



General Council

**AGENDA ITEM 1: REPORT BY THE CHAIRMAN OF THE TRADE NEGOTIATIONS
COMMITTEE AND REPORT BY THE DIRECTOR-GENERAL**

THURSDAY, 23 JULY 2020

1.1. In preparing for today, I found myself looking back seven years to when I first addressed you as Director-General. And I can now tell you from experience, the last speech is much harder than the first.

1.2. The first is about goals, and a game plan to tackle the future.

1.3. The last one is about what has been achieved; how much is left to do; and saying farewell to people we really cherish. This final part is the toughest of all.

WHAT HAS BEEN ACHIEVED

1.4. Back in September 2013, I said that the WTO was at a crossroads. It's still at a crossroads – and will continue to be for some time yet. This is not surprising, because this Organization is too important to have it easy.

1.5. Each word, each comma that we negotiate here has a direct and measurable impact on public policies and business realities – and consequently, on people's lives.

1.6. Our agreements are subject to dispute settlement procedures that are automatic and consequential – and I'll come back to this point.

1.7. This means that negotiated outcomes here are always the product of truly complex, long and painful diplomacy.

1.8. It was clear then, when I made that first speech to you, that we needed to deliver agreements to bring this Organization closer to the changing realities of the 21st Century.

1.9. And together, we did. The Trade Facilitation Agreement, in Bali, put the Organization back on the map as a venue for global trade rule-making. It gave us confidence that the multilateral track was viable, and that with enough political will and pragmatism, we could strike deals of great value for trade, growth and development.

1.10. After that, we tried to advance the remaining Doha Round issues. It was, quite frankly, a tall order. We confronted the gateway issues head-on, and tested a large number of potential approaches. But despite intense efforts, including daily meetings and consultations with permanent representatives, it became apparent that positions in many areas were further apart than ever, with gaps widening instead of closing.

1.11. Still, in Nairobi in 2015 we managed to harvest some important multilateral outcomes. Eliminating agricultural export subsidies and the trade distortions they create had been a longstanding goal for many Members. We expanded the Information Technology Agreement, reducing and eliminating tariffs on \$1.3 trillion of new-generation tech products.

1.12. Not long after Nairobi, and like all multilateral institutions, the WTO was engulfed by strong political headwinds. These headwinds, and the associated tensions around trade, owe much to

dramatic advances in technology, and the changes they have provoked in labour markets and in societies as a whole. It is also true, I have to say, that domestic social and economic policies have not done all they could have to contain inequalities of income and opportunity, and to ensure that the benefits from trade are more widespread.

1.13. Despite these very challenging circumstances, standing still, for this organization, was not an option. We needed to find ways to move forward.

1.14. It was clear that Doha issues could not simply be abandoned. We needed to find new, creative ways of pressing on in areas of fundamental importance to a sizeable portion of the membership. And indeed, we have been able to make progress in the ongoing negotiations on Fisheries Subsidies, as well as in discussions on agriculture and other important issues.

1.15. At the same time, it was an inescapable reality that there were other, very real issues that needed to be addressed within the WTO. To take one example, it was simply not acceptable for the WTO to be in the 21st Century, decades into a profound digital revolution, with no truly consequential discussions on digital trade.

1.16. We therefore began to test other approaches available in the WTO toolbox. Groups of Members started to explore innovative ways of advancing issues of interest. You know them all: E-commerce; the Facilitation of Investments for Development; Micro, Small and Medium Sized Enterprises; the Domestic Regulation of Services; and Trade and the Economic Empowerment of Women.

1.17. This second track of work received an important boost at MC11 in Buenos Aires in 2017. Those initiatives have since become an important part of work here in Geneva, with a growing number of participants from both the developed and developing worlds, and a welcome spirit of transparency and inclusivity from the proponents.

1.18. Delivering on both the multilateral front and the joint initiatives will be vital for the future of the system. For the road ahead, MC12 will be a key landmark. It must deliver credible agreements and map the way for further reforms.

1.19. I had hoped to work with you to deliver precisely such outcomes this past June. But the postponement of the ministerial to next year, because of the pandemic, brought me to the conclusion that I needed to step down this summer.

1.20. Had I stayed on for the remaining year in my term, the DG succession process and the MC12 preparatory process would have overlapped. My decades of experience working with this Organization left me firmly convinced that this would have irremediably compromised prospects for success at the ministerial.

1.21. In light of the COVID-19 crisis, MC12 has become even more important: it will be a key decision point for you to shape the direction of the post-COVID global economy.

1.22. The date of the ministerial, which now seems likely to be held next June, was beyond my control. The timing of my succession, however, was within my power to change. My early departure allows you to decouple the two processes. This was best for the system, making my choice a no-brainer.

MY LIFE AND THE WTO

1.23. It's a no-brainer because the WTO is much more than just a job to me. My first posting in Geneva was in 1997. We lived almost five years in this building. Even after going back to Brasília in 2001, my kids used to tease me that I hadn't actually left Geneva. I was still spending a big portion of my time here, first as a litigator, then as a negotiator.

1.24. In 2008, I came back as Brazil's Ambassador to the WTO. Five years later you appointed me Director General.

1.25. Twenty-three years of my professional life have been intrinsically linked to this Organization. I have had many happy moments, but also – like most of us – my share of disappointments.

1.26. But even at the lowest points, not once in these 23 years did I ever doubt the role that this system plays in improving people's lives around the world. We will be worse off if the system's relevance and effectiveness are allowed to erode.

THE FUTURE OF THE SYSTEM

1.27. When I announced my decision to step down back in May, I said that MC12 would be a stepping-stone to the future of the WTO.

1.28. But what should the future of the WTO look like? That's the question. Of course, it will be shaped by you, the Members. But I want to take this moment to share with you my own views on the subject.

1.29. And let me start with a warning: don't assume that the WTO has a future irrespective of what you do here.

1.30. To assure the future of the WTO, it is fundamental that Members truly believe in the need to update the system. Some may still believe that the pressures afflicting the WTO are localised, and therefore temporary. I want to assure you that they are not.

1.31. The pressures on trade, and on the WTO, derive from fundamental structural changes in the global economy. Changes in technology, groundbreaking business models, and shifts in the balance of economic power – they all have fundamentally altered the way countries and companies interact, not to mention the ways we go about our daily lives.

1.32. The rules we negotiated back in the 1980's and signed into force in 1994 are still very relevant and much-needed. They are, in fact, the last bastion preserving some degree of order and predictability in global trade and economic relations. Lose this, and we lose fundamental pillars of peace and prosperity.

1.33. Yet lose them we may - if the WTO does not evolve.

1.34. In substantive terms, there is a wide range of issues that are before you right now. Each of them would offer a meaningful contribution to WTO reform.

1.35. But at least as important as the 'what' of reform, is the 'how'.

1.36. The WTO is now driven by 164 members. I don't have to tell you how different they are, and how differently they think. A one-size-fits-all recipe will not work.

1.37. We should remember that agreements at the WTO have always sought to accommodate the diversity of our members with flexibilities of different kinds.

- Special and differential treatment (S&D) was one way.
- Member-specific flexibilities was another: subsidy caps, quotas, higher tariffs on certain products, and individual services commitments that open some areas - but not others.

1.38. In short, our agreements always had a way of accepting different contributions from members.

1.39. Our Trade Facilitation Agreement offers a new framework altogether for accommodating diversity among Members. It allowed each country to specify the flexibilities and the time they needed to implement the Agreement. And it did so without compromising the high level of ambition that was the final destination.

1.40. An open-minded approach to flexibilities would open up a new era of fruitful work for the organization. And when exploring potential areas for such work, unanimous agreement cannot be a prerequisite for starting conversations at the WTO. It's as simple as that.

1.41. Not all members will necessarily be ready for a particular conversation or a particular step. That is okay, and absolutely natural. But if full consensus is required to even begin to discuss any issue, this Organization will not survive. I'm glad that this is not where we are today.

1.42. The joint statement initiatives potentially represent one path to a more nimble, flexible WTO. No member is compelled to participate, yet the doors are open to any member willing to join – or willing to leave.

1.43. Plurilateral agreements have been with us since day one. But the fact is that any new flexible non-multilateral arrangement – whether it is the JSIs or something similar – will inevitably raise important practical and systemic questions.

1.44. Multilateralising their results may not always be possible. But limiting their application to signatories leads us to many grey areas. There will be many systemic questions, and the answers will differ, I suppose, from case to case. I'm sure you will be able to find them.

1.45. But even before you get to that point, you will need to get past the most common question I hear in discussions about such arrangements. And that question is: "Won't this approach compromise multilateralism?"

1.46. That's a big question. But my answer would be: "This approach is the only way we can save trade multilateralism".

1.47. And in this brave new world of ours, predictable and updated rules are of enormous value. They will be pursued, believe me. If not in the WTO, then in other less representative forums. And if governments are unwilling or unable to define the rules of the game, then these rules will be set by private parties – even less representative, and even less likely to deliver gains for everyone. We would all be better served if these rules, if these parameters, are negotiated at the WTO's large table.

1.48. Then again, we know that agreements reached at the WTO have historically been valued for their enforceability through the dispute settlement mechanism. And here, too, we have a problem.

1.49. We all know where we are with the appeals stage of that mechanism. Finding a solution is not particularly hard, if you all truly want a solution. And in this regard, I'm not sure this is where things stand.

1.50. There are stop-gap solutions out there. Some of you are moving in that direction already. Nevertheless, the fact that we are not in a position to agree on the means of enforcing our agreements speaks volumes.

1.51. Whatever decision you take on this, I would argue that a dysfunctional dispute settlement mechanism introduces an unacceptable asymmetry in the system. This asymmetry is to the particular detriment of the smaller and more vulnerable parties to any dispute. I don't think we can simply sweep this under the rug, and it must remain a priority for WTO members to address.

CONCLUSIONS

1.52. I'm sure that much of what I've said today is not news to you. I have made many of these points on previous occasions. Nonetheless, I thought I should clearly spell out what I think the most critical challenges and the more promising avenues are. And to the extent I have been able to facilitate and encourage some of this new thinking during my tenure as Director-General, I have been happy to do so.

1.53. All these innovative approaches are just a start, I would say, but a very promising start. Members now have a foundation on which to build new rules and standards, without ever forgetting the multilateral track and the fundamental issues that must still be addressed more fully.

1.54. We've achieved a lot and we must be proud of that. But much remains to be done.

1.55. I wish the next Director-General every success in addressing these and other challenges. I will certainly be supportive of your efforts and will be a passionate advocate for the system wherever the future takes me.

1.56. As I said earlier, the WTO has been an integral part of my life. Over the past 23 years, I have made life-long friends among delegates, peers – including you yourself, Mr Chairman – and the secretariat.

1.57. Speaking of the secretariat, I want you to know that we have within these premises nearly 700 souls who dedicate their careers to serving you, members, with commitment, professionalism, and a degree of excellence that you will not find anywhere else. I knew that before, and my time as DG confirmed everything I said. I am privileged to have worked with them and you are fortunate to be supported by people of such calibre.

1.58. I would like to extend special thanks to my deputies – Alan, Fred, Karl, and Xiaozhun – for their wise counsel and active engagement with Members and the wider trade community. And I want to thank each and every member of the Secretariat, both those who worked closely with me, including past and present members of my office, and those that I unfortunately didn't get to see as much. Without you we would not be the organization we are.

1.59. On the subject of support, I must find a very special place for my family – which is growing by the minute. In both the good moments and the difficult ones, they have all been great enthusiasts for the WTO project.

1.60. Regardless of what has or has not been achieved over the years, this human connection with all of you is what I prize the most. These deep and fundamental connections never disappear. So I'm sure that this is not a farewell. This is, as we say in Brazil, just a "tchau".

1.61. Thank you all for your strength, your companionship, your solidarity, your support, and your friendship. Come visit!

1.62. Thank you all once again, and like I said before: Tchau!
