

GENERAL COUNCIL – 29, 30 AND 31 JANUARY 2013

APPOINTMENT OF THE NEXT DIRECTOR-GENERAL – MEETING WITH THE CANDIDATES

**PRESENTATION TO THE GENERAL COUNCIL OF THE WORLD TRADE ORGANIZATION BY
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30 JANUARY 2013

If someone had suggested to me in 1985 when I came to my first GATT General Council meeting that almost 30 years later I would be back in front of the Council taking part in an international 'beauty contest', I might have been, shall we say, a little confused.

But here I am – and the metaphor of a 'beauty contest' is an interesting one. However, remember what they say – beauty, including political beauty, is skin deep.

This is an extremely difficult job. The Director General is not like the Head of the IMF or the World Bank. You don't have billions of dollars, or access to capital markets through conditionality to use as leverage to further the objectives of the institution. You don't even have important decision-making powers, other than on matters relating to the Secretariat. It has been set up as such – the WTO is a member-driven organization.

We, the Members of the WTO, have to choose a person to lead the WTO. Then we have to live with that choice for a full four years. There will be no opportunity for 'buyers' remorse'.

And this is a very important moment in the juncture of the WTO. Are we in a crisis? No. The challenge facing this institution is different. The problem we face is about our relevance. It is a deep problem.

Central Importance of the WTO and MTS

Let's start by accentuating the positive. The WTO underwrites the multilateral trading system and is thus one of the central pillars of the global economy. As a Trade Minister of an Asian Pacific economy I spend most of my time in the Asia Pacific.

But when I feel enthusiasm for Asia Pacific is running just a little ahead of the evidence I ask them the following question: "who is China's largest trading partner?"

EU-27 is the correct answer.

So imagine you are someone working in a company in Latin America, the Asia Pacific or Africa exporting either commodities or components to Shenzhen, Chengdu or any of the great industrial centres of China. What you are exporting may end up incorporated in Chinese exports to Europe. So who does your job actually depend on? Well, it may be European consumers.

The fact remains that in spite of all the growth of regionalism, the overwhelming bulk of world trade remains non-preferential MFN trade underpinned by WTO rules.

The global value chain is not called 'global' without reason. And as we all deepen our regional economic groupings we all depend on this multilateral system to establish coherence amongst these regional groupings at a global level.

International multilateral institutions rarely cease to exist. Rather, if in trouble, they become less and less relevant and eventually become political and diplomatic backwaters. We cannot afford to let this happen to this institution.

My Vision for the WTO

I have been asked by many in private discussions to outline my vision for the WTO. Let me try and answer this by highlighting the main roles of the WTO, leaving the most troubling issue – its negotiating function – to last.

Advocacy

The advocacy function of the WTO is very important. It is ineluctably centered on the office of the Director General. Somebody has to get out there and fight protectionism, defend aggressively the case for an open, multilateral rules-based trading system.

This institution should be the absolute centre of trade policy thinking – the 'go-to' place for young and ambitious trade policy thinkers coming up through their systems. Twenty-five years ago we were in that space. We are not there today.

We need a DG who is deeply persuasive. And to be persuasive they need a personal track record of having put their country position behind them on the political shelf, and delivered negotiated results, not just speeches, to support open trade.

Yes, in the real world material interests matter, but advocacy, provided it is credible, can win the day. As a politician I deeply believe that. Never underestimate the power of ideas. It is summed up in my favourite French phrase – '*la puissance d'une idee en marche*'; 'the power of an idea on the move' is how I translate it.

We are not a small branch office of the international economic institutional machinery. So that advocacy role includes working with, and it has to be on an equal footing, the Heads of other major international economic institutions. The Director General must also be able to carry the brief for the WTO with senior Ministers, not just Trade or Commerce Ministers. At times, this will involve interaction with Heads of Government.

Implementation Function

Clearly, the WTO has an implementation function. Now I am aware that clever negotiators stretch the boundaries of what is 'implementation'. So I suggest you do not try and decode this comment in the way that sophisticated Geneva insiders can do.

But who amongst us can deny the simple reality that this institution has to oversee and facilitate the implementation of agreements made in this House?

I do want to emphasise the word 'facilitate' here – we can't use the Exocet missile that is the WTO Dispute Settlement on every occasion. Every time we see countries falling behind in the implementation of their obligations, we can't just say 'off with their heads'.

This takes my thinking directly into at least one important part of trade-related technical assistance and capacity building.

Development, Trade-Related Assistance and Capacity Building

Clearly we have bits of this puzzle in place that are working well, and bits not quite targeted at the real problem.

A small island developing country with islands separated by vast expanses of blue ocean faces different challenges to land locked small economies. The obligations they face may be the same, but the implementation difficulties they face will be very different. Or to use the usual but entirely appropriate cliché, one size does not fit all.

I have some ideas on how members could better use existing mechanisms to focus attention on the needs of partner countries in two main areas – implementation of their obligations and accessing benefits of multilateral trade liberalization.

The Development Dimension remains fundamental in all our work. Every member of the WTO is, or has been, a developing country. In terms of development and poverty eradication, we have made enormous, albeit uneven, progress in the last thirty years.

But for many, if not all of them, it would be inconceivable that they could have made so much progress without access to the relatively open global market for manufactured goods that the WTO system underwrites. Agriculture, is, shall we say delicately, a little further back in the process.

Leadership and the Secretariat

The Director General's responsibilities as the head of the Secretariat are not at the centre of the public debate about the problems facing the WTO; leadership of the Secretariat is certainly part of the solution.

I have led a range of institutions – Embassies, a Think Tank, and, as Minister of Conservation, a Department of State with a half billion dollar budget, hundreds of employees assisted by thousands of volunteers and which was responsible for one quarter of the land mass of New Zealand. All of these roles involved the setting of objectives, monitoring of performance, building effective teams and the subtle but crucial matter of setting the leadership tone.

Over the 30 years I have been involved with this institution, I have built up immense respect for the professional staff of the WTO. The WTO Secretariat is filled with incredibly able people. Competition to get into and move up through its professional ranks is intense. We need to empower them and use their capabilities.

To do this, we need the closest working relationship between the office of the DG and the professional staff and the key to that will not be to develop new formal wiring diagrams – who is reporting to whom. It is far more subtle than that. It is finally about leadership tone and accessibility.

Judicial Function

The closer we integrate our economies, the greater is the scope for disputes. The art in this is to channel them into a professional, unimpeachably neutral process.

Our most severe critics cannot make the case that this is of little consequence or not working well. But there are two issues we need to address.

The first is a resourcing issue. If I do become DG, the first thing I would do post Bali is conduct a scan of first order bottlenecks in the Secretariat with a particular focus on its judicial function to give me the information I would need on where the resourcing problems lie.

The second issue is far more fundamental. A rules based system implementing rules effectively is great. But if they are effectively implementing rules that have been overtaken by events, this is not sustainable. This takes me to the core problem: the WTO's negotiating function.

The Negotiating Function

When the Director General takes office on 1 September, he or she will have an immediate goal: to make Bali a success. The broad trajectory for the meeting will already have been set by the end of the Summer Break, for better or worse. There will be no time for the new DG to have a learning curve.

Assuming we navigate Bali successfully, we should recall that even a relatively modest result would help us. I have learned never to underestimate the power of even modest success to generate momentum.

But beyond that, be warned: I am not a 'man with a plan'. Think of me as someone with maybe a dozen different working hypotheses that, if we could get buy-in from the membership to at least one of them, might eventually fix the near paralysis in our negotiating function.

The core mandated issues that won't be fixed at Bali are not going to go away. We still have to deal with them. But new thinking will be required to find the right pathway. No Director General should assume office with an *idée fixe* on precisely how to proceed.

Look here to past successful strategists. The great Prussian Field Marshall, von Molke, did not believe in rigid plans. One had, as a leader he thought, fixed strategic objectives to achieve, limited resources, and opportunities. An effective leader would constantly adapt use of those resources to the situation as it evolved in order to achieve fixed strategic objectives – hence his famous phrase, *'a battle plan does not survive the first encounter with the enemy'*.

This is why, whenever I have been asked to facilitate or chair negotiations I have never liked prescriptive road maps, artificial deadlines that, negotiated today, can be renegotiated tomorrow.

Second, you need to understand my operational working methods with respect to Ministers and officials. Make no mistake here: the Director General must be able to operate in both worlds – the political and the official. The idea that you can take to Ministers hideously complex issues that are completely undercooked at official level and expect Ministers to solve them has been tested to destruction. Effective work with senior officials is absolutely crucial.

Outside the great religious texts, Shakespeare is the most translated author of all times. He said in Henry VI, *"How should you govern any Kingdom that know not how to use Ambassadors?"*

Ladies and gentlemen, I would be most grateful for your support, however you might express that to our trusted facilitators.
