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It is a pleasure and an honour to be here today. There is no doubt that there is an increased interaction between trade and politics. Trade is very much political, but there is increasing friction. I would say on the domestic side that, as the trade agenda becomes more intrusive, touching on areas which are not part of the traditional agenda of trade, sensitive areas of public opinion and the body politic, there is an increasing concern as to the trade policy of a particular country and its trade relations, for example issues about supply of services and immigration, issues about food safety, questions about public morals, multinational companies that sue governments in international jurisdictions, which also becomes a concern in many jurisdictions, and so on. This is increasing, it is only starting, particularly, to quote my former boss, as we move on from economic systems designed to protect the producer and evolve into systems more designed to protect the consumer, the whole area of regulatory matters and collective preferences becomes more crucial and thus more political.

There are several aspects to this from an international dimension. One that we have seen in the last few years, particularly since the crisis, is more protectionism all around. Countries find it more expedient to use trade restrictive measures, measures that discriminate against a foreign supplier of goods or services. In some countries anti-dumping measures are applied on an automatic pilot basis, meaning the governments have no political control over the application of such measures, and thus they have no consideration about the external relations dimension or of the welfare of the economy as a whole. That is one aspect, and I cannot but underline the degree of concern as the stock of protectionist measures increases. It was about 3% of world trade a few years back, but now it must be around 5% and counting.

Another international dimension is what I would call abuse of power, for lack of a better term, for example, when countries use the WTO dispute settlement system they sometimes do not comply with the rulings or only do so in part, and there are some long-standing disputes which are still pending, some having to do with the US, in terms of anti-dumping, others having to do with intellectual property, such as the Havana Club or more recently paying compensation without removing the offending measure, the US in the case of Upland Cotton and also with Indonesian clove cigarettes. I will not bore you with the details, but the fact is that the system is used, but somehow at the end of the day the offending measure is not removed and the problem is not solved, even though at the same time some form of compensation is given to the other party. This is not good trend.

Patrick, you mentioned China I am of the view that China's accession is a good example of what I would call a certain abuse of power. I think China was mistreated on its accession by imposing more obligations and conditions on it than those applied to the other members of the WTO. This sort of discrimination does not fare well with China, or with any other country, does not help to build trust and support nor to encourage a more cooperative attitude. Thirdly, I would also say that there is an increasing inability to solve, for lack of a better word, imbalances in the trading system. Here we have a system that must evolve into 21st-century issues, but it still has a backlog of traditional issues which lag behind in terms of the quality of the rules and of liberalisation. I am talking here of domestic support for agriculture, of fishery subsidies and other areas, and inasmuch as regional and bilateral trade agreements can go deeper than the WTO, they do not address these issues, thus these issues are left pending without much multilateral action. It creates irritation, and the interests of a large number of countries, particularly the poorer ones, are left unattended while the rest of the world may try to solve some of its agenda and get better international cooperation on a bilateral basis, thus creating several layers in the system, which is not politically healthy.

Therefore, it is quite clear that we need more and better rules for international cooperation, but here we run into the political question of where the energy to do all this will come from, where the leadership will come from, and an earlier panel used the word 'retrenchment' of the US. Here is an equivalent concept: one traditionally looked at the US for



leadership, and this is largely non-existent today in the field of trade, and it is not coming from Europe either, so we have a vacuum of vision with which to contemplate what the field of international economic relations in the field of trade will be in ten or 15 years. This is lacking today, and it's politically worrisome. .

Patrick Messerlin, Professor of Economics and Director of the Groupe d'Economie Mondiale (GEM) at Sciences Po Paris

You added two extremely important points, the first being that very old issues are still there, unresolved. We tried hard to lobby against the farm subsidies, but very little has been achieved. It is the same situation with fisheries. Small lobbies are still extremely powerful. And when you design a bilateral trade agreement it can be even worse, with trade negotiators "exchanging" quotas, freezing the whole situation for ever.

The second point is the lack of leadership. Let me give a figure. President Reagan got 90% of the electoral votes for his second term. As a result, if a tiny vested interest came to the White House and wanted some subsidies or opposed some tariff cut, President Reagan could resist, based on his substantial majority. By contrast, President G.W Bush got 50% of the vote. As a result, a tiny vested interest could upset his free trade instincts. This situation prevails in many democracies. The question is whether our domestic or national constitutions are up to the task, and whether we should not review them. Such problems are very important for the future of the trade system.