



The Multilateral Trade Regime: Which Way Forward?

THE REPORT OF THE FIRST WARWICK COMMISSION

Published by:
The University of Warwick,
Coventry CV4 8UW, UK

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Design by Mustard: www.mustardhot.com

Printed by Hawthornes, Nottingham NG17 7HT, UK

ISBN 978-0-902683-85-3

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The University of Warwick

Among UK universities, Warwick is a uniquely successful institution with a track record of outstanding research, quality teaching, innovation and business engagement. Founded in 1965, it is one of the country's leading universities with an acknowledged reputation for excellence in research. In the last government Research Assessment Exercise, Warwick was rated fifth for research excellence, with twenty-five out of twenty-six departments achieving the top 5 or 5* ratings. In media league tables, Warwick has consistently maintained its position in the Top Ten.

Warwick's teaching and other programmes flow from this excellent research. Its undergraduate and postgraduate teaching is research-led and, as a result, students benefit directly from the work of academics and research teams. The University has a student population of around 16,000 undergraduates and postgraduates. Warwick's reputation attracts students from across the world – there are currently around 4,000 overseas students – and the University typically receives around 30,000 applications for just over 3,000 undergraduate places. Academic work is concentrated in four faculties – Arts, Science, Medicine and Social Studies. However, Warwick is particularly known for its interdisciplinary research – the Economic and Social Research Council funded the Centre for the Study of Globalisation and Regionalisation, the administrative home of this initial Warwick Commission, for example, was the first centre of its kind in Europe.

Warwick's research is also the basis for its record of innovation and its links with business, industry and policymakers. Researchers are engaged in work which is both at the cutting edge of human knowledge and is of direct relevance to society. Among our leading exemplars are:

The Warwick Manufacturing Group

Through the application of innovation, new technologies and skills deployment, WMG brings academic rigour to industrial and organisational practice. WMG is an international organisation, running teaching and research centres in Hong Kong, South Africa, India, China, Malaysia and Thailand and providing expert advice to many overseas governments and companies.

The Warwick Medical School A postgraduate medical school with an expanding research portfolio, WMS was established in 2000. WMS has particular, national and international research strengths in metabolic diseases, such as diabetes and obesity, reproductive medicine, public mental health, clinical trials and health care systems improvement.

The Warwick Business School With over 6,500 students, WBS is one of the leading business schools in Europe. Determinedly international in focus, the School's research and teaching embrace management in the private sector and public services and includes a world-leading PhD programme.

The CAPITAL Centre A partnership with the Royal Shakespeare Company, the CAPITAL Centre was established to utilise theatre performance skills and experience to enhance student learning and to draw on University research and resources to shape the development of the RSC's acting companies.

The new Warwick Digital Laboratory A £50 million project, in which researchers will work on digital manufacturing, e-security, digital healthcare and 3-D visualisation techniques.

Warwick has set its sights on becoming a universally acknowledged world centre of higher education by 2015 – its 50th anniversary. It is approaching this challenge by re-affirming its commitment to absolute academic excellence and the entrepreneurial spirit which have served it so well in the past.

Forewords

Professor Nigel Thrift

It is with great pleasure that I commend to you the Report of the Warwick Commission, entitled '*The Multilateral Trade Regime: Which Way Forward?*'

In establishing the Warwick Commissions, of which this is the first, the University aims to draw on its scholars, their expertise and their networks of professional contacts to address issues of global importance. At this juncture, there cannot be many topics of greater, current significance than the future of the world trade system in the light of the protracted, complex and, at the time of writing, unfinished negotiations on the Doha Development Agenda.

In the best traditions of intellectual discovery, the Warwick Commissions are charged with carrying out independent analysis of a particular issue with the goal of making practical and realistic recommendations about how to move it forward. The aim of the Commissions will be to make thought-provoking contributions to the debate thereby assisting policymakers to find solutions to sometimes seemingly intractable problems. Inevitably, such exercises will not please everyone and, given the controversial issues we expect to address over the coming years, it would be a false hope to expect to achieve universal agreement. Warwick Commissions will conduct rigorous enquiries and if the evidence leads them into making recommendations which some find challenging, then so be it.

The membership of the first Warwick Commission, which began its work in February 2007, was carefully selected to reflect as wide a range of skills and experience as possible. I am especially grateful to the Honourable Pierre S. Pettigrew, PC for agreeing to chair the Commission. During a distinguished career in Canadian politics, Pierre held office as both Minister of Trade and Foreign Affairs. Also, having been appointed "Friend of the Chair", Pierre presided over negotiating groups at Ministerial conferences of the WTO. He, therefore, brought to the Commission his accumulated wisdom from the highest levels of trade politics. His contribution has been invaluable.

The Report is... tightly targeted, challenging and always thought-provoking

The original idea for the first Warwick Commission inquiry was supplied by Professor Richard Higgott, a political economist at Warwick's Centre for the Study of Globalisation and Regionalisation. In addition to his scholarly interest in global trade he too has had policy experience having spent the years of the Uruguay Round of Multilateral Trade Negotiations as a member of the Australian Minister for Trade's Negotiation Advisory Group. The other 16 Commissioners, drawn from four continents, includes trade economists, political economists, a trade lawyer and a philosopher together with senior public and private sector practitioners highly experienced in the problems of trade governance. This combination of experienced trade practitioners and academics represents a deliberate attempt to bring fresh thinking to bear on the discussions about the shape of the governance arrangements for the world trade system in the early 21st century. The Commission also sought the views of over 250 experts from around the world and, with the application of innovative digital technologies, used its website to disseminate its activities and encourage the wider community to make their own input into Commission deliberations.

The result has been a lively and positive debate about the difficulties facing the world trade system. I believe that the quality of that debate is reflected in this Report, which is tightly targeted, challenging and always thought-provoking. The activities of the Commission and its Report are intended as an exercise in public policy informed by rigorous scholarly and analytical thinking. It is an excellent demonstration of the importance of good multidisciplinary social science to public policy. I anticipate that this Report will be read both by trade experts and members of the lay community who have an interest in the subject of world trade. I firmly expect that it and its recommendations will make a valuable

contribution to the growing discussion about the sort of trade system we want for the 21st century. I hope that it is judged on its merits as an honest and novel contribution to that debate.

I am delighted to take the opportunity in this Foreword to thank several organisations for their financial and in-kind support for the activities of the Commission: these include The Centre for Governance Innovation (CIGI) at the University of Waterloo, the EU Framework 6 Network of Excellence on Global Governance, Regulation and Regionalisation (GARNET), Deloitte & Touche (Canada), the Stiftung Wissenschaft und Politik, in Berlin, and last, but certainly not the least, the UK Economic and Social Research Council who have supported this Report and the Commission's work through its Centre for the Study of Globalisation and Regionalisation here at Warwick and its wider communication over the next twelve months by the award of an Impact Grant. CUTS International also assisted with the organisation of the Warwick Commission meetings in New Delhi. The Report is a genuine reflection of the ideas, inputs and deliberations of all Commissioners, both electronically and at their two meetings in Warwick and further meetings in Toronto and New Delhi. Finally, in commending this Report to you, it gives me great pleasure to thank Monsieur Pettigrew and his Commissioners for bringing the first Warwick Commission to fruition.

Professor Nigel Thrift

*Vice Chancellor
University of Warwick
December 2007*

The Honourable Pierre S Pettigrew, PC

The primary objective of this, the first, Warwick Commission has been to examine the governance of the world trading system and to make recommendations about how it can be improved.

Throughout its discussions, the Commission has assumed that the current architecture, based around the World Trade Organization (WTO), should reflect the aspirations and needs of all Member nations. Our Report contains recommendations which, taken together, propose a constructive and pragmatic way to move global trade governance beyond some of the problems which have bedevilled the Doha Development Agenda (DDA) negotiations. Our intention is that this Report be taken as a considered contribution to the inevitable debate about the future of the multilateral trading system whatever the outcome of the DDA.

The bedrock of the Commission's inquiry has been a solid commitment to the belief that multilateral trade is a force for good in the world. We subscribe to the view that the multilateralised trade system inaugurated by the General Agreement on Tariffs and Trade (GATT) and developed under the WTO has been one of the key pillars of international economic stability and increased living standards since 1945. We are also convinced of the continuing importance of the WTO. With 151 Members, coverage by the WTO is almost universal. Overall, the WTO functions well in comparison to the other major international economic institutions. The Commission's Report, therefore, supports these positive aspects of the WTO's role whilst addressing some of those elements that we judge to be working less well at the moment.

The Commission identified several key issues which it considered important to the future health of the globalised trading system. We felt that the involvement of the least developed countries was not the only issue of participation requiring consideration. Our deliberations, therefore, covered that group of nations which are emerging as significant players on the world economic scene, notably Brazil, Russia, India and China. As the

The emergence of a multipolar global economy... must be addressed if the continued viability of the trading system is to be assured

economic and political clout of these countries increases, both individually and collectively, it is a fact of life that the trading system will have to reach an accommodation with them politically as well as economically. The emergence of a multipolar global economy, one in which the United States, the European Union and Japan are no longer the only major players, must therefore be addressed if the continued viability of the trading system is to be assured. We were also struck by the paradox that, at a time when much of the developing world appears to be more supportive of the opening of markets than in the past, political and popular support for globalisation is under challenge in parts of the developed world.

The Commission believes that the sometimes conflicting views of the nature, scope and objectives of the WTO need to be resolved. WTO members need to decide what they want their organisation to do and, indeed, not to do in the coming years. Again, any such decision must properly reflect the priorities of the whole membership and not just those of the powerful few. We are concerned that the negotiating cycle within the WTO is invariably misaligned with the political cycles of the membership. In saying this, we accept that alignment is unlikely but we do believe that it is feasible, and essential, that the length of individual WTO negotiations is reduced. Not only does this make sound political sense but it also reduces the imperative for nations to seek solutions outside of the multilateral trading system.

In arriving at its recommendations, the Commission has drawn upon a very wide range of expertise. Our first meeting, at the University of Warwick in February 2007, drew up a questionnaire which was sent to over 250 experts around the world. We also made the questionnaire available on our website to anyone who wanted to express a view on the future of the world trading system. The

responses and an initial draft Report were then considered when we met in Toronto, in June. It was at this meeting that the shape of the Report began to emerge. Meetings, at Warwick, in September, and New Delhi, in October, further refined the Report and enabled us to finalise our recommendations.

As the Warwick Vice Chancellor has also noted in his Foreword to the Report, the composition of the Commission has had a crucial bearing on our work in the way it has brought together an interesting blend of academics and experienced trade practitioners. This enabled the Commission to benefit from the ideas of theorists who did not have input into the evolution of the present architecture of trade governance but who had nevertheless studied the system in operation. We were able also to bring to bear a range of expertise by involving political scientists, economists, a trade lawyer and a philosopher, thereby allowing the Commission to consider a wider set of perspectives on this subject than is perhaps normally the case within the trade policy community. The trade practitioners provided the Commission with its reality check. We knew from the outset that our objective of producing a credible report depended on the practicability of our recommendations and it was those Commissioners with a deep understanding of the day-to-day functioning of the global trade regime who ensured that we remained grounded in what it would be possible to achieve and, frankly, what we think can work. Overlaid on the issue-area expertise which individual Commissioners brought to the table was the geographical reach of the Commission, which had representation from Africa, Australasia, Europe, North America, South America and South and South-East Asia. In sum, the Warwick Commission was able to draw on a unique blend of expertise, experience and knowledge in its deliberations.

Of course each Commissioner came to this enterprise with strongly held opinions based on extensive study of the global system or a life time's experience of the impact of trade on the lives of people around the world. I would like to pay tribute to the way in which Commissioners approached their task. Our debate was always conducted in a collaborative, open and frequently robust way but it was clear to me that a genuine team spirit developed amongst the Commissioners. Our discussions sometimes were about issues which individual Commissioners found difficult, especially where they were being asked to consider compromises which challenged long-held views. Because of the sense of commitment to our work and a shared desire to bring this Report to successful completion, we are able to present a document which reflects an overall consensus on the part of the Commissioners without assuming that all of them agree with each and every statement contained in it.

I believe that this Report contains an analysis of the multilateral trade system which is both insightful and challenging. I think that it comes at a time when the multilateral trading system would benefit from the kind of independent analysis which the Warwick Commission offers. There can be no doubt that the governance arrangements for world trade need to be updated to reflect new circumstances, new economic realities and, perhaps more pressingly, new political realities. We do not pretend to have all the answers but we hope that our recommendations will be viewed as an honest attempt to reform the multilateral trade system, which we believe to be essential to the peaceful development of the world economy. We offer this Report as a complement to other analyses of global trade governance, such as the "Sutherland Report", but one which comes at a crucial time for supporters of multilateral trade.

On a personal note, I would like to thank Professor Nigel Thrift, Vice Chancellor of the University of Warwick, for his invitation to me to chair the first Warwick Commission. If my experience of this Commission is anything to go by, I believe that the Vice Chancellor's initiative in setting up the Commissions as independent committees of enquiry into matters of global importance will provide a welcome addition to the sources of advice for policymakers. For me, the past year has shown how well a previously disparate group of people, albeit with a shared interest in a topic, can come together to such good effect and I have made new friends in the process.

I would also like to thank very much Professor Richard Higgott whose expertise, professionalism and dedication have been key to the success of this ambitious enterprise. He has really been the soul of this first Warwick Commission and I know all Commissioners share my gratitude for his extraordinary commitment. I would also be remiss not to acknowledge the exceptional support we received at so many levels from Dr Andrew Roadnight and our creative administrative assistant Mrs Denise Hewlett.

Pierre S Pettigrew

Toronto

December 2007

Glossary

AB	Appellate Body
AfT	Aid for Trade
APEC	Asia-Pacific Economic Cooperation
ASEAN	Association of Southeast Asian Nations
CACM	Central American Common Market
CU	Customs Union
DDA	Doha Development Agenda
DSM	Dispute Settlement Mechanism
DSU	Dispute Settlement Understanding
FDI	Foreign Direct Investment
FTA	Free Trade Agreement
GATS	General Agreement on Trade in Services
GATT	General Agreement on Tariffs and Trade
GDP	Gross Domestic Product
IF	Integrated Framework
ILO	International Labour Organization
IMF	International Monetary Fund
ITA	Information Technology Agreement
ITC	International Trade Centre
LDC	Least Developed Country
MFN	Most Favoured Nation
NAMA	Non-Agricultural Market Access
NGO	Non-Governmental Organisation
NIEO	New International Economic Order
NTB	Non Tariff Barrier
OECD	Organisation for Economic Cooperation and Development
PTA	Preferential Trade Agreement
RTA	Regional Trade Arrangement
S&DT	Special and Differential Treatment
TIM	Trade Integration Measure
TM	Transparency Mechanism
TRIMS	Trade Related Investment Measures
TRIPS	Trade Related Intellectual Property Rights
TRTA	Trade Related Technical Assistance
UNCTAD	United Nations Conference on Trade and Development
UNDP	United Nations Development Programme
UNEP	United Nations Environment Programme
WIPO	World Intellectual Property Organization
WTO	World Trade Organization