



I Know...
"We have created an all-inclusive analytical culture that empowers the whole organization."

Scott Franzel
Senior Vice President of Information Technologies | OFS Brands

Get the Full Story >

OFS BRANDS

I Know > Information Builders



Maha Atal Contributor

I write about political economy and foreign affairs.

Opinions expressed by Forbes Contributors are their own.

9/21/2010 @ 5:50PM | 406 views

Good News from the WTO

 Pascal Lamy, Director-General, World Trade Org...

Image via Wikipedia

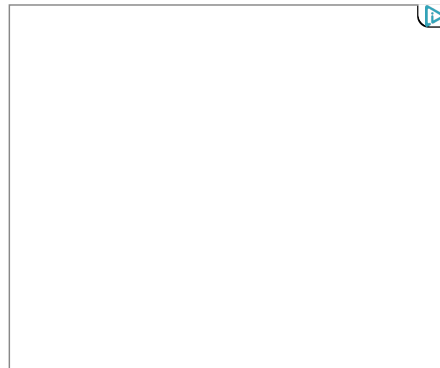
WTO
chief
Pascal
Lamy's
speech

at the GA yesterday was pretty unsurprising but there was some good news and some interesting commentary at the presser that followed. Director-General Pascal Lamy announced that, contrary to the original 9.5% stat released by the agency, international trade is going to be up 13.5% this year. That's quite a change from the 15 point plunge global trade took last year. In fact, it's a new record for annual trade expansion.

Sometimes, we in the business press see a stat like that and say 'great news!' without actually making any case for why, because we're so used to writing for global executives for whom the benefits of trade are pretty self-evident.

But there are two non-business reasons to be pro-trade: 1. the dramatic effect it can have on international diplomacy and 2. the equally dramatic effect it can have on global poverty. I've [written about both phenomena in the South Asian context](#) for this magazine. This being MDG week, Lamy emphasized the second.

You may recall that it was not so long ago that Lamy's agency was getting pilloried by liberal reporters and harassed by protesters on the ground that its free-trade agenda is a form of economic imperialism that lets the rich countries benefit at the expense of the poor. That critique has always been flawed, but in case the critics need more evidence, here's the relevant stat: this year's 13.5% increase is comprised of an 11 point expansion in the developed world and a 17 point expansion in the developing world. When trade grows, it grows MUCH faster for the poor. Moreover, Lamy notes, "a large part of this





growth is [south-south](#) trade.” Rich countries can’t be ripping off the poor if it’s the poor countries who are trading with one another.

Lamy doesn’t deny that the system could be better structured, so that it is more pro-development. Indeed, he wants us to think of development as the number one reason that the WTO’s big unfinished business—the Doha round trade talks—need to be completed: “Our members now recognize that the current rules are biased against developing countries. That’s why it’s now the developing countries that are pushing for the conclusion of the round.” [Note: it’s pretty remarkable how much poor countries can benefit from the system even with its flawed structure].

Lamy touched on two important challenges to free trade at the moment. First, the problem of export restrictions, most recently evidenced by Russia’s ban on wheat exports and India’s ban on cotton exports. The [always sharp Matthew Lee](#) asked Lamy to explain the impact these will have. Lamy’s tried to downplay the panic by promising to consider the issue in the future: “The reality is that we have sophisticated disciplines on import restrictions. The disciplines we have on export restrictions are still much shallower. There is a tendency towards issues arising over trade in raw materials. For the moment, there is a discussion about export restriction in agriculture, but not with the ambition of putting the disciplines we have on export restrictions on par with restrictions we have on import restrictions.” This response didn’t satisfy me. Because Lamy did not address at all the devastating impact that trade restrictions in these raw materials have on the world’s poorest in the form of inflation.



Secondly, Lamy took on the [recent spat](#) between Japan and Canada over the Ontario Green Energy Program, which privileges products from local manufacturers, attributing it to the increasing protectionism one might expect in the face of a global economic crisis: “We’ve had a trend towards more disputes, as compared to the sort of businesslike flow which we had for the two to three years preceding the crisis.” One reporter wanted to know if protectionism was a fair price to pay to incentivize energy reform. Lamy didn’t answer, but my answer is no: goals are important, but being willing to compromise other principles to get there is both silly and wrong. Instead, how about we make trade and environmental reform align with one another: sign a deal, then treat violations of the deal as equivalent to tariffs, incurring disciplinary action from the WTO.

Finally, Lamy had an interesting defense of the WTO's unique consensus-based (rather than majority-based) decision making process, much maligned for slowing down progress on the Doha round: Consensus rules, he says, make decisions virtually self-enforcing: nobody is complying against their will. It's a good point.

RECOMMENDED BY FORBES

[The Richest Person In Every State](#)

[Asian MMA In 2016: ONE Championship Leads Rankings For Top Promotions, Executives...](#)

This article is available online at: <http://onforb.es/Ndf5GG>

2016 Forbes.com LLC™ All Rights Reserved