



**INTERNATIONAL CHAMBER OF COMMERCE 90th ANNIVERSARY -
LAUNCH OF THE ICC RESEARCH FOUNDATION**

2 FEBRUARY 2009

"Trade part of the solution to the global economic crisis"

**ADDRESS BY MR. PASCAL LAMY
WTO DIRECTOR-GENERAL**

Mr. Fung,

Minister,

Excellencies,

Ladies and Gentlemen,

In 1919, a handful of entrepreneurs decided to create an organization that would represent business everywhere. They were determined to bring hope to a world still devastated by the First World War, which had just ended. They resolved to replace fear and suspicion with a new spirit of friendly international cooperation among business people. They founded the International Chamber of Commerce and called themselves "the merchants of peace".

In the 1920s ICC focused on reparations and war debts. At that time the world had few working international structures and no world system of rules to govern trade relations. A decade later, it struggled through the years of depression to hold back the tide of protectionism and economic nationalism. The ICC saw the creation of the multilateral trading system with the birth of the GATT, the predecessor of the WTO and contributed to its strengthening to the current day.

And today, as we celebrate the International Chamber's 90th anniversary, the ICC has again demonstrated its commitment to a more open multilateral trading system with the launch of the ICC Research Foundation. I would like to

compliment Victor Fung and Marcus Wallenberg for taking this initiative that will undoubtedly contribute to a better understanding of the benefits of a more open and regulated multilateral trading system. Stimulating intellectual leadership and a broader understanding of what works best in support of the public interest, will certainly add to a more balanced and considered debate on the benefits of trade opening.

This is all the more important, given the state of the world economy today. Like many of you I have just returned from the annual World Economic Forum meeting in Davos. Much of what I heard there from political, business and union leaders can be summarized by the words pessimism and fear.

Fear of massive job losses. Fear of lack of credit even for relatively safe operations such as those to finance trade transactions. Fear of a sharp decrease in trade which is stalling an important engine for growth, especially for many developing countries.

The world growth projections today are at 0%, with developed countries posting a negative growth of -2% and developing countries a positive one of around 5%. The positive growth comes from emerging countries which are highly dependent on trade. With the forecast that global export volumes will

contract by - 2% in 2009, many emerging economies have sounded the alarm bell.

Trade has become another casualty of the recession provoked by the severe financial crisis caused by lack of regulation, supervision and excess. In these times of serious economic crisis, our biggest challenge today is to ensure trade is part of the solution and not part of the problem.

In this period of uncertainty and fear, calls for a stronger role for governments and regulators to intervene resonate well. But for this to be successful, all actors have to agree on common targets and enemies, and work together. Global cooperation within and across countries is therefore of the essence. At times of global economic crisis, enemy number one is isolationism. As a result of market failures, governments are becoming closer involved in responding to the crisis, in mitigating its effects and in creating new or improved regulatory frameworks. But this should not equate with nationalism or tit-for-tat retaliation.

We still remember the 1930 Smoot and Hawley Act sharply raising US tariffs on more than 20 000 products. We also remember that many other countries retaliated , raising their tariffs on US goods. The Great Depression followed. Whether it is with tariffs or with new, more sophisticated faces of

Smoot and Hawley, today we run the risk of sliding down a slippery slope of tit-for-tat measures. It was Ghandi who said "an eye for an eye makes the whole world blind".

Ladies and gentleman, paraphrasing Ghandi today we could say that "if it is a job for a job, then we will have massive unemployment".

To help WTO members have a better and real-time idea of global trends in international trade and trade policy developments, we have set up a radar tracking trade and trade related measures taken in the context of the current crisis. Up until last Monday the radar picture showed that most WTO Members appear to have successfully kept domestic protectionist pressures under control. In the meantime a new spot has appeared with the Buy America provision in the draft US stimulus package to be considered by the US Senate this week.

Protection, yes; isolationism, no. Governments must provide answers to the social unrest which is brewing behind the massive job losses. This is the time to activate social safety nets, not only in rich countries because there are also poor in rich societies. But also, and in particular, in the poorer countries who do not have the means to weather the storm. The stimulus packages that have been adopted need to provide answers to those who are being left behind in this crisis.

And it is in this context that we all risk seeing trade and the WTO lumped together with the elements of the Washington consensus which have failed. With de-regulation and privatisations. And it is now that we risk throwing the baby out with the bath water.

This is why now more than ever it is time to stress the value of trade as a multiplier of growth and the value of the multilateral trading system, with its 60 years of global regulation, as an insurance policy against protectionism. I would humbly ask that these issues be included on the to-do list for the ICC Research Foundation that we are launching today.

This is the time to invest in the WTO and strengthen the global rules-based system which has so carefully been constructed over the last 60 years. A conclusion of the Doha Development Round of negotiations is therefore all the more relevant and urgent.

Many of the trade ministers whom I met in Davos over last week mentioned that trade is an integral part of the stimulus packages that are being adopted. In my view it is in fact an essential part of the recovery package.

Let's be frank: this crisis will take much more than a Doha deal to restore the path of growth. But a successful outcome of the Doha Development Round can be part of the solution to the economic downturn. It will also send the political signal that at harsh and difficult times, governments are capable of working together to provide the kind of global answer which is so desperately needed.

This is why WTO members should pick up from where they left off in 2008 and enter the negotiating arena with renewed commitment. I am encouraged to find support in this respect from many political leaders around the world and I count on them to show the way forward.

We have accomplished around 80 % of our set targets in the Doha Round. But with the necessary political guidance, the willingness to compromise and realistic expectations, I am convinced that we can conclude successfully by the end of this year.

It goes without saying that this cannot be done without the support and active involvement of the business community. The ICC has been exemplary in this respect and I count on you and your members to continue to be supporters of more open trade and stronger multilateral rules. I realize full well that these

are very tough times for the business community, but I urge all of you to show restraint when the crisis bites and to continue to champion ICC's core mission.

Let me end by wishing the ICC success in the newly establish Research Foundation. I am convinced that in 10 years from now, when the ICC celebrates its 100th anniversary and the WTO has only vague memories of the once so difficult Doha round, history will prove us right. That our conviction and dedication to a more open and equitable world trading system is our contribution to a more peaceful and prosperous planet.

Thank you for your attention.