other countries, where the recession is younger, recovery will likely require even more time. Further, lessons from past financial crises indicate that today's global downturn may continue to deepen. Decline in GDP peak to trough during financial crises is most typically around 5 percent.[2] The Great Depression saw a decline of 25 to 30 percent of GDP. To date, the decline in US and European GDP from peak is probably no more than 2 to 3 percent. Despite

the damaging and pervasive effects that this crisis has already had on the world economy, it has been thus far relatively short-lived and shallow in comparison to past crises.

(2) Growing role of the State and weak WTO disciplines

The size of today's government intervention is unprecedented; the planned US financial bailout packages alone account for 17 percent of GDP. While the size of the intervention does not by itself create room for protectionism, its *non-neutral* nature does. Support to domestic banks, finance companies of industrial conglomerates, and the auto companies, is clearly discriminatory. Furthermore, two-thirds of the most recent US stimulus package is allocated to infrastructure, science, health care, and other initiatives. Within each of these categories, policy-makers, not the market, decide which groups will benefit from an injection of government money and which will not, incentivizing groups to lobby to receive a disproportionate share of the benefits. Groups have been particularly successful in lobbying for funds to be allocated towards national companies to preserve employment opportunities for citizens. For example, the "Buy America" provision of the US stimulus package provides a 25 percent competitive margin for US manufactured goods for all expenditures under the bill.

There are many opportunities to increase protection without breaking WTO law. Developing countries tend to have large gaps between bound and applied rates, and, for several goods, have no bound rates at all. Industrialized nations could withdrawal their Generalized System of Preferences, which offers least developed nations lower tariffs than offered to other nations. All nations are also permitted to raise compensating tariffs against a trading partner found guilty of dumping or of implementing distortionary subsidies. Standard setting bodies have wide discretion. Finally, the WTO still has several salient gaps in its jurisdiction; for example, bailouts and investment restrictions are allowed in many sectors.[3] Disciplines governing trade in services are incomplete and weak.

(3) Protectionist measures are increasing

While protectionism so far has probably had only a modest effect on trade flows,[4] it is clear that countries are increasingly resorting to protectionist measures. Whereas the trend over the last two decades has been towards increased liberalization, since the financial crisis worsened in November, 55 of the 77 enacted trade measures around the world have been trade restrictive.[5] Half of these measures are tariffs, which are employed primarily by developing countries that lack the budget to enact costly subsidies. Only a third of the 43 developing country measures involved subsidies, while all 12 industrialized country measures were subsidies. Other measures limiting trade included licensing requirements (e.g. Argentina), restricted entry (e.g. Indonesia), tighter standards (e.g. China), and outright bans (e.g. India). Final evidence of protectionism can be seen in the increased number of anti-dumping complaints filed with the WTO, which, after years of decline, rose by about 15 percent in 2008.

(4) Potentially Large Losses from Protectionism

The potential losses from trade restriction could be huge. IFPRI estimates that raising tariffs to bound levels would reduce world trade to 7 percent. But there is no guarantee that countries will abide by WTO commitments in the event of an all-out trade war, nor can the dispute settlement system (which merely awards a right to retaliate) accommodate a large number of disputes. The Smoot Hawley tariffs enacted in the wake of the Great Depression present one estimate of what countries stand to lose by unfettered protectionism. Following the Smooth Hawley Act, the effective US tariff rate rose from 13.5 percent in 1929 to 19.8 percent by 1933, encouraging retaliation on the part of US trading partners. The combined effect of falling demand and increased protection led to US imports falling from USD1.3 billion in 1929 to USD 390 million in 1932. US exports fell from USD 2.3 billion to USD 784 million over the same period. Over the same period, world trade declined by 33 percent, and the increase in both tariff and

non-tariff barriers may have accounted for a little over half this decline.[6]

According to some estimates, Smoot Hawley's impact on the US economy may have been relatively small, compared to the direct effect of falling demand[7] However, this was likely due to the relative unimportance of trade in the US economy during this period. In 1929, imports accounted for only 4.2 percent of GNP and exports only 5 percent. This is not the case in the US today, where imports comprise over 14 percent of GDP and exports 11 percent. Average US tariffs today are also a fraction of what they were in 1929. Trade shares are much higher in other countries, and tariffs are on average less than one fourth of what they were in 1929. Countries rely more today on integrated global production chains. The effect of Smoot Hawley is therefore a low estimate of the potential impacts of protectionist measures today.

POLICY RECOMMENDATIONS 1: MITIGATE RISKS NOW

1. The most effective way to defuse protectionist pressures is to reignite economic growth. Acting aggressively on the broader economic recovery agenda, including injecting fiscal and monetary stimulus, removing non-performing assets from bank balance sheets, and helping the most vulnerable countries and groups, is essential. But the way this is done is also important. Stimulus and financial rescue policies should aim to be as non-distortive of competition as possible. Furthermore, insofar as the burden of economic recovery policies is shared across countries, and is seen to be fairly shared, it becomes easier to avoid beggar-thy-neighbor trade measures.
2. The moratorium on trade restraints agreed at the inaugural G20 summit should be reaffirmed through to the end of 2010 and given teeth. This would include explicitly endorsing the WTO's enhanced surveillance role during the duration of the crisis, and requiring the G20 to report immediately all changes in applied tariffs and subsidies to the WTO Secretariat. The same should apply to all measures under contingent protection, including safeguards, countervailing duties, and antidumping initiations and sanctions.
3. International consultative groups should be established to monitor support to sensitive sectors, such as banks and automobile companies, to ensure that the trade distorting effect is minimized and that support remains strictly WTO-legal. The purpose of these groups would be to exchange information, improve transparency, and agree guidelines.
4. The G20 should reaffirm its determination to bring the Doha negotiations to a successful conclusion by the end of 2009.

POLICY RECOMMENDATIONS 2: ADOPT LONGER-TERM MEASURES TO REDUCE THE LIKELIHOOD OF A RESURGENCE OF PROTECTIONISM IN FUTURE CRISES

1. The overwhelming priority of the G20 over the next year should be to reignite economic growth and avoid the spread of protectionism, hence recommendations one to four above. However, just as thought is now given to strengthening the international financial architecture to prevent a recurrence of the financial crisis, including reform of the World Bank and the IMF, so consideration is required of how the international trading system can be strengthened to avoid a resurgence of protectionism in future crises. With this in mind, the G20 should endorse the launch of a working group to propose WTO reforms.
2. Near-term questions to be addressed by the Working Group should include: a) how can the WTO's surveillance function be strengthened? b) How can rules on state aid in the event of macroeconomic crisis be clarified and strengthened? c) How can the membership of the plurilateral agreement on government procurement be broadened, ideally to cover the whole WTO membership?
3. Longer-term questions relate to the functioning of the WTO as an effective negotiating body and examine the shortcomings highlighted by the meager

results of the seven year Doha Process. Should negotiations be increasingly based on plurilateral and sectoral agreements rather than the single undertaking? How can the WTO draw on the energy of regional trading agreements, and better discipline and incorporate them, so as to make progress on overall trade liberalization?

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1 This note was prepared with excellent support from Lauren Falcao, Junior Fellow at the Carnegie Endowment. Jessica Mathews, Merit Janow, Richard Newfarmer, and Sandra Polaski provided valuable comments.

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FROM CRISIS MANAGEMENT TO SUSTAINABLE DEVELOPMENT: WHY WE NEED A WTO MINISTERIAL CONFERENCE THIS YEAR

Carolyn Deere Birkbeck

Trade ministers have not met for a broad-ranging WTO Ministerial Conference since the launch of the Doha Round in 2001. At the G20 London Summit, governments should call for a full Ministerial Conference in Geneva to be held this year.[1]

A full Ministerial Conference in 2009 is necessary to ensure that trade ministers fulfill their board responsibilities to set the WTO's strategic direction, provide budgetary oversight, approve work programs, and supply political leadership to address critical economic, political, social, and environmental challenges. Amidst the current global economic crisis, a Ministerial Conference would provide an opportunity for political leaders to build public understanding of the importance of multilateral trade rules and the public credibility of the World Trade Organization (WTO) as their guardian.

At the WTO, the Ministerial Conference is the equivalent to its highest governing body. Trade ministers from the WTO's full membership are mandated to meet as a board every two years (Article 4.1). The Ministerial Conference is the only formal forum the WTO system currently has for ministerial-level policy discussion and agenda-setting that engages all members.

Over the past decade, however, WTO Ministerial meetings have been dominated by efforts to launch and conclude the Doha Round or bypassed altogether in favor of informal mini-ministerials, usually focused on limited aspects of the negotiations, and sometimes hosted not so informally by the WTO Secretariat. Since the 2005 Hong Kong Ministerial Conference, the scheduling of the next full Ministerial has been ducked altogether. Some commentators caution that Ministers should only be gathered to seal a final Doha deal, fearing that a broader Ministerial agenda may detract from that effort. But this reasoning is flawed.

The regularity and preductability of ministerial-level meetings are vital to the good governance of any international organization, most of which have boards that meet at least annually. Effective governance demands attention to processes that foster dialogue, accountability and transparency. These processes matter most when tensions are highest. The absence of regularity breeds anxiety about unequal participation in decision-making and creates unhelpful expectations that ministerial meetings must have momentus outcomes.

While responding to the global economic crisis is rightly spurring efforts to bolster multilateral cooperation, close the Doha Round, avert beggar-thy-neighbor protectionism and boost access to trade finance, the challenge is to balance crisis management with the long outstanding need to ensure the Doha Round and the multilateral trading system better serve developing countries and advance sustainable development goals. We need improved global trade governance to address long-standing concerns about the quality of growth and work; multiple environmental crises (e.g., concerning fisheries, forests, climate and persistent organic pollutants, among others); and overlapping social crises regarding food security, growing inequality, poverty, and public health, as well as the particular concerns of the poorest developing countries (which are not properly represented in fora such as the G20). The latter include calls for affordable trade finance, protection from volatility in commodity prices, support for national budgets gutted by steep declines in export revenues, greater assistance to implement existing WTO rules, more flexible rules, and improved access to justice through the dispute settlement mechanism.

A Ministerial Conference would provide an opportunity for open dialogue about how national governments can respond to global public concerns and expectations about economic security, environmental sustainability, and social justice.

While WTO Members will not reach consensus on all issues, this does not obviate the need for or value of dialogue, the acknowledgement of divergences, and the search for common-ground.

G20 leaders should commit to working with WTO Members to circulate and consider proposals for a Ministerial Conference agenda that encompasses:

- Concluding an ambitious development-friendly Doha Round (or taking stock if the deal is still not ready);
- Clarifying the strategic vision, direction and mandate of the WTO;
- Discussing the values the multilateral trading system should protect and support;
- Addressing the proliferation of preferential trading schemes;
- Evaluating the WTO's role in global economic governance and its relationships with other international organizations;
- Reflecting on the performance of the WTO Secretariat;
- Debating institutional reforms to ensure the WTO is fit for purpose.
- Sharing best practices for national trade policymaking; and

Recommendations for WTO reform strangely strike fear in the hearts of many trade analysts. Some reject that reform is necessary, others contend that it is not politically plausible, that the time is not ripe, or that reform proponents should focus first on improving the operation of existing aspects of the WTO. Reform can indeed start by working with what exists, but deeper reforms should also be considered. Those who reject the need for reform risk taking for granted the credibility and relevance of the very system they mean to defend. For those who suggest waiting, the question they should answer is when the right time to address fundamental, systemic challenges will arrive.

To begin, governments should reconsider the most appropriate decision-making processes for the distinct functions the WTO system serves (e.g., negotiation, capacity-building, problem-solving, monitoring, research and information-exchange, and dispute settlement). Each function may demand different roles for the WTO Secretariat, its Director-General, coalitions of WTO Members, and non-state stakeholders, whether from business, academia, or civil society. Calls to expand the WTO Secretariat should be approached cautiously; governments should carefully identify which particular aspects of the WTO's functions warrant the investment of greater resources in the Secretariat over other multilateral organizations or actors at the regional and national level.

Top WTO reform priorities that governments should discuss at a Ministeral Conference include:[2]

- Mechanisms for boosting the effective participation of developing countries and their coalitions in negotiations and other aspects of decision-making. There are lessons to be learned about the internal management of coalitions and their accountability to members. Least developed and small countries should be supported to maintain permanent representation to the WTO in Geneva.

- Increase support for research and analysis to benefit developing countries. The emphasis should not be on building capacity in the WTO Secretariat, but rather on enhancing independent trade policy research and analytical capacity in universities, think tanks, and research centres in developing countries at the national and/or regional level.

- Improve the WTO's monitoring function and the transparency of national trade policy measures. Governments could start by fulfilling their existing notification requirements and by agreeing to publicize the Trade Policy Review (TPR) process, invite recognized international experts as commentators in TPR meetings in Geneva, invite input and commentaries from other national and international interested parties (e.g., other IGOs, industry groups, NGOs, academics), and involve national stakeholders in the preparation of TPR reports and assessment of particular concerns related to gender, labour, environment, etc. WTO

Members should also integrate a new component into the Trade Policy Review process for least developed countries (LDCs) that evaluates the fulfilment by developed countries of their capacity-building commitments to them.

- Shift support from bilateral trade-capacity building to multilateral initiatives that offer great, opportunities to delink assistance from donor's mercantilist priorities. Developing countries must push for more effective aid; better articulate national needs, and extract more value from existing resources. Third-party monitoring and evaluation of donor performance should be boosted (e.g., through annual independent evaluations and/or peer-reviews of trade-related capacity building from the recipient's perspective).

- Establish mechanisms for assessment of the impacts of WTO rules. Governments should agree to use existing sustainable development principles and benchmarks as yardsticks against which to measure how the system is delivering on the goals the international community has set for itself (such as the UN Millennium Development Goals and targets set at the World Summit on Sustainable Development). The scope of the WTO's Trade Policy Review process could be expanded to serve as a tool to help governments integrate sustainable development considerations into trade decision-making. Greater use could also be made of the 'good offices' of the Director General to 'problem-solve' specific trade-policy tensions that arise. In addition, the creation of an Ombudsman Office to which third parties could submit specific sustainable development concerns for the attention of member states could be considered. To further aid in this assessment role, governments could consider selectively opening up the work of some of their non-negotiation, Committee-based work to experts and interested parties to facilitate informed debate about trends and trade policy options.

G20 leaders should set an example by reporting on efforts to improve their own internal coordination of national trade policy making processes to incorporate sustainable development considerations, and to engage a broader range of domestic political actors – beyond trade technocrats – such as parliamentarians the private sector, trade unions, and civil society. Governments should also commit to including relevant stakeholders in their delegations to WTO negotiations and to move active dialogue among parliamentarians from across the WTO's membership,including through the Inter-Parliamentary Union.

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1 A version of this argument was made in the GEG blog in January 2009, and was republished with the title 'WTO Leadership Challenges in 2009' in English, Spanish and Portuguese in BRIDGES Monthly, PUENTES and PONTES - all of which are published by ICTSD and available at http://www.ictsd.ch.

2 These proposals are elaborated in greater depth in Deere, Carolyn (2009) *Making Global Trade Governance for Developing Countries: Proposals for WTO Reform,* Global Economic Governance Programme Working Paper, University College, Oxford.

THE G20 AGENDA, TRADE, AND THE DEVELOPING WORLD

Marcelo de Paiva Abreu

Bold trade and financial initiatives will be required to control the damage that the current crisis imposes on developing countries and to assure their economic recovery. At the highest level, the G20 will need to consolidate its position as a forum where substantive coordinating efforts can take place. A positive, concrete, action agenda needs to replace the emphasis on declarations of principle and the reassertion of willingness to cooperate. In addition to these efforts to provide substance to the agenda, two political challenges must be faced. The first is how to consolidate in developed countries a view that the enhanced role of the G20 over that of the G8 should become a permanent feature of global economic governance rather than a stop gap maintained only during the crisis. The second, similarly daunting challenge, is one of ensuring that developing countries are convinced that their interests are adequately represented by the developing countries that are G20 members.

A substantive G20 work programme should concentrate first on establishing detailed conditions to assure that an effective standstill applies to those kinds of protectionist measures covered by the World Trade Organization (WTO) rules. Fuzzy commitments should be transformed into clear, detailed language. A parallel second step should be to make productive use of the results of earlier rounds of multilateral trade negotiations and to engage in efforts to revive WTO talks that go beyond the deadlock of July 2008 on agricultural subsidies and safeguards. Reaching short term compromises on other controversial issues, including cotton subsidies and agricultural peace clauses, is also necessary. The third step towards a substantive G20 work program concerns the grey area between trade and finance. This is taken up further below.

If the credibility of the WTO is undermined and, especially, the credibility of its dispute settlement system, relatively smaller economies – that is, developing economies – are bound to suffer more as their bargaining power is weaker than that of the bigger protagonists. While some claim that developing countries gained from the collapse of negotiations in July (on the grounds that the absence of agreement on trade liberalization would shield them from increases in agricultural prices predicted to emerge in their wake). But this is not the case: there would surely be a first-best solution—perhaps financial—to address such concerns about agricultural prices without blocking the progress of multilateral trade liberalization.

Amidst the present turmoil, it is time to consider how the fatigue with current multilateral trade negotiating methods can be countered. Suspicions are deepening that there is something intrinsically wrong with the way multilateral trade negotiations have been conducted in the recent past. There are many thorny issues to be addressed. For instance, how can the principle of special and differential treatment be advanced with without undermining essential WTO principles? Special and differential provisions included in the Uruguay Round agreements, which were essentially based on allowing developing countries longer periods for adjustments to new disciplines, have proved inadequate. Which format is preferrable to further negotiations: G7-like ad hoc groupings, “green room” meetings, or full membership? The trade-off between expediency and representation must be addressed directly, in addition to possible adjustments to the consensus tradition. How can the scope for excluding “sensitive” products from horizontal barrier-reducing formulae be minimized? (Particularly given that the main objective of multilateral trade negotiations is the dismantlement of barriers protecting inefficient production, such as is often the case for “sensitive” products). How can the dispute settlement mechanism become more effective? Decisions by panels and the Appellate Body have frequently been disregarded by member countries with significant bargaining power.

The third set of actions that the G20 should undertake concern the grey areas that link trade and finance. As the crisis unravels, this issue is increasingly crucial. This must be addressed in a systematic way by the WTO, the International Monetary Fund (IMF), and/or new institutions that could be created to deal specifically with international financial regulatory matters.

An important issue, already raised at the WTO, concerns how developing country exports are being affected by the credit contraction. With banks in the centre of the system placing financing the exports of developing countries low on their revised list of prospective clients, there will be clear scope for multilateral organizations to, at least temporarily play a major role in underwriting such risks.

Another trade-related financial question is entirely new. In contrast to what happened in the 1930s, the banking sector in practically all developed countries — and in some developing countries as well — is receiving massive injections of resources so as to avoid their bankruptcy and/or to help guarantee the flow of resources to finance their clients. That is, taxpayers´money is being used to rescue the financial sector. In many countries, arguments that could be described as typical of a new "financial protectionism" are heard: these injections of capital should be used exclusively for the benefit of economic agents of the same nationality of the taxpayers that are footing the bill. This is the revival, with a vengeance, of the "beggar thy neighbour" policies concerning tariffs and non-tariff barriers that, in the absence of WTO-like multilateral commitments were typical of commercial policies in the 1930s.

The economic reasoning behind such proposals is absurd, especially in a globalized world where banks provide credit on a global basis and there is a weak connection between the "nationality" of ownership of borrowing firms and the country where they conduct business. A byproduct of attempts at international coordination of the various efforts to rescue the banking sector and preserve banks' lines of credit, might be an emerging consensus that financial transfers should be evenly distributed among specific countries with no free-riding involved. This could have an important role in countering lobbies seeking to exploit this new potentially useful protectionist instrument.

All these efforts to contain the damage caused by the economic and financial crisis are essentially concerned with mid-term scenarios. While important, such efforts should not crowd out negotiations on climate change, which will have to be upgraded in the very near future. It is essential that expediency linked to short and mid-term policies designed to counter the effects of the crisis does not undermine commitments to curb harmful emissions.

Progress with this comprehensive and complex agenda depends on political will. The last few years have been marked by a persistent deficit of political will where it counted most for international cooperation. One was reminded of the Irish poet William Yeats who wrote, "the best lack all conviction, while the worst are full of passionate intensity." The G20 should make sure that this is reversed and that there is full collective commitment to begin a new era of effective international cooperation.

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THE GOVERNANCE OF GLOBAL TRADE: HOW HUMAN RIGHTS CAN HELP DEFINE PRIORITIES

Caroline Dommen

Developing countries have been struggling for years to have their trade-related concerns recognized and acted on by their developed country counterparts. In parallel, civil society groups have been calling attention to ways in which international trade policy can go counter to development, sustainability, and equity objectives.

The current financial crisis, following close on the heels of the food crisis, reveals structural problems with the global economic system. Governments have reduced their regulatory role, leaving many elements of the system to private actors. Whilst some people have profited handsomely from new trading opportunities opened up by technological advances and by liberalization policies, others have suffered.

Crises such as the one we are now experiencing have a disproportionate impact on the most vulnerable and already marginalized groups of society. The current crisis is undermining access to work, affordability of food and housing, as well as of water, basic health care and education.[1] For many countries and many people, the main problem is not so much the bursting of the financial bubble but the decline in trade and employment in all countries.

Today, more than ever, the multilateral trading system is needed to ensure that governments do not retreat into short-sighted, nationally-focused protectionism. Whilst the multilateral system needs to be strengthened and supported in order to play this role, now is also the time to adjust and improve it to address the criticisms it faces. The challenge will be to ensure that the trading system really does respond to the needs of the world's people, whether rich or needy, and whether in prosperous or in poor countries. Only if it succeeds in this endeavour will the World Trade Organization (WTO) begin to enjoy the public support and credibility that it has lost through being perceived as an instrument for promoting the interests of the wealthy.

Bias in the favour of Special interests is one of the core criticisms that human rights advocates have directed at the WTO. Human rights critics point out that WTO-based liberalization has been driven by those who stand to profit most from it, and has generally not been shaped to support a country's development, social or environmental objectives. They also argue that there is a lack of public information about, and participation in, formulating and applying trade policies.

Human rights-based criticisms of the multilateral trading system are often very similar to concerns that developing country delegates express. Human rights also encapsulate and elaborate each of the UN Millennium Development Goals (MDGs). Human rights go further however, in that they bring useful – legal, political and practical – tools to guide the international trading system towards better integration of development and social goals.

Before looking at these human rights tools in more detail, it is important to clarify some misunderstandings about human rights.[2] First, human rights are not necessarily a trade conditionality tool – whilst there are advocates of using trade sanctions to force countries to adopt particular labour or rights standards, this is not a majority view and not, in the view of this author, the best approach. Second, the human rights which are most affected by trade negotiations and trade policies – the rights to food or to health, women's rights or the right to participate in policy formulation – have clear, enforceable legal content and are binding on almost all States of the world.[3] Thirdly, a human rights approach is neither *pro* or *anti* liberalization or any other economic approach – human rights simply require that policies support rather than undermine human rights.

Following are four main contributions that human rights could make to strengthen trade policy making:

DEFINING THE OBJECTIVES OF TRADE POLICY

Human rights law recognizes that States may not be able to ensure realization of many rights – to food, to education, to health – in a short period of time, particularly due to resource constraints such as those faced by developing countries. But human rights law does impose immediate obligations on all States. One is to have a policy in place towards realization of the right. This includes the obligation to monitor the extent of the realization, or non-realization, of human rights, and to devise strategies and programmes for their promotion.

Fulfilment of this obligation would require countries not only to have national development, health, food or other such policies, but also to ensure that these policies are fully integrated into and supported by trade policy. This approach would help ensure that trade policy is more responsive to social, development or sustainable development objectives. It also provides an argument that can be put forward in support of trade-related technical assistance that starts by assessing country's needs and then assists formulating trade policy that responds to their needs – in contrast to technical assistance today which too often seeks to apply exising trade rules without regard as to whether these rules are the most appropriate.

ASSESSMENT

All human rights analysis concurs on the necessity to conduct impact assessments of trade policy. This is linked to the human rights obligation to have a policy in place for the realization of human rights. It is also linked to another immediately binding human rights obligation, which is to ensure non-discrimination in the enjoyment of human rights.

Human rights are particularly concerned with those very people who trade policy often forgets: the most vulnerable and marginalized. *Ex ante* assessments would require countries to take a disaggregated look at the likely impacts on vulnerable segments of society – minorities, those living in geographically remote areas, women or children, for instance – to ensure that the new trade policy does not risk leaving them worse off. This is rarely done today, resulting in trade policy that often results in *de facto* discrimination against vulnerable groups.

In the case of trade rules affecting access to food, the UN Special Rapporteur on the Right to Food has noted that mapping food insecurity and identifying actions to combat it will make it possible for those negotiating trade agreements to ensure that their trade commitments facilitate, rather than impede, efforts towards the fulfillment of the right to food.[4] This approach can strengthen a government's trade negotiating position, particularly since the right to food is a legal obligation on all States, not just with respect to the rights of persons on their territory but also with respect to international cooperation.

The Special Rapporteur on the Right to Food has observed that impact assessments also have a powerful democratizing effect, since they provide an opportunity for civil society to participate in the elaboration and evaluation of trade policies. Trade policies that take into account the needs of a whole society – and not just the most vocal elements of it – will be more robust, and will also have more credibility.

OBLIGATION TO COOPERATE INTERNATIONALLY

Whilst human rights law recognizes that rights may not be realized within a short time, it also requires States to take steps towards their realization to the maximum of available resources, including those available through international assistance and cooperation. This provides a powerful argument in favour of international cooperation for a rules-based multilateral system that can insulate weaker players from external shocks or from the excesses of the powerful. It also provides an argument in favour of a trading system that reflects the needs of the poorer countries – even by permitting differential rules for them when necessary – and of the poorest people within them.

HOLDING PRIVATE ACTORS ACCOUNTABLE

Much of the current crisis is due to reckless behaviour in a few specialized private business

sectors. Human rights law requires States to adequately regulate private actors. In addition, many private businesses themselves have agreed to be bound by human rights standards. Therefore under human rights law there is an emerging obligation on private actors, including financial institutions, to ensure that their operations do not violate human rights.[5] States have a further obligation to provide justice when abuses do occur. Although the mechanisms for doing so at the international level are as yet underdeveloped, human rights law, and companies' voluntary agreement to stand by it, could provide the basis for developing rules for firms conducting international trade activities, and accountability mechanisms for those who cause harm.

The global economic crisis has highlighted the need to strengthen and support multilateral trade institutions. The way to do this may or may not lie in reviving the Doha talks. What we do know for certain, however, is the importance of identifying the needs and entitlements of vulnerable groups and individuals, emphasizing the need for participation and accountability in the negotiation and implementation of trade policy, and the need for trade rules that reflect the needs of different countries and the people within them. Human rights can provide unique tools for devising such policies and benchmarks for assessing them.

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1 Human Rights Council, *The impact of the Global Economic and Financial Crises on the Universal Realization and Effective Enjoyment of Human Rights*, Statement of Ms. Navanethem Pillay, United Nations High Commissioner for Human Rights, February 2009, http://www2.ohchr.org/english/bodies/hrcouncil/specialsession/10/index.htm.

2 For more details, see 3D → THREE, *Defining a People-Centred and Development-Oriented Trade Policy: Can a Human Rights Approach Help?* Report of a Session at the 2008 WTO Public Forum, September 2008, http://www.3dthree.org/pdf_3D/3D_WTOPublicForum2008.pdf

3 By March 2009, 160 States had ratified the International Covenant on Economic, Social and Cultural Rights; all but two States have ratified the Convention on the Rights of the Child.

4 Human Rights Council, Olivier de Schutter, *Report of the Special Rapporteur on the right to food, Mission to the World Trade Organization*, A/HRC/10/5/Add.2, 4 February 2009, http://ap.ohchr.org/documents/dpage_e.aspx?m=101

5 Human Rights Council, *The impact of the Global Economic and Financial Crises on the Universal Realization and Effective Enjoyment of Human Rights*, Statement of Ms. Navanethem Pillay, United Nations High Commissioner for Human Rights, February 2009, http://www2.ohchr.org/english/bodies/hrcouncil/specialsession/10/index.htm.

THE GLOBAL ECONOMIC CRISIS, MURKY PROTECTIONISM, AND DEVELOPING COUNTRIES

Simon J. Evenett

Even though the global economic crisis is far from over and may unfold in hitherto unexpected ways, the interests of developing countries, especially as they relate to the multilateral trading system, have definitely been implicated in ways that ought to force a rethink of national priorities. The purpose of this note is to identify a number of matters where crisis-related considerations should alter national calculations.

It would not be credible to write about this subject without mentioning the World Trade Organization's Doha Round, which has yet to be concluded. This is not the place to recount the twists and turns of this painful negotiation where many players (both rich and poor) simultaneously feign their generosity and how wronged they are. By substantially reducing bound tariff rates, eliminating export subsidies, and tightening up various trade rules, the completion and implementation of the Doha Round on the terms discussed mid-2008 would substantially limit the extent to which WTO-legal trade distortions could be erected during this economic crisis.

Indeed, the crisis forces us to rethink how to "value" the Doha Round. Typically, the status quo is taken as being the benchmark from which trade agreements depart. However, during a severe economic downturn governments will come under pressure to raise trade barriers and to subsidize (or bailout) firms and, as we have seen, many governments have succumbed. The gap between the trade barriers that might well be in place at the end of this downturn and the barriers allowed after any implementation of the Doha Round has widened considerably, essentially increasing the estimated gains from finalizing this multilateral trade negotiation. This argument has even greater force for those developing countries, such as China, and industrialized countries, such as Japan and Germany, that are highly dependent upon exports.

Upward revisions in the estimated gains from completing the Doha Round, driven entirely by crisis-related circumstances and not by there being more on the negotiating table, are why some analysts (myself included) have reconsidered their views and now see a stronger economic case for locking-in prior trade reforms with a new multilateral trade accord. Now is not the time to make the perfect the enemy of the good. If the economic estimates are anything to go by, this Round is not likely to generate substantial new welfare gains for the world economy, but it could stop twenty years of reforms being reversed. Completing the Doha Round is thus in the interest of developing countries.

Another important feature of this crisis has been the mutation of protectionism, with new forms of discrimination often being buried in the very state measures taken to stabilize national economies and critical sectors, such as the banking system. Richard Baldwin and I have labeled such discrimination "murky protectionism," precisely because of the way in which discriminatory measures have been hidden inside government initiatives that on the face of it have perfectly reasonable goals. From a systemic point of view, this is not exactly a new matter--after all one goal of the WTO disciplines on national treatment is to put a stop to this kind of discrimination. Still, arguably the crisis has demonstrated that WTO rules in this regard are weaker than they need to be.

Tackling murky protectionism is not likely to be on the WTO's agenda in the short run; just look at the progressive watering down of any commitment to trade matters in the run up to the G20 Summit to get a sense of the limited appetite of some for any initiative with the slightest teeth. Yet, this crisis has raised the following governance questions for the multilateral trading system as to (i) whether over the longer term the WTO's national treatment disciplines need to be strengthened, (ii) whether

the WTO subsidy accord needs to be revisited in the light of the bailouts and other financial transfers offered to commercial entities in this crisis, (iii) whether other existing WTO accords or new accords are needed to tackle specific aspects of murky protectionism, and (iv) whether WTO members should negotiate an accord that applies to government measures only for the duration of a far-reaching global economic downturn?

It is precisely because murky protectionism hurts the interests of trading partners that I would not be surprised if these questions are raised by some WTO members; the crisis will therefore have long-term impacts on the negotiating priorities of some countries and the potential future scope of WTO disciplines. Arguably there is some precedent for this in the Uruguay Round, where the measures taken in the sharp economic downturn of the early 1980s shaped in part the negotiating mandate adopted in the Punta del Este declaration that launched the Round.

Expanding the scope of the WTO's rules along these dimensions, however, may smack some as leading to a rerun of the ugly Singapore Issues debacle. However, there are two differences, both of which are relevant to developing countries. First, even though it was untrue, many negotiators claimed the Singapore Issues were of hypothetical or no demonstrated interest to their countries. In contrast, the elements of murky protectionism from this crisis that make it on to the future negotiating agendas will likely be the ones that have been widely used and aggravated a large number of trading nations, including developing countries.

Second, new WTO rules on murky protectionism would help redress one perceived asymmetry between developing countries and industrialized countries throughout this crisis; namely, that the former cannot afford large subsidies, bailouts, and other expensive forms of support and feel confined to using more transparent tariff instruments that are subject to stringent WTO disciplines. Although it may be far off into the future, and certainly well after the Doha Round is concluded and implemented, the basis of a future deal may be market access improvements in developing countries in return for stricter non-discrimination rules in industrialized countries (plus further market improvements by all in agriculture.)

Even if the global economic crisis does not get any worse—and just because a trade war has not broken out yet does not mean it can not happen in the future—there will be longer-term consequences for deliberations and governance at the WTO. New, murkier forms of protectionism have emerged that will create pressure for stronger, possibly more intrusive, WTO rules on non-discrimination. Given the key role that exports have played in driving the growth of many developing countries, the experience of this global economic downturn means that these nations in particular have a strong interest in advancing such a rules-based negotiating agenda at the WTO in the future.

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TRADING OUR WAY OUT OF THE FINANCIAL CRISIS: THE NEED FOR WTO REFORM

Kevin P. Gallagher and Timothy A. Wise

Development should be the centerpiece of reforming the global economic architecture. Pressing to conclude a World Trade Organization (WTO) deal to close the Doha Round based on the current proposals circulating in Geneva would be counter productive. Instead, we offer five policies for reforming global trade that will enable economic development and stimulate the global demand needed for a global recovery.

Many developing countries have spent scarce resources to build human capital and technological capabilities in the manufacturing, services, and agricultural sectors. In the current economic crisis, massive devaluations in currencies and the loss of access to credit can wipe out local firms in developing countries and put the real economy into a tailspin. Without care, these losses can be irreversible because domestic firms are often replaced or taken over by foreign firms or undermined by import shocks. Losing such firms not only throws people out of work, it represents a long-term setback to dynamic development.

Ensuring that years of development policy are not swallowed up by foreign capital during tough times is among the highest priorities in the developing world as the global economic crisis unfolds. Some developing countries are equipped with reserves and stabilization funds that can be used to ensure that the domestic economy does not become hollowed out. Many more developing countries face dangerously high budget and current account deficits that make the preservation of their industries and recovery near impossible.

The WTO, as it currently stands, provides some levers that can help countries facilitate and sustain their development process even in the context of economic crisis and uncertainty. Under current WTO rules, nations can, for instance, put in place capital controls, use safeguard mechanisms when faced by unjustified floods in imports or investment, subsidize credit to domestic firms, and stimulate the domestic economy through government procurement programs.

Rushing to conclude a new WTO deal along the lines currently on the table in Geneva could strip many developing countries of these tools while giving them little in return. Many of the proposals under discussion in Geneva would end up giving private capital greater freedom from the very government regulation needed to weather the current financial storm.

In July 2008, rich countries were pressing poorer countries to drastically reduce applied tariff rates in manufacturing and agriculture, and to virtually eliminate the use of safeguard mechanisms in ways that would suspend the potential for such cuts during crises. According to the United Nations, such cuts would cost the developing world approximately USD 63 billion in lost government revenue on an annual basis. For many developing countries, tariff revenue comprises over 20 percent of budgets that are already straining to counteract the crisis.

Alongside such costs, the projected gains of the July deal were limited. According to studies by the World Bank and leading research institutions, the benefits for the developing world were paltry. Under the World Bank's "likely Doha" modeling projections, global gains for 2015 are just USD 96 billion, with only USD 16 billion going to the developing world. The developing country benefits are 0.16 percent of their collective GDP. In per capita terms, that amounts to USD 3.13 per year, or less than a penny per day per person for those living in developing countries.[1]

The elements of a WTO deal have now been in place for several years: modest cuts in agricultural tariffs and subsidies by developed countries in return for modest cuts in manufacturing and services barriers in the developing world.[2] The

negotiations have, however, been doomed by the developed world's refusal to grant poorer nations the exceptions they need to demands for cuts in the area of services and manufacture in order to support competitive national industries and defend their economies from unfair or unequal competitions.

One of the deal breakers when the talks collapsed in July was a developing country demand for a "special safeguard mechanism" that would enable them to raise tariffs in the event of sudden or large increases in imports that threaten to undermine domestic producers. The proposed mechanism exemplifies the kind of policy space that the poorest countries have sought from this so-called development round. The US refused, and India, backed by a large number of developing countries, walked away. [3]

THE WAY FORWARD

The organizing principle for revived global trade negotiations needs to be a recognition that the world economy consists of nations at widely differing levels of development. Any negotiation that claims to take development seriously must recognize these fundamental asymmetries and address them. Developing countries need policy space to retain, adapt, and evolve the kinds of government measures that have been proven to work for development in the West and in other developing countries.

To restart negotiations on a pro-development foundation, we need to be specific about what policy means and to guarantee it in five core areas:

First, nations should preserve the space under current WTO law to place controls on capital outflows, use safeguard mechanisms when faced by unjustified floods in imports or investment, subsidize credit to domestic firms, and stimulate the domestic economy through government procurement programs.

Second, developing nations need to be part of a coordinated global response to the crisis. At least USD 1 trillion in new capital needs to be infused into the developing world to preserve currencies, support coordinated stimulus packages, and cover the costs of adjustment, such as tariff revenue losses and job retraining in ailing sectors. The International Monetary Fund's (IMF) Trade Integration Mechanism and Short-term Liquidity Facility can help. However, the IMF will need to double its budget by issuing more Special Drawing Rights.

Third, in agriculture, the US and Europe should honour WTO rulings that have found their subsidies for cotton and sugar to be in violation of trade rules that forbid the exporting products at subsidized prices. This would give a tangible boost to farmers in West Africa and Latin America and send a strong signal to developing countries that developed nations are willing to honor existing WTO rules.

In addition, the WTO should take seriously the proposals by many African nations to tame highly concentrated global commodities markets, dominated by agribusinesses that suck most of the revenue out of these value chains. Rich nations should also grant poorer countries extensive rights to exempt local staple foods such as corn, rice, and wheat – so-called "special products" – from tariff cuts, and allow them to raise duties when imports surge (as called for in the "special safeguard mechanism" that the United States rejected in July).

Fourth, in the manufacturing sector, the longstanding WTO principle of "special and differentiated treatment" should be re-enshrined for poorer nations and made more meaningful in practice. Developed nations should, for instance, agree to rolling back patent laws that impede poorer nations from manufacturing cheaper generic drugs and allow selective industrial policy so governments can diversify their economies. What worked for development in the United States, China, and South Korea must not be prohibited by the WTO.

Finally, there should be a moratorium on North-South preferential trade agreements. These deals exploit the asymmetric nature of bargaining power between developed and developing nations, divert trade away from nations with true comparative advantages, and curtail the ability of

developing countries to deploy effective policies for development.

We now live in an interdependent world and it will take a global response to recover from the crisis. According to UN trade statistics, almost 60 percent of all trade from the European Union, Japan, and the United States was with the developing world. Ensuring developing countries have the policy space needed for equitable growth is thus key for stimulating global demand and getting all countries out of the crisis.

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1 New research by the Carnegie Endowment for International Peace using similar modeling exercises puts the potential gains to developing countries at USD 21.5 billion. See Polaski, Sandra (2006), *Winners and Losers: Impact of the Doha Round on Developing Countries* (Washington, DC: Carnegie Endowment for International Peace), Figures 3.1-3.8.

2 Specifically, the US and other developed nations would have cut applied agricultural tariffs from 15 percent on average to 11 percent. On agriculture, the US offered to cut its trade-distorting subsidies to USD 14.5 billion (well above current levels). Regarding manufacturing tariff reductions, developed country members agreed to apply an across-the-board "Swiss formula" coefficient (the lower the coefficient the deeper the cut) of 7 to 9 and developing countries agreed to three different ranges between 19 and 26 (the lower the coefficient the more exceptions each country can enjoy). Finally, many developing countries agreed in principle to liberalize their financial service sectors.

3 India proposed that if imports rise above 115 percent over a base period, developing nations should be allowed to impose safeguards that are 25-30 percent over its bound duties on products taking zero cut. The Bush Administration, however, refused to come down below a 140 percent trigger, a level India and other countries argued would make the mechanism virtually useless in most circumstances.

A NEW MANDATE FOR MONITORING IN THE TRADE SYSTEM

Arunabha Ghosh

Trade is one of the first casualties of a global economic crisis. We saw this happen during the Great Depression, after the oil shocks of the 1970s, in the early 1980s, and now the first contraction in global trade since 1982. A reformed and robust trade monitoring system should be among the top priorities for world leaders meeting in London in April and beyond. Many argue that the priority for governments should be to 'fix' the crisis first; reforming the governance of the global trade (and financial) system could come later. That would indeed be a mistaken strategy and a lost opportunity. It would be mistaken because better trade monitoring could determine the difference between a coordinated response and a deepening crisis. It would be a lost opportunity for reform because the current crisis sharply exposes the deficiencies in trade governance, which if tolerated any longer would only serve to delegitimise a rule-based trade system.

Recent economic stimulus packages, 'buy local' clauses, potential labour restrictions and subsidies to specific industries have led to growing calls from academics and policymakers for strengthened monitoring. In calling for more vigilance, the World Trade Organization (WTO) Secretariat has already taken steps to increase monitoring of trade policy developments during the crisis, including periodic reports on new trade barriers (the first was published in January though its contents were nominally restricted).

But such strengthened monitoring cannot stop with the end of the present crisis, as is currently intended. Nor can it be effective without proper diagnosis of the problems facing the WTO's monitoring system.

There are four main problems. First, delays in reporting and notifications reduce transparency, undermine the predictability of international commitments, and add to fears that information is being deliberately withheld. Trade policy reviews (TPRs) are comprehensive documents when it comes to describing members' policies, but they have often failed to identify, analyse and warn about contentious policies in advance of disputes. Secondly, there is little analysis of the adverse impacts of members' trade policies on other members. Some of the larger developing countries have sought to build analytical capacity at home but are forced to make trade-offs about which issues they can analyse; for poorer countries, the situation is worse. Thirdly, in the absence of a direct link between monitoring and enforcement, transparency mechanisms have developed little teeth in the international trade regime. Meanwhile, an analysis of review meetings shows that much of the 'peer pressure' is directed from developed towards developing countries, thereby reducing the confidence of poor countries in multilateral surveillance. Fourthly, domestic capacity for monitoring has received little attention. WTO country missions aim to help countries collect data on their own sectoral policies and barriers, but are understaffed compared to other organizations. More importantly, the focus on monitoring external (larger) trade partners is entirely absent.

The global economic crisis presents an opportunity for the WTO (its members and the Secretariat) to push its mandate for multilateral surveillance to the limit. In so doing, reforms would have to focus on three sets of priorities.

IMPROVING THE RELEVANCE OF CONTENT

First, WTO monitoring mechanisms have to be geared towards *advance warning* of policy changes. Developing countries, with little domestic monitoring capacities, now demand advance warning in order to protect their export interests from sudden shocks. The need for early warning was noted in the case of financial surveillance after the 1997-98 crises. A revamped Trade Policy Review Body could issue such warnings, but members can also choose to discuss in issue-specific committees. Voluntary provisions

in new monitoring mechanisms, such as for SPS measures and regional trade agreements, could be changed into compulsory obligations.

Reviews should also *analyse the systemic impact* of policies in major trading countries, developed and large developing ones. Assigning desk officers who would engage in regular research (not just at the time of TPRs) would be a step towards building such capacity. Similarly, analysing the systemic impact of the regime's rules warrants a closer working relationship between individual committees, the TPR Division and the Economic Research and Statistics Division. It also means greater coordination between the WTO and the IMF/World Bank for building tariff and related databases, evaluation of macroeconomic conditions, impact analyses of trade negotiations, and linkages between technical assistance needs and development assistance.

ALTERNATIVE SOURCES OF INFORMATION

Although many agencies and actors research trade policies, their efforts are not always coordinated to facilitate timely information. In response, *domestic transparency and monitoring has to improve*, with particular emphasis on the processes of consultation and coordination. Brazil, Chile, China, India, Hong Kong, and Korea are among the developing countries that already have wide-ranging consultation processes, albeit to varying degrees of success. National trade policy forums could draw in legislators, business groups and NGOs in periodic dialogues on trade policy and get inputs from multiple sources about regulatory changes abroad. Long gaps between multilateral reviews often result in forgotten policy lessons. Interim national reviews could take stock of changes and improvements in policies.

The trade system needs a structured role for *non-state actors in monitoring*. Their capacity for information collection and analysis varies greatly across countries. Capacity building efforts that focus on explaining WTO rules to domestic actors would need to be supplemented with measures to improve their policy review and monitoring capabilities as well. Even if governments dispute information from different sources (as in the International Labour Organization or human rights regimes), they would be forced to submit updated official information, thereby reducing transparency gaps.

Using *expert discussants* during reviews (as occurs in the climate regime) would be another way to raise the level of debate in trade reviews. To date, the majority of discussants for TPRs have come from developed countries. A more balanced representation, including of external experts, would lend more credibility to policy reviews.

Resource-constrained countries could also gain from *better regional surveillance*. The aid-for-trade review process has already incorporated this dimension. Regional peer review could increase the availability of timely data, discussion on the appropriate models and frameworks for analysis, and generate more options for policy implementation.

MORE EFFECTIVE FORUMS FOR PEER PRESSURE

Members should *target each others' reporting behaviour*. Failure to report on changes in policies should attract more explicit criticism in WTO committees as well as during TPRs. A recent discussion in the Committee on Agriculture on the notification process occurred after ten years. This pattern needs to change. Members worry that policy reviews could lead to sanctioning non-compliance. An alternative is to sanction non-reporting and increase pressure for submitting timely information.

Members and the WTO Secretariat have to greatly *increase the dissemination and visibility of reports*. Options include more media coverage of reviews, permitting non-state actors to participate as observers, and greater use of cross-country databases (as has occurred for RTAs and SPS measures).

Finally, procedures are needed to *follow-up after reviews*. For poorer countries, this would

include more structured links with the Integrated Framework and with wider aid for trade efforts. For larger trading powers, this implies linking policy reviews to structured consultations and the use of the Chair's 'good offices' to debate and resolve contentious policies before they reach the stage of formal dispute.

Effective monitoring is a necessary condition for international cooperation. No country, however powerful, has the capacity to monitor policy developments everywhere, more so during an economic crisis. Some of the reforms outlined above are longer-term. But the G20 leaders can start the dialogue by supporting a stronger WTO mandate for surveillance with commensurate increase in resources and capacity. They must remember that trust in multilateral monitoring would increase only when it shines the light on issues that matter to the poorest countries and is seen to have an impact.

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A FORWARD-LOOKING AGENDA FOR GLOBAL ECONOMIC GOVERNANCE: TRADE, CLIMATE, AND INEQUALITY

Charles Gore

The most critical challenge for global economic governance is to find effective and fair ways of mitigating and adapting to climate change whilst at the same time reducing global income inequalities and realizing the development aspirations and unrealized human potential of millions of people in developing countries. Recent evidence, for example on sea level rise and the shrinking summer ice in the Arctic Ocean, suggests that climate change is occurring even faster than models pronounced by the Intergovernmental Panel on Climate Change (IPCC) have predicted. Biophysical feedback mechanisms, too often omitted from climate models, are likely to be a key factor in the underestimation and are likely to make climate change irreversible once critical atmospheric temperatures are passed. How fast we act will affect both the magnitude and reversibility of climate change. Some say 2015 will be too late; but even if they are wrong, the climate issue will certainly be at the top of the public agenda by then.

However, public action to mitigate and adapt to climate change must not stymie the development aspirations of current and future generations in developing countries. We now know that we live in a world of radical global interdependence – my carbon footprint affects the lives of everyone, everywhere, and those of future generations. But it is also a world of radical global income inequality in which there has been a globalization of economic expectations without a globalization of economic opportunities. The poorest 40 percent of the world population receive just 5 percent of the world income. It has also been estimated that the richest 1 percent of people in the world receive as much as the bottom 57 percent – in other words, less than the 50 million richest people receive as much as the 2.7 billion poorest. Action to address climate change must be conducted in a way that does not amplify and ossify these global inequalities but rather unlocks the creative potential of people in developing countries.

The design of the multilateral trading system is highly relevant to this complex challenge. The basic reason is that the governance practices of successful developmental states, most notably those in East Asia, offer the best hope for achieving the structural transformation and technological change that is involved in a transition to a low-carbon economy within a capitalist market economy. But the rules of the multilateral trading system can constrain – or enable – effective governance for this transition.

A first challenge is that of providing policy space for experimentation and learning. But on a deeper level, the challenge is to give meaning to the promise of a development round of multilateral trade negotiations. This ambition has generally been interpreted within the framework of the exchange of market access concessions, with a focus either on priority sectors (e.g. agriculture) or priority countries (e.g. least developed countries (LDCs)). But the key developmental asymmetry in the current multilateral trading system, at a time when knowledge is becoming increasingly important for global production and competition, is related to the difference in modes of technology acquisition in developed and developing countries. Research and development (R&D) can be subsidized within the current system. But such subsidies are most relevant for advanced countries that are already at the global technology frontier. For developing counties catching-up, learning through the adoption and adaptation of existing technologies is critical for technological development; it is this learning that needs to be subsidized. Addressing this asymmetry would not only provide the basis for a genuine development round, but would also serve to facilitate the technological diffusion and acquisition necessary for the transition to a low-carbon development trajectory.

The current financial crisis is like a fire in the house whose immediate negative impacts are distracting attention from the deeper challenges.

Fixing the financial system is imperative. The fire is spreading rapidly—already the financial crisis has precipitated a trade crash. This has not – or not yet, at least – been propelled by protectionism, but rather by a cumulative cycle of collapsing demand and the drying up of trade credit. The scale of the crash is staggering. For example, Japan's exports were 48 percent lower in January 2009 than in January 2008. In January 2009, the United Nations Conference on Trade and Development's (UNCTAD) commodity price index (in current dollars) was 37 percent lower than its peak in April 2008, with minerals, ores, and metals, and vegetable oilseeds and oils both down by almost 50 percent from their peak in the previous year.

One important priority action for world leaders in this situation should be to design special measures to protect the LDCs. Most people living in LDCs are not integrated into global financial markets and so they are not directly affected by the collapse of financial asset values. But LDCs are highly integrated into the global economy through trade (which constitutes about 50 percent of their GDP) and they are mainly dependent on a narrow range of primary commodity exports, low-skill garment exports, and tourism. In addition to being highly exposed to the trade crash, LDCs also have very low resilience to external shocks, owing to the low levels of national financial resources remaining after the basic subsistence needs of the population are met. The squeeze on imports that will follow falling export receipts, if all other things are equal, will adversely affect food security, new investment, and even the maintenance of economic activity in the LDCs, compromising the already-slow progress towards the UN Millennium Development Goals.

A specific measure that should be considered to prevent this is the implementation of an 'anti-shocks financing facility', to provide large-scale, low-conditionality, rapid-disbursing, grants. This facility would serve to cushion the impact of the trade crash. Economic observers have long identified the absence of such a facility as a critical problem for poor countries. Similarly, policy makers in countries that have received debt relief through the Highly Indebted Poor Country (HIPC) initiative of the World Bank and the International Monetary Fund (IMF) have identified the introduction of such a facility as a priority. The lack of contingency financing can be traced back to the decision of the IMF to introduce the Enhanced Structural Adjustment Facility (ESAF) in 1990. This decision entailed a significant shift on the part of the IMF from its traditional financing role in low-income countries, which was to provide countries ready-access to first-line liquidity (to cover the cash flow requirements of sudden, unexpected external shocks) to a new role of medium-term macro-management and, subsequently, public expenditure management for poverty reduction. The introduction of the anti-shocks financing facility could thus also be associated with a reconsideration of the role of the IMF in poor countries.

Whilst working to fix the financial system and to mitigate the unfolding impact of the financial crisis, world leaders must view the present moment as a turning-point. The crisis marks the ending of a global development regime that has lasted for almost 60 years. The crisis was certainly triggered by misunderstood financial innovations, outrageous incentive structures, and lax financial regulation. But the increasing instability of the old development regime is ultimately rooted in radical global inequalities and, consequently, over-production in relation to effective demand. In their actions to deal with the fallout of the financial crisis, world leaders must act as midwives of the new global development regime. This new regime, which will take shape over the next five years, is likely to be driven by a cluster of new technologies related to the environment and energy use. The promotion of a more equal world income distribution can act as a demand pull and also release the under-utilized creative potential of developing countries. In dealing with the fire now, world leaders can and should therefore equally address the deeper challenges of mitigating climate change and addressing global inequality.

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HARNESSING TRADE FOR A GLOBAL GREEN TRANSITION

Mark Halle

President Obama's chief of staff, Rahm Emmanuel, is famous for saying that we should "never let a good crisis go to waste." And let's make no mistake about it, we are in crisis. While the world's attention is largely focused on the financial meltdown, with a side order of climate change, we may soon need to face up to the fact that we are living what Australian environmental business expert Paul Gilding calls "The Great Disruption" – the confluence of a major economic breakdown and the unraveling of the global environment. And, while our leaders are busily wheeling out stimulus packages in a desperate attempt to kick-start the faltering economy, the same is not possible for the global environment. In the words of Glen Prickett of Conservation International: "Mother Nature doesn't do bailouts."

It would be idle to hope that the G20 leaders will seriously re-dedicate themselves to the sustainability goal their predecessors all adopted at the Earth Summit in 1992. We are still overly bound to short-term considerations. What we can and must expect is that they should dedicate the economic revival to a wider goal for humanity. Economic stimulus, economic growth, trade liberalization, investment – all these are tools, means to an end. It is time we define the end that we wish to serve in as clear terms as possible. Sustainable development, or something like it, would be an acceptable goal. It is hard to imagine any other that would not be either unacceptable or hopelessly partial.

The WTO Preamble contains a statement that commits the multilateral trading system to serve the wider goal of sustainable development, but this commitment has generally been considered to moral rather than legal value and it has largely been ignored. It is partly for this reason that the Doha negotiations have taken their place in the wider panorama of crisis. Had the WTO genuinely pursued a form of trade liberalization that sought to reduce social marginalization, alleviate poverty and level the playing field between North and South, it is probable that the Doha Round would have been concluded by now and at least one element of our international macro-economic institutional infrastructure would remain intact. With the collapse of the economic paradigm that WTO has slavishly served, it is hard to see how it will get out of the ditch without a genuine attempt to harness the power of world trade to the goal of sustainable development.

There can be no doubt that the top political challenge is one of vision and leadership. Never before have the G20 leaders been faced with such a challenge – or such an opportunity. The pat political statements that have characterized too many past political summits will no longer do. Nor will the promises of bold action by 2050 when most of the leaders will be dead and the rest deep into retirement. Nor will the determination to tighten a few screws and adjust a few bolts and return to the halcyon days of the recent economic growth path.

The real political challenge is to accept that the game is up, the economic paradigm to which we were all taught to pay obeisance is dead, having not only failed to deliver social justice, poverty alleviation and environmental responsibility, but having failed even to deliver rigorous economic management. The rich did indeed get richer, but the poor got poorer as well as we built massive pyramid schemes of wealth divorced from productivity, marginalized millions and drove our climate over the cliff.

The world faces only two alternatives now, and only one of them is acceptable. It can relaunch the economy on a green basis, decoupling growth from energy use, de-carbonizing the economy, accelerating the transition to a sustainable globe; or it can relaunch the kind of consumption that will further compound our environmental problems, marginalize many more millions, push the climate into an irretrievable tailspin and kiss goodbye to the prospects of future generations. The former path is attractive but unfamiliar - it

reshuffles all of our card decks, from economic interest groups to trade advantage – and we are not sure how it will play out for each of us. We can be sure, however, that it will lead us to a more hopeful future and that it is achievable.

The other path – familiar to the point of nausea – means planting our political heads deeply in the sand and pretending that the economic system with which we are familiar is the only one that is viable, and that incremental adjustments will, finally, make it work. We cannot afford to indulge that fantasy. We can only hope our leaders will see that too.

The governance of the WTO displays considerable inertia in favour of the status quo. A country or trading bloc's influence in crafting the system or negotiating its extension is linked to the volume of its trade and the size of its market share. Given that trade negotiations are based on "hard-ball" horse trading with only the vaguest deference paid to the non-commercial needs of member countries, the outcome of negotiations also favours those who wield the greatest trade clout.

If the present global crisis has demonstrated one thing it is how interlinked our economies have become. Never before has the image of us all sharing the same lifeboat been so close to reality. So as the trading system thinks through how trade can best be harnessed to revive the world economy, it must ask itself towards what kind of world economy it wishes to pull us. If it is to resume the same track that took us over the precipice, we should shun it. But putting trade on a different track will require a dedication to an ulterior goal for the rules-based multilateral trading system that has so far not been in evidence.

The trading system needs to play a key role in accelerating the transition to a green economy, to a world characterized by growing equity and respect for social justice and human rights, and one that provides strong incentives to manage the environment for long-term health. A priority, then, would be to identify those trade-related obstacles to this desirable transition – such as subsidies that distort trade and undermine sustainable development – and greatly strengthen the WTO's ability to challenge them and ensure that they are redirected or eliminated.

Similarly, it should develop robust screens – tests – that ensure that all measures adopted and all proposals in the negotiations will genuinely advance the trading system towards a position of genuine support for an equitable and environmentally-responsible world.

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DEALING WITH GLOBAL GOVERNANCE DEFICITS AND THE MDGS: A TRADE AGENDA FOR G20 LEADERS

Eveline Herfkens

In the nine years since the Millennium Development Goals (MDGs) were agreed in 2000, many developing countries have made great strides. The world was on track to achieve at least the first Millennium Goal of halving the number of extreme poor, and it was coming close to reaching several other objectives as well. But the present crisis is wiping out that hard fought progress. Poor countries' access to credit has been reduced, resulting in slower investment and growth; already pitiful overseas development assistance (ODA) levels are falling; and Africa might be robbed of its one chance in a generation to make real progress. In the meantime, the world lacks an effective system of global governance. The three deficits in the system I elaborate on below have hampered the structure in the past, but they are especially crippling in the present situation.

A COMPLIANCE DEFICIT

Too many government officials agree on the most wonderful promises at international meetings (e.g. the Millennium Declaration), and take the plane back home to business as usual, not following through on their pledges. The most blatant example is the 0.7 percent ODA/GNI target agreed at the United Nations (UN) more than three decades ago and every year since. Most recently, on trade, the commitment of the G20 leaders in Washington, D.C. last November to a one-year moratorium on protectionist measures was broken by most participants within a few months. The promise made by the G7 Finance Ministers in Rome this February that the group "remains committed to refrain from protectionists measures which would only exacerbate the downturn," lacks credibility in view of the reality of the "lend local" conditions in bailout packages and "buy local" conditions in stimulus packages. In the past I have praised the World Trade Organization (WTO) for its dispute settlement mechanism. It remains to be seen whether this mechanism will prove robust enough to cope with today's emerging economic nationalism.

A COHERENCE DEFICIT

Global governance is fatally fragmented. Due to the lack of coherence within governments, both rich and poor countries are taking divergent positions in various international organizations and forums. Today's world faces multiple daunting challenges: climate change, terrorism, a global food crisis, a water crisis, and an economic downturn that provokes protectionism. These challenges cannot be dealt with separately, stove piped in different multilateral forums. Over the last several years, world leaders, in rhetoric at least, have increasingly acknowledged interdependence – not just of countries, but also of issues. However, most countries leave the UN system to foreign affairs ministries to deal with; the UN remains at the margin of political domestic agenda's, while the involvement of heads' of government/state is mainly limited to photo opportunities. They leave trade policies to trade ministers in the WTO and they leave the international financial institutions to their finance ministers and central bank governors, whose positions are more similar to their peers than to the positions taken by their foreign affairs colleagues at the United Nations (or their health or labor colleagues in the World Health Organization (WHO)/International Labour Organization (ILO), etc). The only way to deal effectively with today's global challenges is by global collaborative action in a coherent way, instead of leaving them to fragmented separate negotiation processes in various isolated and autistic forums. The problem is not that the leaders of international organizations do not want to cooperate: it is the member states' national governments who speak through different ministries with diverse tongues and

messages at various international bodies. Coherence starts at home. It is high time to make trade work for development and ensure trade negotiation outcomes are consistent with the lofty, but unfulfilled promises of our political leaders: a small concrete step within the WTO would be to broaden the Trade Policy Reviews to include a review of how trade policies impact sustainable development goals (for better or for worse) and proposals for how to integrate sustainable development concerns into trade policies.

A TRIPLE DEMOCRATIC DEFICIT

That is, the lack of voice of poor countries, lack of voice of people in general, and lack of voice for the poor in developing countries in particular.

a. The crisis might have one silver lining: global governance might become *slightly* more inclusive. Last year's G20 meeting showed that rich countries now acknowledge the need to fully involve several large countries in financial global governance. The G7 had paid lip service to this for a long time, but now these "newly emerging" countries have the negotiation leverage as they are dearly needed to help out in the present crisis to keep up demand. This will accelerate the process already underway in the WTO. Only a few years ago, it was the United States and the European Union that decided the outcome of the negotiations. If they agreed, the deal was basically done. Those days are over, as we saw exemplified in the cast of players in last summer's breakdown of Doha Round negotiations: India and China on one side, the US and Brazil on the other, and the EU trying to find compromises. Still some 100-plus countries hardly have a voice. It would help if these new "emerging powers" would leverage their new influence in international meetings to account for the interest of those not represented. Within the WTO itself, the traditional 'member driven' governance leaves the poorer and smaller developing countries with very limited institutional capabilities at a disadvantage both in analyzing and negotiating issues. Strengthening the role of the WTO Secretariat in providing the weakest countries information and analysis regarding the development impacts of specific proposals on the negotiating table would help enable more effective engagement in negotiations and could even the playing field.

b. Parliamentarians need to hold their governments accountable for their decisions in international arenas. In general, instructions to international meetings are typically insufficiently discussed by parliaments and trade policies. Moreover, most relevant international organizations lack a parliamentary assembly, such as those for the Council of Europe and NATO. Thus, they lack a constituency and educated parliamentary involvement. Politicians tend to act based on wining – not losing – votes. They will continue to get away with playing to the domestic protectionist gallery, as long as the general public and its elected representatives remain illiterate of its costs. It is time to liberate trade from the clutches of the powerful lobbies who hijack our trade policies at the expense of everybody else. The WTO could help, not only by making Trade Policy Reviews more coherent by incorporating sustainable development considerations, but also by involving more stakeholders in countries in the process, more widely disseminating these reports, and promoting parliamentary debate about them in the country concerned. Some parliaments already discuss OECD/ Development Assistance Committee Peer Reviews, which increasingly cover coherence issues.

c. Many developing countries fail to ensure that their own trade policies benefit the poor. "The rich make the rules at the expense of the poor" does not apply only at the international level. Developing country trade barriers often protect the rich, at the expense of the poor. Benefits arising from preferential market access are not always used or often do not help the poor as they are captured by officials through nepotism, and export growth does not realize its potential to become pro-poor inclusive growth. For trade to reduce poverty, complementary domestic policies are needed. The poverty reduction objective should be mainstreamed in developing countries' trade policies, while trade needs to be integrated in national poverty reduction strategies, as no country ever developed through aid alone. Effective policies should empower the poor pro-

actively to grab new opportunities provided by market access and by investing in human capital, as education and skills are critical for integration in the world economy.

CONCLUSION

It is high time to put an end to vested interests and lobbies dominating our trade policy and to educate public opinion and increase awareness among taxpayers and consumers of the costs and perils of present protectionism. It is also time for developing countries to take responsibility for making trade work for the poor.

But most of all, it is time to make trade policies part of the broader relationship, not just with other countries, but, more importantly, of the broader agenda of challenges of global poverty, the environment, and security. Unless we start addressing the three deficits of global governance immediately, the present crises will result not only in missing the lofty promises of the Millennium Development Goals, but set back development for decades to come.

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THE DEMAND FOR GLOBAL GOVERNANCE: CONTAINING THE SPREAD OF THE FINANCIAL CRISIS TO THE TRADE SECTOR

Richard Higgott

The governance of global trade and the international trade regime will clearly be affected by the fallout from the current wider economic and financial turmoil. Enhanced global economic policy coordination is needed. Existing institutions do not currently offer enough - in either sufficient quantity or quality. Amidst efforts to stabilise the global economy, the multilateral trade system is threatened by the perception that globalization has been tarnished by speculative investment and other excesses in financial markets seeking ever larger profits at the expense of sound business practice.

The multilateral trading system is at a fundamental crossroads. Support for an open, liberal trading system is neither consistent nor unambiguous. The spill over from the growing political and public anger about bad practices in the financial sector into a growing opposition to trade liberalisation and the increasing demand for protectionism might be irrational, but it is nevertheless real. Trade liberalization may well continue, even without a completed multilateral round. Unilateral trade liberalization has been strong over the last two decades as states have reduced barriers to trade and investment across most sectors of their economies; but the process has slowed over the last couple of years and pressures to stop, or roll back, this progress are growing in the face of the current economic downturn. Whilst most members of the World Trade Organization (WTO) appear to have kept the worst domestic protectionist pressures under control there is growing evidence of countries adopting, or threatening to adopt trade restricting or trade distorting measures to protect key national businesses and jobs. The financial crisis also inhibits trade expansion through the negative effects of reduced liquidity on access to and sharp increases in the cost of trade credit for exporters. This is particularly acute for developing country exporters. The cost of trade credit tripled in the last six months in some countries up to February 2009.

The collective management of the global economy is crucial to the environment in which trade governance exists. Conversely, the architecture of the trade regime will need to accommodate the new stresses placed upon it by questions of sustainability and economic development emanating from the financial crises and the protective sentiments and practices that ensue. The WTO or the multilateral trade regime generally cannot to address all these issues, and nor should it try. However, it is apparent that in the increasingly interdependent world in which we find ourselves, trade policymakers can ignore neither the context in which they operate nor the need to contribute to the resolution of global challenges, such as climate change. Whether any global institutions are capable of meeting this challenge is arguable. What is clear is that these challenges raise major questions of institutional policy coherence and global governance.

At the current time of crisis, the conceptually amorphous concept of global governance takes on a more concrete form. The clear task of global governance is to manage the global economy taking into account the interests and views of ***all*** actors not simply those of the G7 as has been so much the case under conditions of globalization over the last quarter century. In the context of the current crises, only a new regulatory regime will be sufficient to assure the new state actors, especially the BRICS (Brazil, Russia, India, China and South Africa), that a balance can be restored between the benefits and risks of globalization, and of continued integration into the global economy.

We have known for several decades that most key policy areas (trade, climate change, infectious diseases, food and water supply) reflect an increasing and indeed inexorable global interdependence as opposed to national independence. But it has taken the global financial crises to expose the limitations in

our transnational abilities to manage the risks attendant on interdependence through coordinated collective action and extra-national problem solving. The under-development of the global polity, less visible in normal times when compared with the interdependence of the global economy, is only too easy to see in times of crisis. The growing disconnect between the increasing globalization of risk and the lack of globalization of responsibilities in the current era needs to be addressed.

Identifying these problems and their potential consequences is not to suggest that the essence of a system of global economic governance is totally absent or incapable of positive enhancement. The overall challenge for global governance is to recognize that while it is made up of its parts it is also more than the sum of its parts. The regulation of the financial system and the governance of the trade regime require different policy responses but to solve the problems in one domain we need also to solve them in the other.

The global trade regime is still in need of reform if it is to meet global economic aspirations and respond to the challenges it faces. The difficulties with concluding the Doha Development Agenda (DDA) negotiations demonstrate not only the difficulties of conducting multilateral trade negotiations in the 21st century but also expose serious fault lines in the contemporary architecture of trade governance in particular and global economic governance more generally. Even if a major negotiating break though had emerged in Geneva in July 2008, there remain major differences regarding how to determine the scope of the WTO's activities. Any discussions about how to improve the effectiveness and efficiency of the WTO as an agenda-setting and decision-making body needs to address the relationship between the 'consensus problem' in its decision making and its ability to actually negotiate trade liberalisation. They also need to address the shifting politico-economic landscape, and especially the rise of new actors such as India and China on that landscape. A re-adjustment in power relations in the global economy is accompanied by a messy transition from one global economic equilibrium to another as new voices and centres of politico-economic gravity emerge.

A further recurring challenge to the WTO reflects the wider debate about the nature of contemporary global governance; that is the extent to which it addresses issues of fairness, justice and democratic accountability. The WTO gathers regular and fierce criticism from non-governmental organizations (NGOs) and numerous developing country governments, dissatisfied with what they see as the extremely limited, or qualified, legitimacy present in its negotiation, decision-making, and dispute settlement processes. This criticism is often misplaced. Since the debacle of the Seattle Ministerial meeting in 1999 the WTO instituted several substantial reforms for which it is not sufficiently credited, especially in the direction of improving internal transparency. It is difficult not to argue that it is ahead of other international organizations in this regard, and especially the international financial institutions (IFIs) in the current crisis. Indeed, The WTO displays many of the attributes of a democratic and inclusive club. Its rules provide for consensus decision-making in agenda-setting and the results of negotiations are applied on a Most-Favoured Nation (MFN) basis, thus ensuring that all members enjoy the same benefits. In this sense, the weakest WTO Members gain from being part of a rules-based organization.

The real challenge in the current climate is not to protect the poorest developing countries from trade but to enable them to participate in the international division of labour on more equal and successful terms. But a growing frustration with the multilateral regime has seen policymakers increasingly turning to other vehicles for reform – notably bilateral and regional agreements. The recent trend amongst larger countries to go outside of the WTO to reach trade deals carries the risk of undermining the fabric of inclusive, fair and stable institutional arrangements that underpin international trade.

The largest trading nations have so far desisted from negotiating preferential trading agreements (PTAs) among themselves. Here, the largest trading nations in the system should show leadership. They should be willing to underwrite the "public good" of non-discriminatory multilateral trade and foreswear the establishment of PTAs among themselves in the future.

A completed Doha will not speed up liberalization dramatically. Nor does it prevent states from resorting to previously higher tariffs. But this is not the only purpose or effect of completing the Round; other linked elements are also important. For many supporters of the WTO it is the other elements, especially its role as the guardian and socialiser of the principles and rules of global trade (especially reciprocity and most favoured nation status) that are so important.

At the G20 London Summit, the global community needs to reaffirm its principled commitment to multilateralism more generally. We do have a substantial set of rules, principles and processes that currently underpin the multilateral trade system that can address some of the challenges identified during the first decades of the 21st century if, but only if, we continue to support and strengthen the activities of the WTO. Under stress they may be, but these principles and rules have not been disavowed by the global economic policy community. That said, some of the lessons about the importance of rules and principles in international relations, especially with regard to the value of multilateralism and multilateral institutions as venues and vehicles for global policy making, may also be coming 'unlearned' by some major players at exactly the time, ironically if not tragically, that they may be more appreciated by the smaller ones. These principles need to be coordinated across policy areas.

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TRADE POLICY CHALLENGES AFTER THE FOOD, FUEL, AND FINANCIAL CRISES

Bernard Hoekman

The recent food, fuel, and financial crises have imposed large external shocks on households and firms in all developing countries. They have prompted questioning of the risks and rewards of globalization and identified areas where the global governance of trade urgently needs improvement. (Here, I broadly define good global trade governance as international cooperation in the form of a set of agreed rules that reduce the negative spillovers of national policies affecting international flows of products and production factors.) At the same time, the financial crisis has revealed the robustness and importance of the trading system. A major feature of the current crisis is the dog that did not bark: that is, to date, we have not seen the widespread imposition of the types of trade protection that characterized the 1970s and early 1980s, not to mention the 1930s.

Over the last three decades, technological changes and policy reforms to reduce restrictions on cross-border flows of goods, services, workers, finance, and knowledge made the world much more integrated. Trade to GDP ratios increased significantly, as did the value of financial flows, remittances, and royalty payments. Businesses specialized in parts of global supply chains, engaged in foreign direct investment (FDI), and associated embodied transfers of knowledge. This made traditional trade policy less relevant as a tool of public policy: why protect an industry if so doing puts barriers in place that prevent participation in a global supply chain? Even for industries where fragmentation of production is less feasible, (e.g., many services) widespread inward FDI gives governments less incentive to resort to traditional protectionism to support industries as much of the benefit will accrue to non-nationals.

The globalization of production and investment since the early 1990s helps explain both the limited interest of firms in the Doha Round and the absence, to date, of major protectionist backsliding in response to the recent decline in global demand and world trade. Thus, the global governance of trade in manufactures appears to be in decent shape, reflecting both the multilateral trading system's set of rules and the structure of global specialization that has emerged over time. That said, the financial crisis is generating new challenges to the status quo.

The situation is less positive, for instance, in regard to trade in commodities. The recent food and fuel crises revealed that producing countries/governments will not hesitate to impose export restrictions in an effort to keep supplies at home and to lower domestic prices. Ideally, policy reactions to global shortages and resulting high prices need to be global – national reactions can (and did) have major negative cross-border spillovers. This applies as much to net importers as to net exporters: the incentives put in place to stimulate local production of biofuels in a number of net oil importers drove up prices of key agricultural food crops further. The message that was sent and received was that global markets are unreliable in times of shortage and that national policy should promote domestic supply capacity. The scope for nationalistic responses to global shortages to result in welfare reducing inefficiencies and distortions is great.

As with the food and fuel crises, the financial crisis is also generating "nationalistic" responses by governments: bailouts, forced mergers, or and/or nationalization of key financial institutions have been accompanied by a rapid exit from international activities as financial services providers rebuild balance sheets and deleverage. Short-term trade finance has particularly suffered because it could be scaled back rapidly and has a relatively low return. While the source of this shock was inadequate domestic regulation, the result was that another vital global market was shown to be unreliable in times of stress: liquidity dried up for firms in developing countries that had come to rely on international banks and capital markets.

The negative spillovers of the financial crisis may have impacts on the willingness of governments to liberalize trade in financial services, leading to a reconsideration of the regulatory framework that is needed to accompany liberalization. The crisis may also have implications for the viability of manufacturing supply chains and outsourcing that have driven globalization in recent decades. Insofar as global production fragmentation was conditional on cheap finance and ample liquidity, a reversion to a period in which trade finance is more expensive may result in a geographic restructuring of production chains and greater vertical integration within large firms. Similar forces may arise as a result of bailout programs directed towards industries such as automobiles. In the medium term, pressure on the global supply chain model may increase further if policies to reduce carbon emissions create incentives to shorten supply chains. The end result may be a shift of production towards regional instead of global platforms and networks.

The forgoing suggests that the major challenge is to safeguard and bolster an open trading regime. Rapidly concluding the Doha Round is important both as a signal of commitment to multilateral cooperation on trade and as insurance. If global production platforms unravel (at this stage just a possibility), further locking-in (binding) current trade policies will help prevent a rise in traditional protectionism at the national or regional level. But Doha is also important as it is the only mechanism through which governments can commit to reducing trade-distorting agricultural support policies that generate negative spillovers for many developing countries and the world as a whole.

Openness is as important for food, fuel, and finance where key policy instruments are not adequately covered by Doha. The policy responses to high food and fuel prices over the past several years illustrated the importance of disciplining export restrictions and ensuring that all countries have equal access to these commodities — whatever the global market clearing price at any point in time might be. Implicit (or explicit) subsidies for domestic consumption in net exporters reduces global welfare both directly and indirectly because they create incentives for net importing countries to increase production by emulating the highly distortive and costly support programs that high-income countries use for agriculture and biofuel production. WTO members can make an important contribution by agreeing to discipline the use of export-restricting policies.

The international community should complement this by encouraging the adoption of more efficient instruments to improve agricultural productivity and foster adaptation to/mitigation of climate change. A unique feature of the Doha Round is the recognition that trade negotiations should be complemented by support in order to enhance the competitiveness of developing country exporters: that is, aid for trade. A key element of the cooperation needed to safeguard openness and to address exogenous shocks through non-trade instruments is to ensure that the financial crisis does not crowd out the aid for trade commitments made by major donor countries. For countries that confront high trade costs, improving competitiveness is as important, if not more, than before the crisis struck.

Greater attention is also needed to documenting and monitoring the extent to which national policies generate negative spillovers on developing countries. An immediate priority is to monitor and analyze the financial bailouts and fiscal stimulus packages that are being implemented by governments, which may have trade- and investment-distorting (and reducing) effects by biasing expenditures away from least-cost suppliers, wherever they may be located. Transparency and objective analysis of the cross-border effects of support policies is a pre-condition for identifying alternative, superior, instruments that are nondiscriminatory in effect.

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TRADING PLACES: WHY CONTROLLING FINANCE SHOULD BE THE TOP PRIORITY FOR TRADE NEGOTIATORS

Richard Kozul-Wright

When the latest efforts to close the Doha Round ended abruptly in December 2008, entrenched negotiating positions were a factor; but underlying systemic issues, ignored in many accounts of the stop-and-start history of the Round since 2001, were of greater significance: these include countries trading more but earning less; the dangers of premature deindustrialization; a growing technological divide and diminishing policy space. While addressing these systematic challenges will be key to the future stability of the multilateral trading system, the immediate threat to international trade comes from a deeply dysfunctional system of unregulated finance. Fixing that should be the urgent priority of the international community.

There have been persistent concerns among developing countries about the Doha Round's development content and the reluctance of the advanced countries to allow them to define that content, as originally envisaged in the 2001 Doha Ministerial Declaration. The lop-sided bargain that eventually emerged from the Uruguay Round has stood as a warning to developing countries against compromising on development principles. Concerns surfaced relatively early in the Doha process over the treatment of such issues as cotton subsidies, as well as over the perceived neglect of a series of development-related issues, which were either left outstanding at the end of the Uruguay Round (as was the case with agriculture) or emerged during its implementation (particularly around so-called "trade-related" issues such as intellectual property).

In July 2007, the Secretary-General of the United Nations Conference on Trade and Development (UNCTAD) proposed five key objectives that needed to be attained for the Doha Round to realize its development promise.[1] These objectives embraced critical issues such as real market access for developing countries' exports of goods and services; improvements in multilateral trade rules to address existing asymmetries between developed and developing countries; adequate policy space for developing countries to align trade agreements with national development strategies and to allow a more effective special and differential treatment of developing countries; "development solidarity" in meeting the implementation costs of the adjustments that developing countries would be required to undertake; and coherence between regional and multilateral trade agreements.

The failure of governments to make headway on these objectives goes a long way to explaining why the Doha negotiations have struggled to reach a successful and balanced conclusion. In his assessment of the breakdown in the July negotiations on agriculture, Ambassador Falconer[2] warned against the "illusion" of a quick technical solution, pointing instead to persistent and serious political divisions. Since then, the mounting global economic crisis has not only deepened those divisions but added new ones.

Already in July 2008, there were clear signs, particularly in the United States, that financial markets had become fragile, with potentially catastrophic consequences for all countries if a crisis were to break and spread to the real economy. The July (mini) ministerial meetings of the World Trade Organization (WTO) also coincided with concerns in many developing countries about food and energy security. In addressing these concerns, some net importers of grains were overwhelmed by the skyrocketing costs of food subsidies, while many food producers introduced new export restrictions to enhance national food security. It hardly seems surprising, therefore, that one of the stumbling blocks leading to the halt of negotiations related to provisions that allowed developing countries to temporarily increase tariffs on agricultural products in times of economic and social difficulty.[3]

With the global crisis now in full swing, the overriding issue that economic policy makers (including trade negotiators) must confront is the threat to long-term growth and stability. Countries are seeing a sharp drop in trading volumes, commodity prices have already dropped significantly, and trade credits have begun to dry up. Growth forecasts across the developing world are being revised drastically downward.

At the international level, one response has been to try to separate the good and bad parts of the global economy, with calls for further liberalization of trade along with greater regulation of finance. But in today's interdependent world that would seem to be a debatable distinction. The strong growth in trade volumes after 2002 was itself the result of the lop-sided and unsustainable finance-led boom. The spread of toxic financial assets that helped sustain that boom was made possible, in part, by the liberalization of financial services. Moreover, it is now clear that the current rules and safeguard arrangements in the trading system are unsuited to serious economic downturns associated with instability in financial flows, gyrations in currencies and commodity prices, and increases in debt service obligations that arise from large scale and widespread shocks.

Leaving countries to respond as best they can to shocks in a largely liberalized trading system has proved a failure. Further liberalization in the middle of the most severe global economic shock in 80 years is more likely to prolong than resolve the crisis.

The original architects of the Bretton Woods system understood that a well regulated system of global finance and currency exchanges had to be in place if growth and employment objectives were to be consistent with moves towards a more open trading system. Indeed, Keynes explicitly recognized that "It is very difficult while you have monetary chaos to have order of any kind in other directions…"[4] As in this earlier period, the big challenge facing the international community today is correcting the global economic destruction and imbalances left by the "juggernaut" of international finance.

There is a genuine concern that "beggar-thy-neighbor" trade policies, among which tariff protection is the most visible though not necessarily the most damaging, will become the policy response of choice if the crisis continues. However, the real question on which the economic prospects of all countries depends is whether, after three decades of responding to the siren call of the self-regulating market, multilateral mechanisms can be quickly put in place to support rapid and inclusive recoveries.

At present there is no assurance that international liquidity will be supplied on a sufficient scale to enable countries to make measured adjustments to economic shocks; no forum where difficult national policy choices can be discussed without degenerating into propaganda wars. Nor is there a system of multilateral surveillance and coordination that can insist on greater coherence among monetary, fiscal and exchange-rate policies, particularly of the richest countries. Mechanisms to bring stability to commodity markets, on which many of the world's poorest countries still rely, or to ensure orderly debt work- outs are completely missing. Development finance to help economies diversify their output and trading profiles, the surest safeguard against shocks, is woefully inadequate.

What is certain is that this time around, addressing these gaps cannot rely on a single political and economic hegemony, particularly one which is itself so heavily indebted. This time around any "new deal" to promote and sustain a broad-based recovery can only succeed by extending full representation in the institutions of international economic governance to the whole family of states, strengthening their voice, and ensuring sufficient resources to preempt beggar-thy-neighbor responses and support a more inclusive development agenda.

Discussion of how to move towards a properly regulated international economic system is underway in various fora, including among the G20 leaders. Still, the global institution that possesses the most credibility for implementing an integrated approach to multilateral reform is the

United Nations. The member states of the United Nations recognized the need for such an approach at the Follow-up International Conference on Financing for Development to Review the Implementation of the Monterrey Consensus, held in Doha in late 2008. They agreed that a serious debate was needed to find ways to improve "the inclusiveness, legitimacy and effectiveness of the global economic governance structures" and to strengthen cooperation among the United Nations, the Bretton Woods institutions and the WTO. As the world economy faces its greatest threat since the Great Depression, the fierce urgency of holding that debate can no longer be ignored.[5]

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1 As cited in the UN *World Economic Situation and Prospects, 2008,* p. 65.

2 See "Report to the Trade Negotiations Committee by the Chairman of the Special Session of the Committee on Agriculture, Ambassador Crawford Falconer," WTO Committee on Agriculture Special Session, JOB(08)/95, 11 August 2008.

3 For a detailed review of the WTO negotiations, see, for example, International Centre for Trade and Sustainable Development, *Bridges Weekly Trade News Digest,* vol. 12, No. 27, 7 August 2008.

4 Keynes, J.M., "Letter to Lord Addison, May 1944" in *The Collected Writings of John Maynard Keynes, Volume XXVI: Activities 1941-1946, Shaping the Post-War World, Bretton Woods and Reparations,* ed. Donald Moggridge (London: The MacMillan Press. Ltd., 1980), pp. 5-6.

5 See paragraph 78 of the Doha Declaration on Financing for Development (A/CONF.212/L.1/Rev.1), the report of the Follow-up International Conference on Financing for Development to Review the Implementation of the Monterrey Consensus (Doha, Qatar, 29 November - 2 December 2008).

KEEPING THE DOOR OPEN: OPTIONS FOR CHINA AND THE WORLD

Lawrence J. Lau

The "open door" policy was a critical component of the economic reforms China introduced in 1978, opening the country to the outward and inward flow of goods and services, of capital, and of people.

Deng Xiaoping's government brought China into the globalised economy, expanding international trade and attracting foreign direct investment, which brought with it capital, technology, markets, new business models and methods needed after decades of relative isolation. It permitted hundreds of thousands of Chinese scholars to go abroad for exchange and advanced study, and let foreign experts become involved with China. The "open door" underpinned the extraordinary growth of the Chinese economy over the past three decades.

The metaphor of the open door has taken on increased significance today, as the worst recession since the 1930s has made the world realize that serious protectionist pressures are far from a relic of the past. Keeping the door open is now an imperative for policymakers, whether this refers to China's international trade or maintaining the growth of global commerce more generally.

Not only must the Chinese government resist the temptations of protectionism, it must also coordinate with the other major countries of the world to jointly resist protectionism. We must avoid a repetition of the experience in the 1930s, when every country erected tariff barriers against one another, prolonging the global economic depression. We must also avoid competitive devaluation during this crisis. The forthcoming G20 summit is an ideal forum for taking a joint stand against protectionism.

Coordinated action to liberalise trade, rather than simply not obstructing it, would benefit the global economy by increasing the economic bang for each additional buck spent by governments. Most countries are now in the process of adopting and implementing economic stimulus packages, It would enhance the 'global multiplier', in the words of Joseph Stiglitz, and accelerate global economic recovery, if all of them could lower their tariff and non-tariff barriers to imports. This is because one country's imports is another country's exports. The economic stimulus packages would thus jointly benefit everyone, but everyone would be helping itself too. The East Asian crisis of 1997-98 provides an example of a sharp simultaneous economic downturn in East Asian economies that was followed by an equally sharp upturn due to simultaneous expansion and recovery in all of them.

In the context of joint economic stimulus, this is also the right time to accelerate the implementation of Free Trade Areas (e.g., the ASEAN + 3 Free Trade Area) and the negotiation of free trade agreements (FTAs). The Doha Round of negotiations at the World Trade Organization (WTO) could perhaps be revived. An important contribution will be made to global trade if the mind-numbingly complex "Rules of Origin" regulations governing the eligibility of products for trade concessions can be replaced by something simpler and more straightforward, based, say, on relative value-added.

With the credit freeze in the United States and Europe still affecting the availability of trade finance – an obstacle to commercial exchange that has nothing to do with trade barriers or declining demand for imports — Chinese and East Asian commercial banks could, with the support of their respective national Export-Import Banks, provide substitute financing for exports as well as imports. For example, a Chinese commercial bank could help finance the exports of a Chinese enterprise to long-term customers in the United States on a consignment basis or on extended payment terms. It could also finance imports from the United States.

There is also the important question of the settlement of international trade transactions. Global trade is largely denominated and settled in US dollars. That is what has given rise to the huge foreign demand for US dollar balances. The US dollar reserves held by central banks around the world provide in part the liquidity and transactions balances necessary to support the growth of world trade. The scarcity of credit in US dollars and the expected reduction in the US trade deficit would reduce the supply of US dollars to the rest of the world and ought to add impetus to the consideration of alternative ways to settle trade transactions.

One obvious alternative would be to allow the importer to pay for the imports in its own currency, provided that the exporter, or the exporter's country's central bank, is willing to accept and to hold the currency. For example, a Chinese exporter may be willing to accept payment in Indonesian rupiah for its exports to Indonesia, as long as he knows he can sell it to the People's Bank of China, China's central bank. No US dollars would be necessary for the transaction.

The People's Bank of China may decide to hold the Indonesian rupiah as part of its reserves (after netting out the payments for Indonesian imports denominated in rupiah). Eventually, the central bank may wish to consider holding the rupiah in interest-bearing assets such as bonds issued by the Government of Indonesia, preferably indexed to Indonesian inflation to preserve the purchasing power of the central bank's rupiah-denominated assets.

Such an arrangement is not so different from what has been made possible by the Chiang Mai accords. Moreover, the issuance of inflation-protected bonds by developing economies has many advantages, among which is the possibility of borrowing in its own currency. Foreign currency borrowing frequently causes financial crises because of currency mismatch (and often also maturity mismatch).

As for international trade, governments must guard against economic nationalism in cross-border flows of both direct and portfolio investment. Every country will sooner or later have one of its enterprises being either a buyer or a seller. Symmetric treatment is necessary. The best way to safeguard against economic nationalism in investment is to extend national treatment to all enterprises, domestic and foreign. National security-related exceptions should be specified in advance, rather than in the heat of debate over a possible acquisition. The rules should be clean and transparent; ad hoc action would risk being perceived as discriminatory.

China can improve the investment environment for both domestic and foreign direct investors by reducing or removing internal trade barriers, illegal under Chinese law, erected by the local authorities. Only then would investors truly be able to benefit from China's huge market. Adequate protection of intellectual property is also important in attracting foreign direct investment into China.

In this time of global financial crisis, China should take advantage of its high savings rate to supplement the global capital markets as well as to boost domestic.

For example, China could open up its stock markets for blue-chip overseas enterprises to raise capital in the form of Chinese Depositary Receipts (CDRs) and corporate bonds. It could encourage its commercial banks to provide US dollar financing to blue-chip foreign enterprises, e.g., by purchasing their commercial paper.

The Chinese government could also encourage its commercial banks to finance inbound foreign direct investment. China really does not need any additional foreign exchange or capital. But it should continue to welcome foreign direct investment because it brings with it technology, knowhow, and markets that Chinese enterprises may not have. Chinese commercial banks could provide 100 percent finance to qualified foreign direct investment projects as long as the parent company in the home country guarantees the loan. Such arrangements would relieve foreign direct investors of exchange rate risks, as their assets and liabilities in China would both be denominated in yuan.

Domestic demand will be an increasingly important driver of China's growth. In the short and medium term, the most promising areas for increases in consumption are probably consumer durables including automobiles and large-ticket items such as refrigerators, television sets and other home appliances, education, healthcare and tourism. Sources of durable long-term growth of domestic demand include the owner-occupied residential sector, education, urbanization and mass-transit systems, and green technologies. Strengthening the social safety net would also help enhance the propensity of Chinese households to spend rather than build up savings.

The open door also refers to the flow of people across borders, which enhances mutual understanding and is an important consumption activity. Despite the temporary setback in the United States and other developed economies, they are still fundamentally strong and technologically advanced. Cultural and educational exchange should continue to be encouraged. Reciprocal visa relaxations and waivers should be considered with selected countries and regions. Inbound and outbound tourism should be promoted.

I believe that in this global financial crisis, it is in the interests of China and the world for China to continue to maintain an "open door" policy with respect to the cross-border movement of goods and services, capital, and people.

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GLOBALIZATION'S SYSTEMIC SHIFTS AND SEISMIC SHOCKS: PERSPECTIVES FOR DEVELOPING COUNTRIES TO 2015

Jean-Pierre Lehmann

In the last 30 years since the onset of the Chinese open economic reform program, the world has experienced profound systemic shifts, with arguably more in the past two centuries. Much of this change/transformation has had highly positive impacts. The misnamed "emerging economies," many of which in fact are old civilizations with long histories of sustained and dynamic trading activities, have definitively ended the long period of exclusive Western global economic dominance. As the global market has expanded well beyond anyone's imagination, the world, especially the developing world, has experienced unprecedented rates of growth. However, as Jean-François Rischard has argued in his compelling book *High Noon*: *Twenty Global Problems - Twenty Years to Solve Them* (2002), while markets and new information technologies experienced exponential change, the development of institutions and mentalities has been linear at best. This dissonance is at the origin of the gaping global governance gap that characterises the world today; it is well illustrated by the continued failure of the WTO Doha Round negotiations, extending over eight years—in fact, for virtually the whole of the 21st century to date! This is not an auspicious first decade to a new century.

In the high growth era, to many, the governance gap seemed not to matter. In the triumphal phase of an open market and seeming unfettered business opportunities, talk of governance, institutions, and rules was perceived as boring, passé, and irrelevant. At the "high level" trade session in Davos in 2006 — during the summer of which Doha experienced one of its regular annual "collapses" — Brazilian Minister Celso Amorim noted how the room was virtually empty, with the audience limited to officials and policy wonks.

In 2008, however, in addition to the underlying systemic shifts, the world experienced the most powerful seismic shocks since the Great Depression. Never has the world economy simultaneously entered such uncharted and turbulent waters. Today, it is clear that the global governance gap matters a lot! Though the G20 smacks of *ad hocery* and is lacking in institutional and legal foundations, it is about as good as we are going to get in the near term. One must hope, therefore, that this governance gap will at least be partially filled and that the right policies and actions will emerge.

In doing so, it is especially important that the G20 displays the ability to think in the reasonably long term. Whatever the scenarios may be, the systemic shifts will continue. These refer not only to the new economic players, but also to issues related to the environment, health, employment, migration, and notably to demographics. By 2015 (a mere six years away), the population of the developing world will have increased by 750 million **(which is 30 million more than the current total population of the G7)**, 150 million of which will be born in the world's poorest countries. In sharp contrast, over the same period, the developed world will see its population increase by 30 million. These demographic forces clearly have immense implications in every respect. Employment is obviously one. It has been calculated that in the Middle East and North Africa some 100 million jobs need to be created over the course of the next two decades simply to maintain the current level of employment.

A point should be made here that especially the G7 European members should consider. Europe also experienced demographic growth in the past comparable to what one sees today in the developing world. Between 1750 and 1950 Europe had the old world's fastest rate of population growth, having expanded by more than a multiple of three. An important safety-valve for Europe, however, was migration to the "new world." In 1750, the total population of the "new world" (including the Americas and Oceania) was 20

million. Two centuries later, it was 352 million—an expansion of over 330 million. While some of that increase was accounted for by domestic births and part by the slave trade, overwhelmingly the growth came from European migration. The safety-valve notwithstanding, during these two centuries Europe still managed to have a series of bloody revolutions, wars, and scenes of savagery beyond human imagination.

A major preoccupation of Europe's G7 members at the G20 meeting therefore must be to recognise these demographic forces and pressures. G7 members must also remember that a combination of forces in the 1930s – including demographic pressures in Europe and Japan, rural unrest, poverty, and the social and political crises generated by the economic crisis of 1929 and the protectionist policies that ensued – plunged all seven of them, along with Russia, into the most horrific periods of ideological extremism, human savagery, and war that the world has ever witnessed. There was also a gaping governance gap in the 1930s. This was not, however, due to the fact that institutions were lacking – there was the League of Nations – but that the legitimacy and credibility of the institutions was lacking. In their excellent book, *Power and Plenty: Trade, War and the World Economy in the Second Millennium* (2007), which G20 leaders should read, the authors Ronald Findlay and Kevin O'Rourke note how the League convened a series of conferences "which had as their explicit goals the abolition of [trade] restrictions" and which invariably produced pious declarations. They quote a League report retrospectively written in 1942: "the international conferences unanimously recommended, and the great majority of the Governments repeatedly proclaimed their intention to pursue, policies designed to bring about conditions of 'freer and more equal trade'; yet never before in history were trade barriers raised do rapidly or discrimination so generally practiced" (p.444).

If this sounds eerily familiar, it is because it is eerily familiar. G8 meetings have been prone to pious declarations with no ensuing action. How often have G7 leaders expressed their "strong commitment to a rapid and successful conclusion of the Doha Round"? And the refrain appeared yet again in the Washington, DC November G20 declaration, notably in the section entitled "Commitment to an Open Global Economy" (paragraphs 12 to 16), all of which are blessed with fine words and good intentions, without, however, any noticeable progress having been made.

To quote one example of the piety: in paragraph 14, the G20 leaders "reaffirm the importance of the Millennium Development Goals (MDGs)." What does that mean? It is now five months since this noble affirmation, the deadline for meeting the MDGs is only some six years away, clearly they are important, and yet…

An additional critical point has to be made. It was noted above that Europe in the past experienced population growth comparable to what is seen today in many developing regions and that in Europe in the past, as in Latin America, Africa, and Asia today, this resulted in socio-political turbulence, ideological extremism, fanaticism, and warfare. One major difference, however, was that the climatic conditions and the environment generally were quite benign. Of course Europe – and subsequently the United States and Japan – began fouling up the environment in the course of the 19th and early 20th century revolutions, but this had only marginal effects at the time – the cumulative effects came later. The planet did not face imminent environmental catastrophes or climate change as we know the world faces in the 21st century. And we also know that some of the regions that are both poorest and with the highest population growths are also the most vulnerable to climate change.

To dismiss warnings of possible disasters on a hitherto unknown and unimaginable scale is blatant irresponsibility. This does not mean the world will forcefully meet its apocalypse. But it does require that leaders coordinate policies and especially that rhetoric should not remain un-translated into reality. The words in paragraph 13 of the November G20 summit are quite explicit and strong with respect to seeking conclusion of the Doha Round. However, a month later, WTO

Director General Pascal Lamy renounced the plan to convene a ministerial meeting on the grounds that political will was lacking. Did the political will suddenly evaporate immediately after the meeting? Or was it lacking from the beginning and hence the words were meaningless?

The Doha Development Agenda, as has often been stated by Lamy and others, is a key barometer of global collaboration. To ask whether we can meet the quite daunting challenges of the Copenhagen climate agenda if we cannot meet the far more straightforward challenge of the Doha trade agenda has become somewhat of a sutra. But it remains highly apposite.

The challenges the planet faces on all fronts are truly daunting. A priori there is no reason why we cannot envisage a far better world emerging from this crisis. But this will depend on the quality and especially acts of global leadership. Rarely since the end of World War II can a meeting have been as important as the one being convened in London in April. Joseph Stiglitz in 2002 (in *Globalization and Its Discontents*) wrote that the global market economy finds itself at a crossroads, as it did at the time of the Great Depression. The direction that the world takes, which road it will embark upon, will very much depend on decisions taken and implemented by the G20 in April. They must be conscious of the mammoth task that faces them and also of how history will judge them.

Following the fiasco of the WTO ministerial in Seattle in 1999, the consensus among pundits was that the Doha rendezvous would be a failure. In fact, it was quite a success: China was formally admitted as a member of the WTO after sixteen years of complex and protracted negotiations, and the Doha Development Agenda was launched. Of course what the pundits had not expected was that just a few weeks before there occurred 9/11. The crisis of September 11th provided the opportunity for the world to demonstrate solidarity and the political will to move the agenda forward. Alas that window of solidarity/commitment was shut soon afterwards and in Cancún in 2003 it was bolted.

The current crisis is obviously very different from that which followed 9/11. However, it is a crisis and people, including G20 leaders, repeat another current popular sutra, namely that a crisis represents an opportunity. Thus the London G20 should completely and irrevocably commit to completing Doha by the summer. To that end, it should convene a small committee of perhaps a dozen Eminent Persons (someone like Amartya Sen would make an ideal chair), who would be mandated to provide a final conclusion to Doha, which WTO members would accept without further discussion and implement.

Concluding Doha is important for global trade, but it is far more important as a symbol and signal of international cooperation. It would unplug a major bottleneck in global public policy and could serve as a model, and certainly an encouragement, for cooperation in other areas. There will be much resistance and no doubt the usual suspects among G20 leaders will say they cannot accede to such an act or relinquishment of sovereignty. As this will be Barack Obama's first major global policy meeting, all he need say is: "Yes we can!"

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DE-RISK AND DE-CARBONIZE THROUGH BETTER GOVERNANCE OF TRADE

Ricardo Meléndez-Ortiz

The past 12 months have seen trust demolished. In addition, daily uncertainty about the fundamentals of the economic environment have resulted in generalized anxiety about the future. Not the ideal conditions for a rapidly changing world to confront the daunting challenges facing it.

The world economy entered the twenty-first century at a high speed of globalization. In most parts of the world and across borders, economic activity thrived as never before, driven by a cocktail of technological change, hastily multiplying and available capital, and freshly abundant and readily available labour. As a result, local and national economies, and their societies, today find themselves tightly interlaced into the dense fabric that was so swiftly weaved.

But as the first decade of the century advanced, this intense pace has been met face to face by two grim facts: nature's defiance to our pretension to living beyond its means and the coarse realization in 2008 that much of the recent growth we have enjoyed sprung from a multi-decade super bubble spawned by a complex, unstable, and inadequate global financial system. All this, against a backdrop of persistent and -in some cases- increasing income and social inequality within and among nations. .

Today's economic downturn is reminiscent of the 1930s crash, but of markedly different characteristics and scale. The nature of its global reach is unprecedented. The notion of a world decoupled into areas of influence of the dollar, the euro, and enormous Asian savings has been quickly exposed as a myth.

The cross-border organization of production, trade and investment that underpinned decades of growth and wealth creation has now served as a mischievously efficient transmission mechanism of the credit and capital crunch. Global value chains and production networks, a complex web of trans-national investment, and the expanded geography of trade of today, flourished in the context that originated the current crisis. The slowdown of output and trade over the last quarter of 2008 and the first of 2009 has seen a degree of synchronicity around the world that has left most analysts in awe. The globalized world has demonstrated that it can fall as dramatically as it had been ascending, and can do so in chorus.

The ongoing financial crisis has now made its ways into all countries' 'real' economies. In 2009, developing countries, including the faster-growing emerging economies, have faced weakening external demand, accompanied by a deterioration of finance and lower commodity prices. Barring a dramatic turn around, the world risks a social calamity, as massive numbers of people lose their jobs. The International Monetary Fund (IMF) predicts global economic output will contract in 2009, a first in 60 years. As recently as 2007, global GDP grew at 5 percent. This year, OECD economies are set to shrink by an average of 4.5 percent, with the world economy as a whole projected to contract by 0.5 to 1.5 percent. The World Trade Organization (WTO) expects the volume of global trade to decline by 9 percent in 2009, a dramatic break from a half-century of almost uninterrupted growth.

This financial and economic unravelling is taking place against a backdrop of increasing stress on our natural environment. The effects of the atmospheric accumulation of greenhouse gas emissions are intensifying; the withdrawal and use of fresh water is at record levels; ecosystems are being destroyed, and species lost. Unless action is taken immediately, experts predict widespread water shortages across Africa, Europe and Asia by 2025, by which time some two-thirds of the world's population will be living under conditions of water supply stress, with 1.8 billion people in absolute scarcity. The Intergovernmental Panel on Climate Change has mapped out impacts in agriculture and the natural environment affecting most arable

regions in the developing world. The economics of biodiversity, too, are now better known.

The financial crisis has shocked the world at a time when responses to these tragedies-in-the-making are being devised. The current crisis cannot be allowed to distract from that purpose.

The world is facing a double hazard. In the world economy, the breakdown of confidence; physically, the risk of pushing the natural envelope too far. The G20 and other decision makers on global matters need to both steer the world economy out of danger, and place it on a better course to realise long-term goals, notably sustainable development.

Into the future, the key is governance. Action now must be firmly grounded on a shared vision of the future. The conceptual construct of sustainable development embraces hope, steering us away from the anxiety that seem to have now taken over as ethos.

Decisions taken by the G20 and the broader international community of nations will ultimately be measured against their effectiveness in tackling the long-term structural deficiencies in our paths to growth. Success, in a globalized world, requires cooperative institutional arrangements at the international level that foster integration, coordination and coherence. With population growth projected to be highest in the poorest parts of the world, and the real prospect that the current crisis will increase the numbers of people in poverty, it is imperative that these institutional arrangements, in a Rawlsian tradition of justice, also engender a minimum of social primary goods for the least advantaged, such as opportunities; liberties, income and wealth (including natural endowments, functioning ecosystems and energy flows).

International trade is and will continue to be a major driver of economic Activity. It will continue to determine the use and allocation of resources, affecting wealth creation and opportunities for people all over the planet. But current international regulatory systems on trade are ever more complex; they are in varying degrees of disarray, and continue to lose alignment with the principles of non-discrimination enshrined in the WTO system.

In addition, notwithstanding enlightened principles and a cosmopolitan approach, design of trade arrangements is marked by a mercantilist history of negotiations, in which economic power and commercial interest have prevailed The result is that valuable principles such as non-discrimination and multilateral rules coexist with myriad derogations, a chaotic tangle of arbitrary and exclusive arrangements, and mercantilist accommodations excluding the sensitivities of the traditional major trading partners. The high level of complexity of such an international regime, made up of hundreds of competing trade agreements, is reflected in the mind-bogglingly complex rules of origin.

Complexity and gaps in the trade governance system exacerbate fundamental asymmetries of information, knowledge and capacity among nations, further disadvantaging the weak.

Furthermore, the global public good constituted by multilateral principles and rules is being squandered at a time when it is most needed. The global community will do well to use the current crisis as an opportunity to strengthen the governance of trade as an essential trust-building matter. In this respect, action by heads of state at the G20 or the proposed UN Global Economic Council on the aspects explored below may help to set us on a generative track of change.

AVOID THE OSSIFICATION OF THE MULTILATERAL TRADING SYSTEM (WTO) BY ENHANCING ITS FUNCTIONING

Revive the spirit and the letter of the agreements establishing the WTO, by ensuring that the institutional architecture created for the existing agreements operates separately and effectively from ad hoc arrangements for negotiations. The WTO architecture of standing organs, including the Ministerial Conference as its higher overseeing body, the subsidiary bodies of the General Council and the Committees, were created to ensure full implementation of the Uruguay Round Agreements.

The WTO's various functions of rule-making and market opening may well be carried out through negotiations at any time and of various types, including the all-encompassing single undertaking scheme set up for the ongoing Doha Round. Negotiations should be carried out in bodies specifically established for that purpose, under a special committee, the Trade Negotiations Committee (TNC). In formal terms, this is what happens by and large today. In an optimal situation other functions of the system such as dispute settlement, monitoring and surveillance, and policy debate should be insulated from negotiations. However, during the Doha Round, the Ministerial Conference and the review and prescriptive mandates of several committees, have been hijacked and compromised by the negotiations. Certain functions of the system, such as agenda-setting and the enforcement of notification and other obligations, require the full operation of the institutions created for that end. Anything less results in the deterioration of current disciplines, impedes the evolution of agreements on rules and keeps the WTO ill-equipped to deal with global challenges and priorities. A first step in this direction would be to call a Ministerial Conference that makes sense of what is at stake in the Doha Development Agenda negotiations but also carries out its oversight and strategic debate and planning functions.

INSTITUTE GLOBAL OVERSIGHT OF THE BROADER INTERNATIONAL TRADE REGIME

Making sense of a chaotic and disorderly system made up of hundreds of preferential trade arrangements of various types and coverage is a necessary step to minimize risk and optimize global governance. There may be merit and economic rationale for many of the existing arrangements. The WTO has miserably failed to bring coherence or discipline to these developments. Few governments or other stakeholders can grasp the implications of the complex web of arrangements for global challenges. Indeed, assessing their virtues and shortcomings to contribute to the global stability of markets or the accomplishment of other policy goals, is virtually impossible. And their development in a closed, competitive approach, results in a fragmentation of markets at various levels, making participation in global markets less integrative, by definition expensive and a complication rather than a facilitation of trade. Clarity in institutional arrangements would do much in restoring trust and de-risking the global economy. A simple step towards a daunting job of finding ways for a mutually supportive coexistence or a design that delivers higher welfare gains at the global level, may be the institution of a Global Task Force of Ministers that takes up such a review in coordination with, but separate from, the WTO Ministerial Conference. The Task Force would consult with stakeholders on options for a more coherent international trade regime. As with the issue above, the active involvement of ministers is essential to bring about change.

BRING DOHA TO CLOSURE BY DEALING WITH THE IMMEDIATE AS WELL AS THE MERELY IMPORTANT, IN THAT ORDER

Delays in taking the Doha Round to closure can be explained in as many ways as the number of countries participating in the negotiations. Whether one attributes the difficulties to the design of reciprocal bargaining arrangements, the political economy dynamics surrounding the issues under negotiation, or the shifts in trade geography and power, the fact is that enormous transformations have taken place in the world economy while countries have been failing to come to agreements. At a time of upheaval, a step-back from mercantilist competition in negotiations may effectively help. As naïve as it may appear, a gesture to allow implementation of agreements already negotiated and ready but unavailable in account of the single undertaking obligation, would contribute to re-building confidence. A case in point is the delivery of Duty Free Quota Free market access with universal product coverage for exports from least-developed Countries.

ACT WHERE IT NOW HURTS MOST AND WHERE IT IS EFFECTIVE

Virtually all analysts now agree that the collapse of confidence in credit markets and the transmission to the developing world is becoming potentially catastrophic for least developed countries. As

Paul Krugman recently has repeatedly stated when asked about the urgency of replenishing the IMF facilities or otherwise inundating the world economy with money, "think Bangladesh"! A concrete agreement to fund Aid for Trade programmes in addition to the large economies packages of stimuli is imperative. As designed in parallel to the Doha Round, financing directed at enabling poor countries adjust to trade liberalization and participate fully in the global trade system, is both an immediate action and a long-term critical element of good governance of trade. In the immediate term, adjustment in the form of trade infrastructure and institutions requires earmarked assistance or we run the risk of rollback. In the longer term, a genuinely global system of trade, in this case the WTO cannot fairly operate with members at different levels of institutional capability to benefit from it, not least with respect to their institutional ability to avail themselves from tools provided in the agreements such as safeguards, antidumping and countervailing action, or the use of the dispute settlement mechanism. Not providing countries that cannot afford the institutions the means to do so would be foul game. So, there are two immediate steps that leadership cooperation can take now: a. Make funds available through efficient channels for Aid for Trade programmes, and b. advance in the design of mechanisms that would guarantee a lasting, efficient and effective delivery of such resources. Not doing so, will involve risks both of an economic and a sustainability nature.

A TRANSITION TO A LOW CARBON ECONOMY NEEDS A STRONG AND SUPPORTIVE TRADING SYSTEM

In the more optimistic scenarios, after a long year or two, perhaps months, the financial crisis will be over. But the climate change, water and energy crisis will persist. It will continue to hover over us, testing the international governance infrastructure again and again. An effective global effort to address climate change will require no less than a fundamental transformation of our economies and of the ways in which we use energy. Addressing climate change requires the internalisation of carbon costs, which will have significant effects on what we produce, where we produce, what we trade and how we trade. For international cooperation aimed at a low-carbon economy to be effective, international regulatory frameworks, certainly those on trade, need to support this effort.

In the present moment an aggravated reality has been added to this fact: the collapse of carbon prices in the face of decreasing demand for electricity has suddenly exposed weaknesses in the market tools that had been conceived to deal with internationalization through carbon trading. Two steps seem possible now: a) a commitment by all governments to refrain from domestic policies that may hurt others on the basis of competitiveness rather than in pursue of climate change objectives; and b) a support for "Green New Deal" type of measures, as part of the fiscal stimulus packages being designed. This financial support should come also in the form of additional assistance for developing country programmes that benefit the environment and simultaneously create jobs and economic activity.

It will be tempting for policymakers to wait until the economic storm has abated before they turn their attention to de-carbonising production and energy use. But giving in to that temptation would sow the seeds for a future crisis that would make the current one seem mild in comparison. Great transformations and changes require responses in the same order of magnitude, not least on global economic governance. The moment calls for such and for boldness to regain control of our future. As President Obama recently said about the need for climate legislation, "We can't wait."

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AFRICA, TRADE AND THE CRISIS: A STIMULUS PACKAGE FOR AFRICA

Dominique Njinkeu

The current global downturn is a crisis emanating from advanced economies rather than from bad policies on the part of Sub-Saharan African (SSA) countries. African economies will nevertheless be affected through a variety of international trade-related channels, including reduced commodities prices and exports receipts, foreign direct investment and equity flows, exchange rate fluctuations, and remittances. Trade is already shrinking, growth declining, and unemployment rising. The associated losses for SSA countries are forecasted at over USD 50 billion in 2008-2009. Unless appropriate solutions are identified and swiftly implemented, the crisis risks undermining the achievements of three decades of policy reform, thus further reducing the possibility of achieving the Millennium Development Goals. Fortunately, such solutions exist that could even turn the crisis into opportunity for African countries.

This note reviews the critical trade-related challenges facing African countries as a result of the global financial crisis and shows how these relate to the multilateral trading system. It then identifies the trade-related threats and implications for African countries' sustainable development and suggests priorities for the G20 leaders' deliberations. It concludes by presenting global trade governance priorities where assistance from G20 leaders is essential.

CRITICAL CHALLENGES

African development is hampered by a four-component poverty trap. First, inadequate access to markets and growth poles is a major deterrent to growth and poverty alleviation. Landlocked countries face greater transport costs and are dependent on the transport infrastructure of their coastal neighbors. Secondly, poor governance nurtures an unfriendly business environment and is fertile ground for violent conflicts. Thirdly, Africa's natural resources have been of interest to many non-OECD Development Assistance Committee (DAC) members in recent times. Especially China's interventions have been source of concerns as its aid and loan allocation could lead to new debt build-up hence could undermine the broad long-term development objectives of the aid recipients. Fourthly, climate change and environmental security are sources of concern. Spillover of the global financial crisis could worsen poverty on each of the above dimensions. The financial crisis therefore presents Africa with several challenges.

The first challenge is to sustain interest among African countries in market-friendly reform at a time when they see developed countries introducing inward-looking protectionist policies. The stalled World Trade Organization (WTO) negotiations further complicate the situation. While trade reform was assuming center stage in public policy discourse, particularly with respect to the Economic Partnership Agreement (EPA), with the global financial crisis, the incentive for continued reform of the last three decades or so could diminish or disappear; the momentum for proactive participation in multilateral negotiations risks dying out.

The second challenge relates to the competitiveness agenda. An important development challenge for Africa is the high transaction costs of doing business. Governments need to bolster their supply-side capabilities, diversify production, and add value before exporting. The global financial crisis weakens the vulnerable financial positions of African countries, making it impossible to finance such a competitiveness agenda.

Third is the reduced attention to macroeconomic stability. One of the key achievements of policymaking in Africa over the last three decades has been the steady improvement in the macroeconomic framework, which is the foundation for growth that can reduce poverty. The current financial crisis is fueling domestic

inflation pressures. As such, one challenge is to maintain competitive exchange rate regimes and single digit inflation. Macroeconomic policies need to be coordinated with policies on the real side of the economy with due attention to possible spillover effects at the regional or sub-regional levels, especially for those countries for which monetary, trade, and exchange rate policies are regional.

Developments in the multilateral system, particularly from the WTO and the International Monetary Fund (IMF), could have a direct impact on these challenges. In particular, concluding the Doha Round with due attention to the interest of African countries will create a conducive environment for continued reform.

TRADE-RELATED THREATS

The global financial crisis poses serious trade-related threats to African development. Firstly, the crisis threatens the consensus among monetary and other policy authorities. On monetary policy, limited shifts in policy regime is required since problems originating, for example, from the real estate sectors or stock markets in developed countries are only marginally transmitted to African economies. The situation is however different in other areas including trade-related issues, such as remittances and other external finances. Secondly, there has been discussion on reconsidering government ownership of assets in major economic sectors, or delaying/reversing privatization of publicly owned enterprises. Thirdly, households in African countries are much more vulnerable. The negative impacts will spread to the entire economy and the poor who have the most limited access to safety nets will suffer tremendously. The situation is further complicated by the low institutional capacity of Sub-Saharan African governments to provide timely assistance to vulnerable groups.

KEY GLOBAL TRADE GOVERNANCE PRIORITIES FOR SUB-SAHARAN AFRICA

The legitimacy of the G20 leaders will depend on the extent to which they can integrate the interests of non-G20 members. They should collaborate with Africa to create the conditions for swift recovery and even higher growth. Focus could be on increasing policy transparency and stability and enhancing policy credibility that in turn will make the region attractive to domestic and foreign investors. They should ensure the Doha Round is completed in a timely manner with the interests of African countries properly reflected in the final agreement. A related priority is to conclude the EPA negotiations in a manner that eases the integration of African countries in the international trading system.

Research at the London-based Overseas Development Institute and the National Institute of Economic and Social Research shows that the road to African recovery depends on the size and focus of the stimulus. Debt relief would be helpful but have no direct effect on demand and hence growth and poverty. If the stimulus is spent to cushion the impact on the vulnerable it will have short-term positive impact on growth as it helps smooth income losses. In case the emphasis is on productive investment it will have short and long-term impact by preserving the pre-crisis growth prospects. Finally in case the stimulus finances investment in infrastructure, Africa would see growth in productivity that can nurture long-term growth beyond pre-crisis growth potential. The same research shows that growth in Africa will in turn contribute to swift worldwide recovery, especially in countries with significant trade links with Africa such as Europe and China.

African countries need a stimulus package to mitigate the contagion of these internationally originated problems. The stimulus shall have properly integrated sets of trade, monetary, and fiscal measures. It could provide assistance to facilitate economic adjustment and nurture investments in human and physical capital, such as to minimize long-run costs. The stimulus should support appropriate safety nets for those most vulnerable and most exposed to the crisis; it should be consistent with long term sustainable levels of indebtedness. The private sector and particularly the small and medium enterprises (SMEs) that will be creating wealth necessary for poverty reduction should receive particular attention.

Unfortunately, African countries cannot internally mobilize the necessary resources. Various proposals have been floated recently. One example by the World Bank is to devote 0.7 percent of the stimulus of developed countries to a "Vulnerability Fund for Africa." This Fund could fund projects that would help mitigate the consequences of the crisis, including safety nets programs, investments in innovation, technological upgrading, and infrastructures that can provide the foundation for future growth. The Vulnerability Fund for Africa would also undertake those actions that governments would have undertaken with funds diverted from current reform program.

Effective implementation of Aid for Trade would assist African countries affected by the financial crisis to increase exports of goods and services, to integrate into the multilateral trading system, and to benefit from liberalized trade and increased market access. It would help distribute the global benefits more equitably.

So far most of the suggestions have been coming from outside Africa. The G20 leaders could facilitate collaborative efforts aimed at bringing forward a common African response to the crisis through an Africa-led stimulus package that is properly funded, free from unnecessary bureaucracy, and not diverting resources from existing programs.

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THE TRADE SYSTEM AMIDST THE GLOBAL FINANCIAL CRISIS

Sylvia Ostry

If there was ever any doubt about the close, even intimate, relationship between trade and finance in the global economy, the statement issued by the G20 leaders on 15 November 2008 put that doubt to rest. In that document — wide ranging and complex — the G20 tasked several national and international organisations with implementing enunciated principles for reform of financial markets and an initial set of specific measures, including high-priority actions to be completed by the end of March 2009.

Alongside asking their officials to deal with financial reform in the light of the global financial meltdown, the G20 leaders were quick to commit to an open global economy, recognising "that these reforms will only be successful if grounded in a commitment to free market principles, including the rule of law, respect for private property, open trade and investment, competitive markets, and efficient, effectively regulated financial systems." They further declared it critically important to reject protectionism and not to turn inward. They committed that: "Within the next 12 months, we will refrain from raising new barriers to investment or to trade in goods and services, imposing new export restrictions, or implementing World Trade Organization (WTO) inconsistent measures to stimulate exports." And for extra emphasis on the importance of trade to global economic health and the need to avoid raising barriers to trade, they told their trade ministers to "strive to reach agreement this year on modalities that leads to a successful conclusion to the WTO's Doha Development Agenda with an ambitious and balanced outcome."

Sounded great. But it was rather misleading. While there have been a few protectionist measures in some countries, the Doha Round is comatose. But the most serious development has been the 'Buy American' requirement in the United States' recent stimulus legislation. Even if the economic nationalism of the Buy American plan has now been watered down, there is no doubt that the ongoing global financial crisis will generate protectionist pressures around the world.

The Uruguay Round and the creation of the WTO in 1995 were integral to the evolution of today's global trading system. After years of negotiation, the new system emerged through what Sylvia Ostry argued was a 'grand bargain', which in reality proved for many countries to be a 'bum deal'. The Uruguay Round negotiations created a completely different system from early reciprocity arrangements in the General Agreement on Tariffs and Trade (GATT). It was essentially an implicit deal: developed countries opened their markets to agriculture and labour — manufactured goods, especially textiles and clothing — in exchange for the inclusion of services, intellectual property and, to a minor degree, investment. But the implicit deal was more one-sided than expected. There was far less opening than expected and the reduction of restrictions on textiles and clothing was back-loaded and more than offset by the impact of China's growing economy and exports. The Uruguay Round agreements required a major institutional upgrade and a significant improvement in infrastructure for most developing countries. Such changes demanded both time and money. For many developing countries the challenge of implementing such upgrades was difficult if not impossible.

The asymmetry of the trading system went well beyond the inclusion of services and intellectual property. The global trading system also housed a 'knowledge trap'. In the area of services and intellectual property, developing countries needed advanced and sophisticated knowledge on the substantive and procedural components of agreements, which were unavailable to many of them. The grand bargain proved not only to be highly asymmetric but also highly burdensome for those developing countries with the least ability to overcome the knowledge trap.

The WTO has not been able to do much to assist the poorest countries. The WTO is highly juridified (more by accident than design), has no real executive power, its negotiating function is very cumbersome as the only avenue for law-making, and its research capability to assist the poorest countries is very limited. These factors exacerbate the knowledge trap - the strong get stronger and the weak weaker.

The asymmetry of the multilateral trading system was recognised in 2001 in Qatar, when WTO members launched a new round of negotiations — the Doha Development Agenda (after a spectacular failure in Seattle in 1999). Again meeting after meeting has failed. The shift in the balance of power from the old great powers (US and Europe) to the new great powers (especially China, India and Brazil) has paralysed, not catalysed, the great game in trade.

The ongoing financial and economic crisis will not lead to a replay of the protectionism of the 1930s. But a serious erosion of the global trading system would further undermine confidence and increase uncertainty. To avert this, a coalition of middle powers should push for the launch of a new project that analyses the intersection of trade and development and propose ways to move forward without delay.

This proposal borrows an idea from the launch of the Uruguay Round, when the United States and Europe were at loggerheads over agriculture. A group of developing countries (led by Brazil and India) opposed the introduction of 'new issues' (e.g., services and intellectual property). To break the deadlock at that time, a group of middle powers prepared the ministerial declaration that launched the Uruguay Round of negotiations. At that time, the core issue was one of promoting the rule of law over the rule of power. With multilateralism at stake and the shift in the balance of power, this challenge of sustaining the rule of law remains equally as pertinent today.

The proposed study could be funded from foundations or other philanthropists. The research and discussion should all be available on the internet and briefings for today's great powers (the G20?) should be arranged. A representative of least developed countries (LDCs) (a group not otherwise represented in the G20) should receive financing to attend.

One very difficult problem is how to form the coalition of middle powers. It should be voluntary so that there is no linkage with WTO rules or negotiations. Countries should be free to withdraw and suggest a replacement. Indeed, since the coalition must be a reasonable size (although no larger than 30), rotation might be a good idea. The simplest way to handle this would be for the WTO's Director-General to appoint an ambassador for multilateralism to head the procedure for selection. Geography is crucial, of course, but so is the issue of dealing with the big, emerging markets (who is a middle power today?). Nonetheless, when there is a political will there is a policy way.

As for protectionist actions, foundations and think tanks that seek to hold countries to a non-protectionist standard should place these measures on the internet for the G20 leaders to review and discuss at the London Summit. As should the WTO's Director-General Pascal Lamy.

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GLOBAL ECONOMIC GOVERNANCE PRIORITIES OF G20 LEADERS: AN AFRICAN PERSPECTIVE

T. Ademola Oyejide

The establishment of the Bretton Woods institutions in 1948 was intended to forestall the sort of crisis that had afflicted global economic and political governance structures in the preceding periods, and which have a striking semblance to the current world economic recession. The weaknesses of the skewed governance configurations built into the institutions charged with coordinating and managing the aftermath of the pre-1948 catastrophe have spurred copious criticisms, particularly from the developing countries whose interests have frequently been threatened by the ways in which these institutions have implemented their respective mandates. For the rest of the twentieth century and in the advent of the new millennium, the developing world has been preoccupied with resisting current and potential future effects of global economic power relations biased against their sustainable development interests. If not immediately restructured, the status quo could have pervasive, damaging consequences for both the developed countries that now exercise economic and technological supremacy, and the weak, almost totally helpless, developing countries. Only a few developing countries have managed to escape the harsh effects of such distorted power relations.

The core challenge facing developing countries in political and economic global governance is a lack of access to resources for effective engagement in the decision-making processes. If the Bretton Woods institutions were a world government with the mandate to maximize the welfare of the world citizens, they would be expected to equally distribute world resources, taxing the rich countries to create facilities for the benefits of poor countries. Regrettably, however, these institutions do not exercise power in a way that prioritizes helping weak and poor countries. As a result, developed countries are the perpetual gainers of world political and economic structures that have neither been able to adequately compensate developing countries or to restore the balance required for a stable global economy. Instead, we have seen a steady flow of resources from poor to rich countries with profound implications for existing gaps in growth and welfare between them.

The multilateral trading system, which is supposed to serve as the central mechanism through which the design and formulation of the basic rules governing the flows of goods and services, investment, and technology across countries are accomplished, is an illustration of how global economic governance is biased against the interests of developing countries. This bias is reflected not only in terms of inadequate and ineffective recognition of how the problems facing developing countries are quite different from those of developed countries, but also in terms of the inability to properly address practical impediments to the effective participation of developing countries. Without such involvement, the rules governing world trade and investment are unlikely ever to produce a more equitable distribution of their benefits.

Therefore, the primary political challenges are two-fold:

- removing all hindrances to developing country involvement in the decision-making mechanisms of global economic management. This entails establishing ways to improve developing countries' access to and participation in the decision-making process of all agencies concerned with organizing world finance, investment, and trade. In addition, such progress will demand reforms that create a level-playing field between developed and developing countries, which should include compensation for past biases against the interests of developing countries; and
- recognizing that the management of the

global economy should not be the prerogative of the G7 or G8 countries nor the current G20. Alongside the growing appreciation of the benefits of a collective and cooperative global economic management system, there is a need for a body that is more representative and larger than the G20 and which fully reflects the different development levels of countries. This broader body could be constituency-based, whereby countries could cooperate through groups composed based on regional representation and other multi-dimensional indicators, including for instance country size, population, income, location, and vulnerability levels, among others. In order to ensure that the composition of global decision-making bodies fully reflects experience and emerging economic configurations, the modalities for the composition of the representatives of global bodies should be time-bound and embedded with built-in flexibilities.

Trade, investment, and financial flows are the three key channels through which the current financial crisis is impacting developing countries. A recession in world trade and investment thus impacts developing countries' trade, which has been their engine of growth, especially those developing countries that depend on export-led growth. Therefore, to the extent that the slowdown impacts negatively on their trade, developing countries' growth may suffer from the current crisis.

To respond to the financial crisis, the G20 should ensure:

- that developed countries do not react in ways that will increase protectionism against the exports of developing countries, which would further worsen the impact of the global recession on these countries;
- that actions taken by developed countries to stabilize the global economy should not be taken at the expense of overseas development assistance (ODA) flows, which are critical for fighting poverty in developing countries;
- that employment-related actions by developed countries are not biased against employees of developing country origin given that developing countries currently draw a substantial amount of remittances from their citizens in the diaspora;
- coordination and harmonization of national level policies for managing global imbalances so that volatility in global financial markets of the sort that created the on-going crisis may be reduced or ameliorated; and
- the symmetric application of the set of rules governing the global economy (in the sense that the rules applicable to deficit or surplus countries are operated even-handedly).

With respect to the World Trade Organization (WTO), developing countries face similar challenges as at the World Bank and International Monetary Fund (IMF), where they have long called for more effective representation and participation in governance structures, including for example, through governance rules that reflect country characteristics such as size, location, and vulnerability, among other indicators. In establishing new rules for WTO decision-making that better involve developing countries, governments also need to find ways to enhance the speed and efficiency of decision-making so that the process for reaching consensus are simplified and made less cumbersome. Finally, for African countries, regional trade plays a more significant role in Africa than multilateral trade, most notably because of the widespread use of preferential trade arrangements. The ongoing negotiations between the European Union and African countries for Economic Partnership Agreements (EPAs) will likely pose great challenges for Africa in terms of how the continent can dovetail commitments taken at the bilateral level with those taken at the multilateral level.

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GLOBAL TRADE GOVERNANCE AND THE G20: OPPORTUNITIES FOR DEVELOPING COUNTRIES

Félix Peña

The London G20 Summit is an opportunity to tackle urgent issues related to the impact of the global crisis on international trade and the multilateral trade system. On the trade front, the Summit should show that G20 countries are prepared to avoid protectionist measures and practices, and that they will continue working together to strengthen the WTO system. But at the same time, it is important for G20 participants at the Summit to recognize that effective cooperation on trade-related issues can only be achieved through the collective capacity and mobilization of as many countries as possible. As is true for the European members of the G20, it should be assumed that other participating emerging countries are, at least to some degree, expressing points of view that stem from consultations with non-participating developing countries from the same region. This would contribute to the international legitimacy of the G20 and strengthen its capacity to impact global realities.

What then are developing countries' views on how global governance goals support their development interests? Likewise, what are the most critical challenges related to their participation in the multilateral trade system? From a developing country perspective, some of the more urgent challenges are:

1. To improve access to reliable and up-to-date diagnoses on the evolution of the global economic competition and its impact on actual or potential competitive advantages;
2. To mobilize the energies and capacities of developing country societies to compete at the global level and to attract productive investments from as many national and foreign sources as possible;
3. To establish national strategies based on particular local conditions that help developing countries to harness and benefit from the opportunities presented by global markets and the multilateral trading system;
4. To promote at the regional and sub-regional level, flexible, sustainable, and WTO-consistent economic integration processes. In this regard, developing countries need to contribute by promoting productive investments, enabling better access to technical progress, increasing their capacity to negotiate at the international level, and strengthening their influence on the definition of global governance goals and mechanisms.

Reforming the governance of global trade and the multilateral trading system will be a long term and non-lineal process. It will depend largely on the future power distribution among nations and it will take some time to stabilize. In the best scenario, the London G20 Summit could be a step forward in achieving a more development-friendly multilateral trading system. Four immediate steps of particular interest to developing countries are:

1. To obtain concrete and certain compromises regarding new market access to developed nations;
2. To reduce the negative impact of economic and trade policies (i.e. agriculture subsidies) that distort global trade;
3. To promote greater flexibility in WTO disciplines to allow developing countries with long term national development strategies to temporarily adopt limited emergency trade measures (along the lines of the opt-out schemes suggested by Dani Rodrik in his 2008 book *"One Economics - Many Recipes"*); and
4. To promote an Aid for Trade strategy—wherein aid is understood as a systemic upgrade of developing countries' ability to compete at the global level—with significant financial resources, which could be managed through a consortium with the participation of the main development oriented agencies (i.e. the UN Industrial Development Organization (UNIDO), the United Nations Conference on Trade and Development (UNCTAD), the International Trade

Centre (ITC), and multilateral development organizations) under the leadership of the World Trade Organization (WTO).

Emerging countries participating at the London G20 Summit have an important opportunity. They should aim to obtain a strong political commitment to strengthening the WTO as a development-sensitive and rules-oriented multilateral global trading system. Top priorities should include:

1. To establish a concrete deadline for concluding the Doha Round (i.e. December 2009) and simultaneously launching a process that will enable member countries to engage in a new action plan and roadmap to advance a development-oriented global trade expansion;
2. To convene a WTO Ministerial Conference in Geneva in December 2009, with the intent of launching a new process for the negotiation of multilateral trade agreements – not necessarily a new Round - with a strong development orientation, including necessary institutional reforms of the global trading system. This Ministerial Conference should be prepared through regional meetings and parallel multi stakeholder seminars, with strong participation from civil society representatives. This would also provide an opportunity for potential WTO reforms, including innovative negotiating methodologies (critical mass, variable geometry, multiple-speed formulas, among others) can be explored and discussed previous to the Ministerial Conference; and
3. To stimulate and support the monitoring capacity of the WTO Secretariat regarding those trade policies, measures, and practices that could produce negative effects on the expansion of global trade (i.e. through protectionism). Eventually this capacity could be strengthened through a non-governmental *online database*, which could be freely created and edited with the active participation of all interested parties (a kind of Wiki-trade surveillance facility).

Some specific institutional reforms could contribute to strengthening the multilateral trading system and the WTO. Both the G20 Summits and the 2009 WTO Ministerial Conference could function as a space to launch a debate that could later lead to concrete action toward those reforms. Such reforms could include :

1. To strengthen the WTO's capacity to evaluate a wide-range of trade preferential agreements as well as protectionist and trade-distorting measures and practices (including those originated at the business sector). The creation of a body composed of high level independent experts, along the lines of the approach taken for the WTO's dispute settlement system, could be explored. A kind of *global trade and development ombudsman* within the WTO structure could also be considered. The ombudsman could be an independent official charged with the investigation of complaints by citizens of Member countries that eventually could lead to non-binding recommendations.
2. To promote the capacity of the WTO Secretarit to undertake evaluations and make proposals regarding the evolution of global trade and its relation to development goals (one option, for instance could be the publication of joint reports with other relevant development international institutions and agencies);
3. To develop mechanisms – jointly with other relevant international development institutions and agencies – that enhance the capacity of interested least developed countries (LDCs) to take full advantage of all the instruments provided by the multilateral global trading system, particularly of its dispute settlement system. Such mechanisms could, for example, include trilateral cooperation programs with the participation of emerging economies in the same region as the beneficiary country.

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LET DEVELOPING NATIONS RULE

Dani Rodrik

The global crisis is an opportunity for developing nations to project their interests in multilateral institutions, and gain influence in shaping economic globalization. To make the best of this outcome, developing nations need a good sense of their interests and priorities, but also to recognize that having a greater say entails acceptance of greater responsibilities.

There is just possibly a silver lining for developing nations in the present crisis, and it is that they may well emerge collectively with a much bigger say in the institutions that govern economic globalization. Once the dust settles, China, India, Brazil, South Korea, and a handful of other "emerging" nations will be able to exercise greater influence in the way that multilateral economic institutions are run. And they will be in a better position to push for reforms that reflect their interests.

This will be the result of two related forces.

The first is that the US and Europe will come out weakened from their financial crises, both as economic actors and as upholders of the policy and intellectual orthodoxy. They will be unwilling or unable to provide the kind of leadership that sustained multilateralism in the decades that followed the Second World War. Developing nations will have to step up to fill in the gap.

The second is that the relative weight and importance of developing nations in the global economy will have risen even more. Many of the leading financial institutions of the West – those that have not been nationalised – as well some important industrial enterprises will remain at the mercy of capital from China or the Gulf states. In trade, the present round of global trade negotiations has already demonstrated that if rich nations want developing nations to play ball, they will need to let them shape the rules of the game.

INTERESTS AND PRIORITIES OF DEVELOPING NATIONS

To make the best of this outcome, developing nations will have to have a good sense of their interests and priorities. This article is devoted to a discussion about what those interests and priorities are. To get the debate going, here is what I think developing nations should push for.

First on the agenda must be new rules that make financial crises less likely and their consequences less severe. Left to their own devices, global financial markets provide too much credit at too cheap a price in good times, while they deliver too little credit at bad times. The only effective response is counter-cyclical capital-account management. This means discouraging foreign borrowing in good times, and preventing capital flight in bad. Instead of frowning on capital controls and pushing for financial openness, the IMF should be in the business of actively helping countries implement such policies. It should also enlarge its emergency credit lines to act more as a lender of last resort to developing nations hit by financial whiplash.

Second, the crisis is an opportunity for achieving greater transparency on all fronts, including banking practices in the advanced countries that facilitate tax evasion in the developing nations. Wealthy citizens in the developing world evade more than a hundred billion of US dollars worth of taxes in their home countries each year thanks to bank accounts they maintain in Zurich, Miami, London, and elsewhere. Governments of these nations should ask for and be given information on their nationals' accounts.

Third, developing nations should also push for a Tobin tax – a tax on global foreign currency transactions. Set at a small enough level – say 0.25 percent – such a tax would have little adverse effect on the global economy while raising a considerable amount of revenue. At

worst the efficiency costs would be minor; at best the tax would discourage excessive short-term speculation. The revenues collected – which would easily amount to hundreds of billions of US dollars annually – could be spent on global public goods such as development assistance, vaccines for tropical diseases, and the greening of technologies in use in the developing world.

The administrative difficulties in implementing a Tobin tax are not insurmountable, as long as all major advanced countries go along. It would then be possible to get offshore financial centres to cooperate by threatening to isolate them on the international stage.

Fourth, in trade, developing nations should push to enshrine the notion of "policy space" in the constitution of the WTO. The goal would be to ensure that developing countries can employ the kind of trade and industrial policies needed to restructure and diversify their economies and set the stage for economic growth. All countries that have successfully globalised have used such policies, many of which are currently not allowed under WTO rules (e.g. on subsidies, domestic-content rules, reverse engineering of patented products). Policy space is also needed to ensure that important social and political ends – such as food security – are compatible with the rules of international trade. Developing nations should argue that recognizing these economic and political realities makes the global trade regime not weaker and more susceptible to protectionism, but healthier and more sustainable.

NEW DEVELOPING COUNTRIES' RESPONSIBILITIES

But with greater say comes also greater responsibility. Developing nations cannot just make demands and expect them to be granted, but not compromise in return. So they will need to be more understanding and responsive to legitimate concerns in rich countries and be more willing to pay for some of the global public goods.

Capital-exporting developing nations should be willing to accept greater transparency in the operation of sovereign wealth funds and pledge not to use them for political purposes. The largest developing nations – such as China, India, and Russia – will need to shoulder some of the burden of reducing greenhouse gas emissions.

Similarly, developing nations will need to understand that policy space is a two-way street. In countries like the US where the middle class has reaped few of the benefits of globalization in the last quarter century, trade policy will be under severe pressure to provide some redress. President Obama made the plight of the middle class a central plank of his successful campaign. His chief economic advisor Larry Summers has also been vocal of late on globalization's adverse impact on workers.

It will not do much for good for developing countries to raise the spectre of protectionism each time such concerns are voiced. The political and economic reality demands a more nuanced and cooperative approach. They should say no to trade protectionism straight and simple. But they should be willing to negotiate with advanced nations on avoiding regulatory races to the bottom in such areas as labour standards or tax competition. This is in their long-term self interest. Without buy-in from the middle classes of the advanced nations, it will be very difficult to maintain a global trade regime as open as the one we have had in recent years.

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EAST ASIA, THE G20, AND GLOBAL ECONOMIC GOVERNANCE

Hadi Soesastro

The G20 has stepped up to provide political guidance to global economic governance. This article argues that East Asian members should embrace a pro-active role aimed not only at securing their role in global economic governance but also at increasing East Asia's effectiveness in projecting the region's strategic efforts towards global economic recovery.

East Asian members of the G20 must participate strategically in this emerging global forum. They need to make sure that the G20 can produce policies and actions that will help bring the global economy out of the current crisis as soon as possible. Existing international institutions have been helpless in dealing with the issues the world now confronts and are in dire need of major reforms. There is now no better forum than G20. Essentially, it will act as a "steering committee for the world economy," as Barry Eichengreen has aptly said,[1] and this forum should now replace the G7 or G8 for good.

Yet the G20 is still very fragile. In part, this is due to its ad hoc nature. But it also suffers from problems of legitimacy in respect of how its membership is being determined. The problem has deepened with the inclusion of a few additional participants at the coming London Summit: why them and not others? The European members of the G20 are facing the greatest challenge from fellow Europeans on this issue, although the European Union already has a seat at the table.

EAST ASIAN G20 MEMBERS MUST DEVELOP A PRO-ACTIVE VOICE

East Asian members of the G20 will need to adopt a pro-active role to propose their ideas and voice the concerns of the region. They already missed a good opportunity to do so when East Asian leaders met at the sidelines of the Asia Europe Meeting in Beijing about three weeks before the first G20 Summit in Washington, DC. Their preoccupation has been narrowly focused on the establishment of a regional emergency fund, based on the bilateral swap arrangements known as the Chiang Mai Initiative (CMI). This idea had been aired for some time before there was any sign of the current crisis, and efforts were stepped up after October 2008, but the fund will become operational only in April or May 2009.

This single focus from East Asia is far from adequate. Peter Drysdale suggests that East Asia might be performing in the 'wrong play'.[2] The key issues for East Asian members of the G20 are how measures for global recovery can be crafted collectively, what role the region can play to ensure a sustained and effective recovery, and how can the G20 be mobilised to re-shape global economic governance.

The crisis has created an opportunity for new players to bring their plights, interests, and aspirations to bear towards more inclusive global efforts to resolve it. Dani Rodrik suggested that developing countries should seize this opportunity.[3] This will be important to a sustained recovery, but it is not clear how developing countries can best undertake the task.

SHOULD BIG DEVELOPING COUNTRIES LIKE CHINA, INDIA, AND BRAZIL REPRESENT THE DEVELOPING WORLD?

Regional or sub-regional arrangements provide an alternative as they can be used to facilitate stronger voice and sense of ownership among smaller countries. Regional arrangements also include a mix of developed, emerging market, and less developing countries. The new global economic governance structure will need to be based on representative institutions.

There are demands to reform existing institutions to reflect the changing economic weight of emerging economies in the global economy. There is also the idea that these reformed institutions (the IMF and the World Bank) should

be supervised by an over-arching and inclusive global institution, such as the UN global economic and social council as proposed by Germany's Chancellor Angela Merkel. But such a global organization is likely to become rather unwieldy. The better alternative would be to have networks of regional arrangements play into the global forums. East Asia's emergency fund, namely the multilateralised CMI, for instance, would be more meaningful if it also constituted a part of a network of monetary funds.

East Asia needs to be better coordinated if it is to develop a coherent regional agenda to contribute to resolving the global crisis. Meetings of East Asian leaders (ASEAN + 3 and the East Asia Summit) are scheduled to take place in April 2009 after the London Summit. Leaders can agree to direct their finance ministers to have regular "strategy meetings" to strengthen East Asia's engagement in formulating G20 policies and actions towards the recovery of the global economy and in shaping global economic governance.

In early March 2009 finance ministers and central bank governors from 19 Latin American countries convened a meeting in Portugal to demand a bigger say in global economic governance. Earlier, Russia also took the initiative in bringing together governments from the Commonwealth of Independent States (CIS) to present the group's interests in the G20. Such initiatives can only strengthen the G20 by increasing its legitimacy.

East Asia's strategic participation in the G20 is aimed not only at securing its role in global economic governance but also at increasing its effectiveness in projecting the region's strategic efforts towards global economic recovery.

East Asian countries overcame one major financial crisis a decade ago and undertook a raft of measures to reform and strengthen their financial sectors with a good deal of success. Moreover, they have not taken measures that backtrack on their commitment to promote regional financial and economic integration. Presenting these ambitions through the G20 could also help sharpen the focus in the region in undertaking regional infrastructure development projects that could help stimulate the regional economy and recycle the region's huge reserves as well as promote structural adjustments to redress the global financial imbalance.

EAST ASIAN G20 LEADERS SHOULD PUSH TRADE AS A TOP G20 PRIORITY

The region could also more effectively exert leadership on the trade front to keep global markets open, one of East Asia's top priorities in the G20. The other objectives are ensuring adequate financial flows for development and purposeful coordination of their economic stimulus packages.

East Asia's strategic participation in the G20 provides a framework for China to play an increased role – as a key member of the regional community – in the recovery of the global economy and in shaping global economic governance. In the Chinese language, the word "crisis" is made up aptly of the characters for "danger" and "opportunity." Opportunities provided by the crisis need to be fully exploited by East Asia to help avert the dangers that continue to loom large, for the region and for the world, unless a strong framework for collective action can be fashioned through the G20.

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DEVELOPING NATIONS AND THE NEW GLOBAL ORDER

Arvind Subramanian

On say and substance, the global financial crisis and the weakening of the United States and European Union are creating new opportunities for developing nations.

The hopefully permanent transmutation of the G7 to G20 is both an acknowledgment and a signal that the monopoly on decision-making, hitherto held by the West, is being chipped away. Developing nations are slowly acquiring greater say. Consolidating this process would require that they continue to maintain high growth rates internally; that is the first and most important order of business.

Externally, developing countries should make sure that the G7 does not re-assert itself, and they should push strongly for governance reform of the International Monetary Fund (IMF) and also the World Bank.

For starters, at the next G20 summit in April there must be an agreement that:

(i) the heads of these institutions will be selected on merit-based and transparent procedures;
(ii) Europe will reduce its quota share in the IMF substantially (8 to 10 percentage points); and
(iii) decision-making will be more cooperative.

These changes matter. The IMF is, and is perceived to be, still a US-centric, and even more, a Euro-centric club which has applied different standards to different members.

In the current crisis, for example, most of the borrowers have been European countries. In the case of the IMF's Latvia program, a country with a current account deficit of yes, 24 percent of GDP, the IMF asked for a devaluation of a whopping ZERO percent. Faith in "immaculate adjustment" for the favoured few, and insistence on large devaluations with more miserly and conditionality-addled resource transfers for the many (remember the Asian financial crisis?). Is it surprising that Latin America and especially Asia are disengaged from the IMF?

On substance, developing countries should push for a larger Fund that can provide liquidity in times of crises as Dani Rodrik suggests.[1] But this should be accompanied by serious governance reform, and by an insistence that the Fund review its ideological/intellectual dogmas.

Here's one way of testing and/or achieving this. Require the Fund to come up with "best practices" for managing and limiting capital inflows: what are the best instruments? how long can they be effective? What flows should be covered? Unless the Fund changes its governance and intellectual biases it is doomed either to irrelevance and illegitimacy or to survive only as a cosy club for the few.

KEEPING INTERNATIONAL MARKETS OPEN

Keeping international markets open is probably the highest priority for developing countries in the current environment. Their sustained growth requires something close to the levels of openness seen in the last couple of decades. Dani Rodrik's view is that these openness levels can be maintained by a bargain around "policy space." Developing countries would then use this space to figure out the best development policies. In return, industrial countries would be allowed to use this space to push for some kind of global harmonization of tax and regulatory policies that would help buy off middle class anxieties about globalization that might otherwise lead to outright protectionism.

The problem is that the crisis might (with a non-trivial probability) push the industrial countries into significantly higher levels of protection. In the United States, a severe downturn and a strong dollar could feed on the pre-existing anxieties about globalization and create pressures for protection that a Democratic Congress and administration might find difficult to contain.

These pressures could take the form of "Buy America" provisions in government spending or environmentally-motivated barriers.[2]

HOW TO AVOID RICH NATION PROTECTIONISM?

How can developing countries avert this outcome or minimize its probability? One possibility is that they might have to eschew protectionism and even offer to open up their markets just in order to prevent industrial countries from closing theirs. This conventional (trade-for-trade) but asymmetric (because developing nations will have to do something for industrial countries not doing other things) bargain would be very different from Dani's Rodrik's symmetric "policy space" bargain. But that might be the "price" for ensuring open markets globally.

GLOBAL WARMING

On global warming, which along with trade is perhaps the other key issue for developing countries, I agree with Dani Rodrik's that developing countries shoulder some of the incremental burden of reducing greenhouse gas emissions.

The fear, however, is that the framing of the problem and identification of the solutions in industrial countries might be such as to tilt the outcome in favour of too much, rather than too little, burden being imposed on developing countries.

Legislation now in the US Congress would envisage action against those countries which do not take "comparable action" as the United States. That a country – where per capita emissions are so much greater (and have been so for decades if not centuries) than that of developing countries – could contemplate such action without eliciting outrage, even on the part of their intelligentsia, is disquieting from a developing country perspective.

FINALLY, WILL THIS OPPORTUNITY BE SEIZED BY DEVELOPING COUNTRIES?

There are reasons to be extremely sceptical. For one, China – the one player which can really have an impact – remains inscrutable.

What is China's vision for the global order? Will it exercise leadership in a manner consistent with developing country and global interests?

And let us make no mistake. Developing countries will have to assert themselves to shape the new global order. For example, Europe is very generous in offering aid to developing countries but fiercely resists ceding power in the IMF. So, with apologies to Matthew Arnold, the question remains: yes, the old order is fading but do developing countries have it together now (or any time soon) to will the new order into being?

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A FORWARD-LOOKING AGENDA FOR GLOBAL TRADE GOVERNANCE AND SUSTAINABLE DEVELOPMENT FROM A SOUTHERN PERSPECTIVE

Yash Tandon

The world's multilateral negotiations on trade and on sustainable development over the last decade yield two important lessons for the multilateral system.

The first lesson concerns the interconnectedness of things: trade, security, employment, human rights, development, terrorism, migration, poverty, climate change are all interconnected. For the developing countries of the South, trade and climate change are a dual facet of their continuing sustainable development challenges. Consider, for instance, flower exports from Kenya. Naivasha in Kenya is Europe's major source of cut flowers. The United Kingdom alone imported 18,000 tons of flowers from Kenya in 2008, up from about 10,000 tons in 2001. Kenyan flower growers draw water out of the Lake Naivasha at an average rate of approximately 20,000 cubic meters a day. Yet Lake Naivasha is dying; in 2008 it shrank to about 75 percent of its 1982 size. At this rate, in another 50 years it would shrink to a pool of muddy dead water. The papyrus swamps that were the breeding grounds for the lake's fish have almost gone and the flamingoes have disappeared. Even as the population working in the flower farms is increasing, people (especially fishermen) are facing severe food and water insecurity problems.

The second lesson concerns the salience of power in the multilateral system. Principles are one thing; how they get manipulated by those who have authority over institutions that set the agenda and the terms of the negotiations, are quite another. This power also extends beyond institutions; it includes the power over knowledge, and the power to define the text, the language, and the ideology within which negotiations take place.

To really understand the workings of the multilateral system requires years of experience. In October 2008, for example, Bill Clinton said: "we all blew it, including me as president" by treating food crops as a commodity rather than a right of the poor (*Associated Press,* October 26, 2008). Clinton reprimanded the World Bank, the International Monetary Fund (IMF), and other global institutions, and cited corn subsidies and US food aid policies as key problems contributing to the global food crisis. In the World Trade Organization (WTO), however, food continues to be characterized as a tradable commodity and negotiated as market access issue.

Trade and the conditions of trade differ. The first is simply a word; the second relates to the historical and present circumstances under which countries are integrated into the global system of production and exchange. Trade does not automatically translate into development. In fact, the proposition that "trade is good" is an abstract, ideological proposition, elevated as axiomatic truth in WTO discourse. The conditions under which countries engage in trade are, on the other hand, historically created realities that continue to structure the present.

The natural resources of the South are seriously undervalued in the global market. Why, for example, should African countries remain providers of commodities and cheap domestic and migrant labour? If you factor in the real value of the labor power of the workers of the South, and add the environmental cost of exploitation of the South's resources, then the countries in the South should be getting at least four or five times more value than they currently receive from their participation in the global economy.

These hard realities are embedded in the global division of labor over which Africans have had little say. These conditions are reinforced daily because powerful countries have carrots to dangle and sticks to whip the weak to conform

to their will. These conditions are legitimized by the WTO and enforced by the applied or threat of sanctions and retaliations. The experience of much of the South is that forced trade liberalization has led to de-industrialization and de-agriculturalization, especially of countries that are vulnerable to the carrots and stick policies of Europe and the United States. How else might you explain that African cotton famers in their thousands are forced to surrender their livelihoods just because the rich and powerful United States can provide subsidies to its a few hundred cotton producers?

The simultaneous near-death of both the WTO and the Bretton Woods institutions is related to a dual weakness in the global economic system — the dominance of trade over industry and of finance over production. The present crises are indicative of this deeper malaise in the system. Symptomatically, the WTO has been in the media spotlight more than the United Nations Industry and Development Organization (UNIDO). But it should have been the other way around. Industry precedes trade; if there is no production there is no trade.

For sure, trade is important. A development-friendly outcome to the Doha Round would have been a good thing. After goods are produced they must be consumed. Markets are important for distribution of goods produced, and for realizing the value contained in these goods so that the production cycle begins again. However, the present global trading system is heavily loaded against the countries of the South on account of both historical and structural reasons.

Besides the challenges associated with undervalued labor power and natural resources, global rules also heavily favor the suppliers of capital and the holders of intellectual property-protected technologies. A 2007 study carried out by the United Nations Conference on Trade and Development (UNCTAD) found that most least developed countries (LDCs) have opened up their economies to global trade and are highly integrated in the global economy, but they are not climbing the economic and technological ladder. Out of the 24 value chains of LDC exports, upgrading occurred in only 9 since 1990s, and downgrading occurred in 12, representing 52 percent of LDC exports. The study of 155 firms in Bangladesh, for example, showed that there was no development of technological capacity in agro-processing, textiles, garments, and pharmaceuticals. The UNCTAD study attributed this to "economic liberalization without learning;" global integration without innovation resulted in the increasing marginalization of 767 million people in the LDCs, which remain locked into low value-added commodity production and low-skill manufacturing.

Within the WTO framework, the Agreement on Trade-related Investment Measures (TRIMS) discourages local content requirements, thus undermining effective industrial policy and learning, which are the bases for industrialization. Implementation and enforcement of the Agreement on Trade-related Intellectual Property Rights (TRIPS) involves very high transaction costs and complex procedural requirements that the poorest countries of the South cannot afford. Furthermore, developed countries drive hard bargains against poor countries in bilateral free trade agreements (FTAs) with them. For example, in Economic Partnership Agreements (EPAs) with the African, Caribbean, and Pacific (ACP) countries, the European Union has sought to include patenting for biotechnology inventions and plant varieties, and legal protections for databases that go far beyond the requirements of WTO-compatibility.

So the question is: what would a forward-looking agenda for global trade governance and sustainable development look like from a Southern perspective? What should the new architecture of the global trading system look like? The global financial meltdown has created an opportunity to look afresh at all institutions of global economic governance, including the WTO, where there is a serious case for fundamental reform. The WTO rests on two pillars:

- Ideological: The myth that trade is the "engine of growth." This is not true; production is the engine of growth.

- Enforcement: The negotiated texts of the WTO are binding, and so no country can ignore the WTO.

The first ideological pillar of the WTO is now fully discredited. The second enforcement pillar needs to be critically reviewed. Has it really brought gains of development for the global poor?

To conclude, here are a few of the most important *preconditions* for a new trading architecture.

1. Development cannot be equated with trade liberalization. The stated objective of the Doha Round is development maximization not trade liberalization.
2. The South is the home of most of the global poor and its countries should be the agenda-setters at the WTO. The responsibility for development cannot be handed over to those who are responsible for so much of the poverty and under-development in the South.
3. Trade is secondary to production, employment and human rights. If you do not have industries to produce goods, you have nothing to trade. If you do not have jobs and proper wages for the workers and peasants, you do not have domestic markets in which to sell goods and services.
4. Recognize the primacy of food security over trade. Do not get mesmerized by the reduction of negotiations into mathematical numbers and coefficients in the name of trade liberalization and market access.
5. Recognize the significance of South's control over and ownership of natural resources - land, forest, minerals, water, fish, and biogenetical resources.
6. Treat intellectual property as part of the heritage of humanity developed through centuries of painstaking research, analysis, documentation, and experimentation; it is a global public good and a force for social good; it should not be monopolized by corporations for their profit maximization.

The new global trade and sustainable development architecture must address the above issues. If it does not, then the underdevelopment of the weakest members of the international community will have the same future in the next thirty years as they had in the last thirty years. The world must move forward, not backward.

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USE TRANSPARENCY TO KEEP WORLD TRADE FLOWING

Robert Wolfe

The most important trade advice one can give to Leaders participating in the G20 London Summit is, **do no harm.** The risk of harm is real, since the group's composition and preparatory process, both oriented to financial issues, are ill-suited to trade or the World Trade Organization (WTO). Some countries important in the WTO are not invited to London, but many members of the G20 have little or no role in WTO negotiations in Geneva. Officials responsible for trade policy have not been involved in developing the texts for leaders. Nevertheless many analysts want the G20 to take an activist role on trade. Leaders should resist the temptation in favour of playing a catalytic role.

The G20 cannot ignore trade, but leaders can best help by asking their trade ministers to prepare three reports for the next G20 meeting, likely in November. The first and most important would be on decisions that trade ministers want leaders to take in order to close the Doha Round. The second would be an assessment of the transparency of G20 participants' trade policy measures taken in response to the crisis, based on the new work of the WTO Trade Policy Review Body discussed below. Finally, trade ministers should be tasked with a preliminary report on the measures necessary to ensure that the future trade agenda supports sustainable development.

AVOIDING HARM HAS MANY PARTS

Do not make commitments whose inevitable breach will embarrass the G20, again, and embarrass the WTO. Be modest in your ambitions. Only promise what the leaders present can and will deliver.

Do not imagine that you can make a deal on the tough nuts left on the WTO agenda. Leaders can help when the task is picking between well-understood, stabilized options. That is not now the case. Do no harm means asking trade ministers to explain themselves to you, not trying to do their work.

Do not call for new items on the WTO's over-loaded agenda. The Doha Round may not result in much new liberalization, but in the current context what the world needs is to lock in the current level of openness. The Doha Round will do that. Adding or dropping issues is not an option: the interdependent set of bargains is too finely balanced.

Do not call for smaller bits of the Doha package to be negotiated on their own. Whatever its long term role, the "Single Undertaking" is built in to the foundations of the Doha Round.

Do not under any circumstances call for the Doha Round to be suspended for a year while trade ministers work on something else. Trade rounds are like supertankers, hard to start and harder to change course. Don't try.

Do not call for a formal standstill: defining the meaning of the words consumes valuable negotiating time that ministers do not have, and standstill commitments never work anyway.

Do not call for new institutional mechanisms to monitor the response to the crisis. Reinforce the institutions you already have.

Do not call for new ways of negotiating in the WTO. If Members manage to achieve Doha Round modalities that are acceptable to the US, and Europe; to Brazil, India and China; and to LDCs, then they will have redefined the WTO, without divisive procedural debates. They will have created a multi-tier WTO with widely differing levels of obligation, and they will have done it by finding new ways to engage the key players on any given issue in the negotiations while ensuring overall transparency and inclusiveness. Who could want more governance reform than that? If Members fail to get modalities in the end, governance may prove to be the culprit, but with more than enough blame to go around for the current impasse in the negotiations, worrying about the governance of trade negotiations is a diversion.

Do not promise to avoid protectionism. It is taken for granted that G20 leaders oppose "beggar thy neighbor" policies. But whether or not a given action is or is not protectionist is something that can most usefully be decided through open discussion in Geneva in the context of the broad objectives of the trading system not by simple yardsticks in a G20 communiqué. And absolutely do not promise new negotiations somewhere outside the WTO on what "protectionism" might mean in the crisis. Trade ministers do not have the time. But the G20 can reiterate the basic principles: responses to the crisis should have regard to international obligations, to the challenges facing other countries, and to the needs of the future, especially sustainable development.

THREE THINGS THAT G20 LEADERS CAN AND OUGHT TO DO

Leaders can best avoid harm by seeking to catalyze action elsewhere designed to strengthen the international system, and by using their individual roles at the apex of their own governments to build bridges between conflicting domestic agendas.

First, the G20 has already made a commitment to finishing the Doha Round. Since trade ministers will not want the leaders to make a mess of things, asking them for a report on needed decisions before the next meeting will encourage them to get the job done before leaders have to intervene. (This trick worked well at the 1978 Bonn G7 summit for closing the Tokyo Round and again at the 1993 Tokyo G7 summit for closing the Uruguay Round.)

Second, G20 leaders can support efforts to use trade policy transparency to ward off the dangers of protectionism. WTO Director-General Pascal Lamy argues that the WTO should use its existing monitoring mechanisms to provide a "radar picture" of trade measures taken in the wake of the financial crisis. Leaders should instruct all the branches of their governments to provide the WTO with the information it needs to complete the picture. Better to have an open and perhaps embarrassing discussion of all the new subsidies for factories and banks in the Trade Policy Review Body than risk a flurry of acrimonious disputes that would be a distraction for the WTO and damaging to public support for multilateral trade rules. And better to have that discussion in the context of well-understood WTO norms and principles rather than initiate a distracting debate somewhere else on how best to judge the trade policy implications of crisis response. Yes WTO Members may disagree, but airing the difference in views is better than pretending that some views do not count. Leaders should ask for a report on the WTO assessments for the next G20 meeting, presumably to be held later this year.

In addition, WTO Members should insist that all current transparency obligations are met. The G20 can lead the way by insisting that their own governments be up to date on all their notification obligations under current WTO agreements. All existing monitoring and surveillance provisions should be fully used. Open discussion at home and in Geneva contributes to sustainable development by ensuring that trade policy is made in the light of day. When that happens it is at least possible for a broad public interest, including the interests of the future, to trump narrow particular interests.

Third, the message in the very existence of the G20 as a forum for considering global issues is worth heeding. Developing countries now have a seat at the table. They will throw the opportunity away, however, if they insist on the meaningless Doha Round demand for "less than full reciprocity." Developing countries cannot use the WTO to advance sustainable development until they accept their full share of responsibility for the trading system.

The question at the heart of the Doha Round, and the one that should concern every leader in the G20, is whether the compromise on which the Bretton Woods system was based can finally incorporate the aspirations of developing countries. That compromise between free trade abroad and the welfare state at home is a paradox. The compromise is based on the assumption, as one NGO put it, "that the multilateral

trade system should, if need be, depart from trade liberalization objectives in order to take livelihood concerns into account." But it is time for developing countries to recognize that *every* government is concerned for the livelihood of its citizens, and the trade policy actions of *every* government risk hurting some other government's citizens. The other side of the bargain therefore is that sometimes the welfare concerns of governments have to be relaxed in favour of more open markets.

But the paradox is even sharper: the classic formulation of the Bretton Woods compromise does not accommodate normative concerns for sustainable development, because collective responsibility for the planet cuts across both unrestricted international markets and respect for the sovereign right of governments to manage their own welfare state. LDCs in particular have legitimate concerns about the capacity of billions of people to adjust flexibly to greater engagement in the global economy, but the ability of the WTO to respond is blunted if provisions must apply to all "developing countries" equally. If Members are to be properly accountable to each other, and for the planet, they they will need to think of new ways to resolve this paradox. But that is a challenge for another day.

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Dr. Lau has been elected a member of Phi Beta Kappa, a member of Tau Beta Pi, a Fellow of the Econometric Society, an Academician of Academia Sinica, a Member of the Conference for Research in Income and Wealth, an Overseas Fellow of Churchill College, Cambridge, England, an Honorary Member of the Chinese Academy of Social Sciences and an Academician of the International Eurasian Academy of Sciences. He has served and continues to serve on editorial boards of numerous professional economics journals. He is the author or editor of five books—*Farmer Education and Farm Efficiency* (with Dean T. Jamison), *Models of Development: A Comparison of Economic Growth in South Korea and Taiwan, Econometrics and the Cost of Capital: Essays in Honor of Dale W. Jorgenson, North Korea in Transition: Prospects for Economic and Social Reform* (with Chang-Ho Yoon), and *U.S. Direct Investment in China* (with Kwok-Chiu Fung and Joseph S. Lee)--and more than one hundred and sixty articles and notes in professional publications. Dr. Lau has served as a consultant for the World Bank, the Asian Development Bank, the RAND Corporation, the United Nations Development Programme, Capital International, Inc., Citibank, N.A., the International Commercial Bank of China, and numerous other public and private organizations. He also serves on the board of numerous private companies.

Jean-Pierre Lehmann

Jean-Pierre Lehmann, founding director of the Evian Group, has been Professor of International Political Economy at IMD International Institute for Management Development since January 1997. In 1995 Jean-Pierre Lehmann launched the Evian Group, which draws together high ranking officials, business executives, independent experts and opinion leaders from Europe, Asia and the Americas to focus on the international economic order in the global era, specifically the reciprocal impact and influence of international business and the WTO agenda. Prior to joining IMD, Jean-Pierre Lehmann has had both an academic and a business career which over the years has encompassed activities in virtually all East Asian and Western European countries, as well as North America. He was (from 1992) the founding director of the European Institute of Japanese Studies (EIJS) at the Stockholm School of Economics and Professor of East Asian Political Economy and Business. From 1986 to 1992 he established and directed the East Asian operations of InterMatrix, a London based business strategy research and consulting organisation. During that time he was operating primarily from Tokyo, with offices in Seoul, Taipei, Bangkok and Jakarta and was concurrently Affiliated Professor of International Business at the London Business School.

Dr. Lehmann's earlier positions include: Associate Professor of International Business at INSEAD (European Institute of Business Administration) in Fontainebleau, France, Visiting Professor at the Bologna Center (Italy) of the Johns Hopkins University School of Advanced International Studies, twice in the 70s Visiting Professor and Japan Foundation Fellow at the University of Tohoku, Sendai (Japan), and Founding Director of the Center for Japanese Studies at the University of Stirling (Scotland), where he also taught East Asian history in the University's History Department. From 1981 to 1986 he directed the EC-ASEAN 'Transfer of Technology and Socio-Economic Development Programmes', held in Singapore, Bangkok, Jakarta, Kuala-Lumpur and Manila. Jean-Pierre Lehmann obtained his undergraduate degree from Georgetown University, Washington DC, and his DPhil from Oxford University (St Antony's College). He is the author of several books and numerous articles and papers primarily dealing with modern East Asian history and East Asia and the international political economy.

Ricardo Meléndez-Ortiz

Ricardo Meléndez-Ortiz is the co-founder and Chief Executive of ICTSD since 1996. His previous experience encompasses responsibility in a diverse range of capacities at the interface of international trade and sustainable development. Previously, he co-founded and was General Director of Fundaciõn Futuro Latinoamericano (Quito). Has represented Colombia as a negotiator in several multilateral fora, including as permanent delegate of Colombia in Geneva, at the Uruguay Round, the UNCED process, UNCTAD VIII, the Climate Change Convention, Intergovernmental Panel on Climate Change and the Montreal Protocol. He acted as spokesperson for the G77 in several fora and served as chair of the UN Standing Committees on Commodities and on Trade Preferences. Earlier, he had served as Principal Advisor to the Colombian Minister of Economic Development and as Chief of Administration of the Office of the President of Colombia. Since 1997, Mr. Meléndez-Ortiz has been the publisher of BRIDGES and its sister publications, and has edited and published a wide range of books, articles and opinion pieces in English, French, Spanish and Chinese on trade and sustainable development and conflict management. He sits on advisory committees and the boards of several global policy initiatives, including as Council Chair of the Global Action Network-Net (Cambridge, MA); a Member of the Board of Intellectual Property Watch (Geneva) and of the Operating Board of AccountAbility (London), the Global Governance Network of Globus et Locus (Milano), the Steering Committee of DFID's Global Trade and Finance Architecture Initiative; Patron of the Earth Focus Foundation (Geneva) and Principal Advisor to the China Entrepreneurs WTO Association (Beijing). He has served on the U.N. Secretary General

Millennium Project Task Force on Trade; the WTO's Director General NGO Advisory Group; and the MOFCOM/IISD China Sustainable Development and Global Markets Task Force. Mr. Meléndez-Ortiz studied social sciences, international affairs and management at Harvard University and economics and political science at the Universidad de los Andes in Bogota. He holds both Colombian and Belgian nationalities.

Dominique Njinkeu

Dominique Njinkeu a national of Cameroon, is the Executive Director of ILEAP and worked previously for the African Economic Research Consortium (AERC) in Nairobi, Kenya as the Deputy Director of Research. He also held research positions at the council for the Development of Social Science Research in Africa (CODESRIA) in Dakar, Senegal, and the Government of Cameroon. He has taught at the University of Yaoundé in Cameroon, the Université Laval, Quebec, and at Southern Illinois University Carbondale. He holds a MSc in Agribusiness Economics, a double major MSc in Statistics and Economics, and a Ph.D. in Economics from Southern Illinois University Carbondale. Dr. Njinkeu has research and published on African development issues, trade and regional integration, and international negotiations. He has published widely on African economic policy issues with emphasis on trade and regional integration. His most recent contribution to the literature include editor or co-editor of books such as *L'Afrique et les defis de l'OMC* (2004, Karthala); *Africa in the World Trading System: Case Studies Volume 2* (2007, Africa World Press; *The Political Economy of Economic Growth in Africa, 1960-2000* (due in 2007, Cambridge University Press); *African Countries in the New Trade Negotiations* (to be published in early 2008); and *Aid for Trade and Development* (2007, Cambridge University Press). His work draws extensively on over 15 years of doing research and advising African governments and regional economic communities on trade and regional integration.

Sylvia Ostry

Sylvia Ostry is Distinguished Research Fellow at the Centre for International Studies, University of Toronto. She has a Ph.D. in economics from McGill University and Cambridge. After teaching and doing research at a number of Canadian universities and at the University of Oxford Institute of Statistics, she joined the Federal Government in 1964. Among the posts she held were Chief Statistician, Deputy Minister of Consumer and Corporate Affairs, Chairman of the Economic Council of Canada, Deputy Minister of International Trade, Ambassador for Multilateral Trade Negotiations and the Prime Minister's Personal Representative for the Economic Summit. From 1979 to 1983 she was Head of the Economics and Statistics Department of the Organization for Economic Cooperation and Development in Paris. In 1989 she was Volvo Distinguished Visiting Fellow, Council on Foreign Relations, New York. From 1990 to 1997 she was Chairman, Centre for International Studies, University of Toronto.

Her work has been recognized with numerous honorary degrees from universities in Canada and abroad. In 1987, Dr. Ostry received the Outstanding Achievement Award of the Government of Canada. In December 1990, she was made a Companion of the Order of Canada. In June 1991, she was admitted as a Fellow of the Royal Society of Canada. She is a director of Power Financial Corporation and Power Corporation. She is an Expert Adviser to the Commission on Transnational Corporations of the United Nations and a member of the Board of Distinguished Advisors for the Center for the Study of Central Banks. Dr. Ostry is a member of the Group of Thirty in Washington and a founding member of the Pacific Council on International Policy. In 1992, the Sylvia Ostry Foundation annual lecture series was launched by Madam Sadako Ogata, then the United Nations High Commissioner for Refugees. Dr. Ostry is a frequent speaker to diverse Canadian and international audiences. She has written numerous books and articles on various aspects of the international economy, with a particular emphasis on the development and elaboration of the multilateral trading system as well as the impact of globalization.

T. Ademola Oyejide

Ademola Oyejide is Professor of Economics and Director of the Trade Policy Research and Training Programme at the University of Ibadan, Nigeria. His major area of expertise is international economics, with a special interest in Trade policy and regional integration. He has been a member of the United Nations Committee for Development Planning, and has consulted for the World Bank. He has also been on the Advisory Committee of the African Economic Research Consortium, for whom he is currently directing a research project on regional integration and trade liberalization. He serves as Managing Editor of both the Journal of African Economies and the African Journal of Economic Policy.

Félix Peña

Mr. Peña is Director of the Institute of International Trade of BostonBank Foundation; Professor at Universidad Nacional de Tres de Febrero and Director of the Center of European Studies; member of the Board of the Argentinian Council on Foreign Affairs (CARI), VicePresident of Fundación Gobierno y Sociedad, and President of the Academic Council at the Export-ar Foundation. He was previously Undersecretary of Foreign Trade in the Ministry of Economics (1998-99) in charge of Mercosur affairs, Undersecretary of Economic Integration in Argentina's Ministry of Foreign Affairs (1991-92), and National Coordinator of the Common Market Group (Mercosur). Before 1998 he was member of Dr.Hector Alegria Law Firm and Executive Director of the Europe-Argentine Club, a private institution created by a major group of Argentine and European firms, for the promotion of cooperation and investment between European countries and Argentina. Earlier in his career, Mr. Peña was the Director of the INTAL-BID (Instituto para la Integración de América Latina) in Buenos Aires (1975-77), an institution in which he had previously served as Head of the Legal and Institutional Department (1966-75). After a few years he joined the Inter-American Development Bank at Washington, where he was Economic Integration Deputy Manager (1985-90), and Economic Integration Special Advisor for the President of the IDB (1990-91).

Mr. Peña is a founding member of the CARI where he performed as Academic Secretary in 1976 until 1981. He was Undersecretary of Economic International Relations in Argentina´s Ministry of Foreign Affairs from 1982 till 1983. He has been advisor of the Fundación Mediterranea and the Fundación Andina and a consultant for the IDB, UNIDO, ALADI, the Andean Group, SELA, SIECA, the ECLAC, the OAS, UNDP, UNCTAD and the United Nations Commission on Transnational Corporations. In 1973 he was visiting scholar in the Institute of International Relations, University of Berkeley, California, working with Professor Ernst Haas. From 1970 through 1974 he was a member of the Grupo de Estudios Jurídicos Interamericanos, organized by the Carnegie Endowment for International Peace. Also he has been professor at the Universidad del Salvador, (School of Law and School of Political Science), at the Universidad de Belgrano (graduate seminars), at the Universidad de Buenos Aires (Mercosur Master) and at the Universidad de Ciencias Empresariales (Economic Integration Master). In the legal field, he has had an active academic performance in the area of economic integration and international trade. He founded and was director for nearly ten years of "Derecho de la Integración", a review published from 1966 through 1977 by the INTAL-BID. He also directed the INTAL legal research group specialized in the economic integration law and international economic law.

Dani Rodrik

Dani Rodrik is a prominent Turkish economist and Rafiq Hariri Professor of International Political Economy at the John F. Kennedy School of Government, Harvard University, teaching in the School's MPA/ID Program. He has published widely in the areas of international economics, economic development, and political economy. What constitutes good economic policy and why some governments are better than others in adopting it are the central questions on which his research focuses. Descended from a family of Sephardi Jews who migrated to Turkey from Spain five centuries ago, he is affiliated with

the National Bureau of Economic Research, Centre for Economic Policy Research (London), Center for Global Development, Institute for International Economics, and Council on Foreign Relations, and is the co-editor of the Review of Economics and Statistics. He has been the recipient of research grants from the Carnegie Corporation, Ford Foundation, and Rockefeller Foundation. Among other honors, he was presented the Leontief Prize for Advancing the Frontiers of Economic Thought in 2002 from the Global Development and Environment Institute. He is the among the 100 most influential economists in the world according to IDEAS/RePEc. After graduating from Robert College in Istanbul, he earned an A.B. (summa cum laude) from Harvard College, followed by a Ph.D. in economics and an MPA from Princeton University.

Hadi Soesastro

Hadi Soesastro is a senior economist at Centre for Strategic and International studies, Jakarta. He was the Executive Director of CSIS as well as a member of the National Economic Council, an advisory council of President Abdurrahman Wahid, from December 1999 to September 2000. Furthermore, Hadi is also a member of the international advisory boards of various international institutions, including The Asia Society, New York.

Within the academic circle, Hadi Soesastro is well regarded both nationally and internationally. He is an Adjunct Professor at the Research School of Pacific Asian Studies (RSPAS) at the Australian National University. In addition to lecturing at national universities, he has taught at Columbia University (New York). He is also a member of the editorial board of a number of international journals, including ASEAN Economic Bulletin (Singapore) and the Bulletin of Indonesian Economic Studies (Canberra). Furthermore, he is also actively involved in the 'track two' activities, including the Pacific Economic Cooperation Council (PECC), Council for Security Cooperation in Asia Pacific (CSCAP) and the Council for Asia Europe Cooperation (CAEC). Hadi received his Ph.D. from the Rand Graduate School in Santa Monica, California.

Arvind Subramanian

Arvind Subramanian joined the Peterson Institute for International Economics as senior fellow in April 2007. He also holds a joint appointment at the Center for Global Development and is senior research professor at Johns Hopkins University. He had served at the International Monetary Fund since 1992, most recently as assistant director in the research department (2004–07). He worked at the GATT (1988–92) during the Uruguay Round of trade negotiations and taught at Harvard University's Kennedy School of Government (1999–2000). During his career at the Fund, he worked on trade, development, Africa, India, and the Middle East.

Subramanian has written on growth, trade, development, institutions, aid, oil, India, Africa, the World Trade Organization, and intellectual property. He has published widely in academic and other journals. He is coeditor of *Efficiency, Equity, and Legitimacy: The Multilateral Trading System at the Millennium* with Roger Porter and Pierre Sauvé (Brookings/Harvard University Press, 2002). He holds an undergraduate degree from St. Stephens College, Delhi, an MBA from the Indian Institute of Management, Ahmedabad in India, and an M.Phil and D.Phil from the University of Oxford.

Yash Tandon

Dr. Yash Tandon is the Executive Director of the South Centre, an Intergovernmental think tank of the developing countries. Dr. Tandon's long career in national and international development spans as a policymaker, a political activist, a professor and a public intellectual. He was deeply involved in the struggle against the dictatorship of Idi Amin and has spent time in exile. Dr. Tandon is a national of Uganda and received his degrees in economics and international relations from the London School

of Economics, UK. Dr. Tandon has taught at several universities worldwide including the Makerere University (Uganda), the Dar-es-Salaam University (Tanzania), the London School of Economics (UK) and Columbia University (US). Prior to coming to the South Centre, he served as the Founding Director of the Southern and Eastern African Trade Information and Negotiations Institute (SEATINI). He has written over one hundred scholarly articles and has authored and edited books on wide ranging subjects including on African politics, peace and security, trade and the WTO, international economics, South-South cooperation and human rights. He has also served on several advisory committees for numerous international reports and non-governmental organizations.

Timothy A. Wise
Timothy A. Wise is Director of the Research and Policy Program at the Global Development and Environment Institute, Tufts University. He is the former executive director of Grassroots International, a Boston-based international aid organization, and co-author of *Confronting Globalization: Economic Integration and Popular Resistance in Mexico* and *A Survey of Sustainable Development: Social and Economic Dimensions*. He has written extensively on agriculture, trade, and the environment. He holds a Masters in Public Policy from Tufts' Urban and Environmental Policy and Planning Department.

Robert Wolfe
Originally from Toronto, Ontario, he has a B.A. in History from York University (1974), an M.A. in Canadian Studies from Carleton University (1976) and a doctorate in Political Studies from Queen's University (1995). From 1976 to 1995 he was a foreign service officer with the Canadian Department of Foreign Affairs and International Trade, serving abroad in Dhaka, Bangladesh (1977-79) and in the Canadian Delegation to the Organisation for Economic Co-operation and Development in Paris (1981-85). In Ottawa he worked in the National Security Section, the U.S. Trade and Economic Relations Division, as Executive Assistant to the Ambassador for Multilateral Trade Negotiations and Prime Minister's Personal Representative, Economic Summit, and in the International Economic Relations Division.

Wolfe joined the faculty of the School of Policy Studies in July 1995. He teaches policy analysis and trade policy. He is the coordinator of Canadian participation in the Canada-UK Colloquium, a Senior Fellow of the Centre for International Relations, and is cross-appointed to the Department of Political Studies. Outside Queen's he is a member of the Canadian Agricultural Trade Policy Research Network and the Economic Negotiation Network.

ABOUT GEG

The Global Economic Governance Programme was established at University College in 2003 to foster research and debate into how global markets and institutions can better serve the needs of people in developing countries. The three core objectives of the programme are:

- to conduct and foster research into international organizations and markets as well as new public-private governance regimes;
- to create and maintain a network of scholars and policy-makers working on these issues;
- to influence debate and policy in both the public and the private sector in developed and developing countries.

The Programme is directly linked to Oxford University's Department of Politics and International Relations and Centre for International Studies. It serves as an interdisciplinary umbrella within Oxford drawing together members of the Departments of Economics, Law and Development Studies working on these issues and linking them to an international research network. The Programme has been made possible through the generous support of Old Members of University College. Its research projects are principally funded by the MacArthur Foundation (Chicago), the Ford Foundation and the International Development Research Centre (Ottawa). GEG currently has projects on the governance of trade, health, migration, finance and aid. Its Global Trade Governance Project was launched in 2007 to foster research and debate on how to make global trade governance work for developing countries and sustainable development.

www.globaleconomicgovernance.org

ABOUT ICTSD

The International Centre for Trade and Sustainable Development (ICTSD) is an independent non-profit organization dedicated to sustainable development that brings together knowledge, strategic thinking and stakeholders to shape international trade policies and rules for a future that builds economic opportunity, resilient societies and a healthy environment for all. Founded in 1996 in Geneva, Switzerland, the Centre works to enable, broker and support interaction among state and non-state actors and trade policy-makers through a mix of (i) reliable, non-partisan reporting and analysis, (ii) policy dialogue and (iii) well-targeted research and capacity building.

ICTSD is the publisher of ***Bridges*** Between Trade and Sustainable Development©, ***BRIDGES Weekly*** Trade News Digest©, *BRIDGES* Trade ***BioRes***© and ***QIAO***© - BRIDGES China periodicals; and co-publisher of ***PUENTES*** Entre el Comercio y el Desarrollo Sostenible© (with CINPE); ***PASSERELLES*** entre le commerce et le développement durable© (with ENDA Tiers-Monde); ***PONTES*** Entre o Comércio e o Desenvolvimento Sustentável© (with Fundaçao Getulio Vargas); ***TNI***-Trade Negotiations Insights© (with ECDPM); and, ***MOSTI***© - BRIDGES Russian language periodicals (with Eco-Accord).

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