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SESSION REPORT

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New Dynamics in Global Trade Architecture: WTO, G20 and Regional Trade Agreements



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New Dynamics in Global Trade Architecture: WTO, G20 and Regional Trade Agreements

Report author:

Brett House

with contributions from:

**Tatsuya Maisawa,
Salzburg Global Seminar &
the KDI School of Public Policy
and Management**

Photos:

**Herman Seidl &
Anne Bauchinger**



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Introduction

The World Trade Organization (WTO) managed a last minute deal in Bali, but with “megaregional” trade agreements like the TransPacific Partnership and Transatlantic Trade and Investment Partnership under negotiation, it’s clear that new dynamics are emerging in the global trade architecture and the centrality of the WTO is wavering. In 2014, Salzburg Global Seminar, in partnership with Korean Development Institute (KDI)’s School of Public Policy and Management, brought 40 top-level policy makers and practitioners across the trade spectrum for the program *New Dynamics in Global Trade Architecture: WTO, G20 and Regional Trade Agreements* to consider the current state of the multilateral trade architecture and consider what should – and can – be improved.

The three-day program included government and business leaders involved in large-scale trade deals, including those seeking to secure WTO-level progress; WTO directors at G20 Ministries of Commerce/Trade; leading academics and researchers; and representatives from the International Chamber of Commerce. Through expert, interactive panel discussions, together with intensive group work, the high-level participants formulated a set of recommendations which was presented by session chair, James Bacchus, at the OECD Forum in Paris (May 5-6, 2014), amongst other fora.

This session continues Salzburg Global’s program on sustainable global economy and governance and builds on its 2012 session, *The Future of the Multilateral Trading System and the WTO*. The program also launched a partnership with KDI’s School of Public Policy and Management and its G20 Global Leadership Program, as it critically examines the WTO’s role in upholding the global public good of multilateral trade and explores how country motivations and trade mechanisms can be better integrated within the WTO architecture for effective programming.



Stephen Salyer,
President & CEO,
Salzburg Global Seminar



Ji-Hong Kim,
Associate Dean, KDI School of Public
Policy and Management

Goals and Summary

Program Context

The success of the 9th Ministerial Conference in Bali during December 2013 and the resulting Trade Facilitation Agreement (TFA) on reducing red tape at borders brought a temporary pause in catastrophizing about the future of the multilateral trade agenda and presented an obvious opportunity to re-energize, re-evaluate and retool international trade negotiation systems for the 21st century.

Yet, the Bali TFA didn't produce any consensus on if and how this could be done; moreover, as we found out on July 31 2014 when India suspended its support for the TFA on food security concerns, Bali didn't even produce a durable consensus in support of the TFA itself. Identifying pathways toward durable support and implementation of the TFA was both the inspiration for and principal content of discussions during May 2014 at Salzburg Global's session *New Dynamics in Global Trade Architecture: WTO, G20 and Regional Trade Agreements*.

The 2008 global economic crisis, evolving changes in the traditional international balance of power and wealth, polarizing national foreign policies, increasingly mobile capital flows, and new patterns of regional trade and economic integration have shifted momentum firmly away from multilateral processes and toward bilateral and regional trade agreements, thereby eroding the centrality of the World Trade Organization (WTO) in efforts to liberalize global trade. The WTO's commitment to operating under a "single undertaking" has been both its virtue and its curse. The single undertaking refers to the WTO's practice of treating nearly every item of negotiation as part of a whole and indivisible package that cannot be discussed in separate pieces. In short, "nothing is agreed until everything is agreed." While this has the benefit of forcing trade-offs between competing goals and building sometimes-unlikely coalitions of interest, it has also reduced the WTO's multilateral discussions to desperate attempts to find shared views on the least common denominators of modern trade practices.



Clare Shine,
Vice President & Chief Program Officer,
Salzburg Global Seminar



Diasmer Bloem,
Program Director,
Salzburg Global Seminar



Session Chair James Bacchus opens the Salzburg Global program *New Dynamics in Global Trade Architecture: WTO, G20 and Regional Trade Agreements*

Middle- and low-income countries have seen their keen interest in fulfillment of the 12-year-old Doha Development Agenda (DDA) stymied and their key goals on trade facilitation subordinated to debates driven by industrialized countries, thereby weakening both the legitimacy of the WTO in the eyes of countries outside the developed world and undermining engagement by these countries in the organization's processes.

Following Indian President Narendra Modi's July 2014 decision to withdraw his country's support for the Bali TFA right before its ratification, many again fear that it is impossible under the single undertaking to resolve the deep divisions between developed and emerging countries while also addressing the specific needs of low-income countries. Recent news that India's concerns have been addressed and that it will participate in ratifying the Bali TFA only slightly assuage these concerns. Moreover, in an environment still overshadowed by the economic and financial crisis, the political capital available for earnest negotiations on multilateral trade liberalization is limited and there is very little the WTO can do about it. Conversely, others continue to believe, based in part on the breakthrough at Bali, that there is still a consensus to make multilateralism work by streamlining negotiations and reducing and/or eliminating the most

costly barriers to trade. To capitalize on this consensus, the WTO must focus on its core competencies and adapt to meet the differing and sometimes conflicting needs of its members. In practical terms, the WTO and its supporters will have to determine how to reconcile its multilateral processes to an increasingly multipolar world in which consensus can no longer be imposed by a few key powers, but rather requires endorsement from diverse interest groups.



Participants and Structure

To address these concerns, Salzburg Global Seminar and the KDI School of Public Policy and Management convened an intensive, three-day program with an international group of 40 high-level practitioners, policy makers, and researchers from the vanguard of global trade policy who are in positions to catalyze, plan, and sustain solutions.

The program, *New Dynamics in Global Trade Architecture: WTO, G20 and Regional Trade Agreements*, continued Salzburg Global's work on sustainable global economics and governance; it also builds on its 2012 session, *The Future of the Multilateral Trading System and the WTO*. The program launched Salzburg Global's partnership with the KDI School of Public Policy and Management and its G20 Global Leadership Program, which aims to enhance the complementarity of the G20's development goals.

James Bacchus, Chair, Global Commission on Trade and Investment Policy at the International Chamber of Commerce, chaired the program and Simon Evenett, Professor of International Trade and Economic Development, University of St Gallen, served as resource specialist. Participants spanned the globe and program discussions were highly technical, strategic in their scope, and focused on pragmatic, implementable solutions. The discussions reflected the growing concern at the WTO's headquarters in Geneva and in global capitals with the state of multilateral trade processes; the discussion also showcased how differently multilateral trade issues are viewed from diverse national and sectoral perspectives. Participants delivered concise and concrete recommendations to aid their institutions and advance their work programs. All discussions were held under the Chatham House Rule to allow for a candid exchange of views and opinions.

The program provided a neutral space for international trade experts to examine freely and critically the WTO's role in upholding the global public good that is the multilateral trade negotiation regime. In doing so, the program explored how national and regional interests, as well as bilateral, regional and plurilateral policy frameworks, can be integrated



Dukgeun Ahn

better within the WTO architecture. More specifically, the program articulated concrete proposals and practical direction on how to:

- Enhance the legitimacy, architecture, and international momentum of the multilateral trading system;
- Build routes for more innovative strategy development and timely implementation of solutions to critical multilateral challenges;
- Improve the transparency and impact of mega-regional trade agreements such as the Transatlantic Trade and Investment Partnership (TTIP) and the Trans-Pacific Partnership (TPP);
- Leverage the G20 and regional fora to support and advance multilateral trade negotiations;
- Engage key nations in the Asia-Pacific basin and the developing world for inclusive leadership in trade governance; and
- Frame the issues central to possible future negotiations on a multilateral trade agreement around environmentally sustainable “green goods.”

The program’s sessions included interactive panel discussions on the progressively complex rules of trade governance and the disparate outcomes these rules produce. The program also featured breakout strategy groups that prioritized recommendations and mapped out a reform agenda. Panel presentations focused on the following topics.



Harsha Verdhana Singh, Nicolle Graugnard and Song Hong

The role of the WTO in trading systems

This session examined the realities, complexities, challenges, and opportunities present in the multilateral trading system; the Bali Declaration's implications for the possible conclusion of the Doha Round (especially with regards to agriculture, industrial goods and services); and considerations for engagement to build on Bali's success.

Trade mechanisms

The discussion looked at the core features of trade mechanisms, including their business, social and political utility; their capacity to dynamically respond to emerging challenges such as innovations in supply chains for goods and services; and emerging challenges related to financing and investment. The extent to which trade mechanisms can be integrated within the WTO was also raised.

The future agenda of the WTO

Debate focused on what the WTO could realistically build on the Bali Declaration and which issues to prioritize under the DDA work plan in order to demonstrate further success.

Building support for multilateral trade policy reform

Explicitly realpolitik in tone, participants examined how to communicate effectively and persuasively the value of the multilateral system to diverse audiences in order to build support for more investment in reform.

Perspectives from the G20 and other international groups

Discussion on how the G20 and other international policy discussion platforms can tangibly support multilateral trade and investment negotiations as an integral tool in the pursuit of global growth and development. Participants also received a preview of Australia's G20 trade strategy; and leveraging tools and capacity for trade facilitation.

Program participants also looked at the state of trade facilitation pre- and post-Bali and generated recommendations on what can be done, within capital and political constraints, to smooth cross-border access to essential goods and services.



Miriam Chavez



Byung-il Choi



Abdel-Hamid Mamdouh (center) alongside Ganeshan Wingnaraja and Valerie Hughes

Impact

Participants gelled around the view that advancing successful negotiations in a multilateral framework requires a deliberate, clear, and practical WTO work program, with tasks prioritized based on the WTO's current strengths.

Successful negotiations also require national governments to ensure international trade is accorded ministerial-level responsibility in their executives. It was also important that policymakers come to view plurilateral and regional trade agreements (i.e., PTAs and RTAs) as supportive of the WTO's fully inclusive multilateral processes and increasingly leverage them as catalysts for agreement at the WTO.

Building on these foundational insights, program participants drafted their Salzburg Statement, a synthesized framework of shared principles and recommendations for action on them. Post program, participants presented the Salzburg Statement at relevant conferences and technical working groups, including the OECD Forum held in Paris immediately after the Salzburg Global program, to provide a platform for concerted action.

The full Salzburg Global Statement on New Dynamics in Trade Architecture: The WTO, G20 and Regional Trade Agreements is presented in full on page 44.

Debate and Synthesis

The following pages reflect points of discussion, debate and policy conclusions from the three-day program, which showcased panels on the following topics: the role of the WTO in trading systems; trade mechanisms; the future agenda of the WTO; building support for multilateral trade policy reform; perspectives from the G20 and other international groups; a preview of Australia's G20 trade strategy; and leveraging tools and capacity for trade facilitation.

Challenges of the Modern Trading System

The successive negotiating rounds on the General Agreement on Tariffs and Trade (GATT) that culminated in creation of the WTO in 1995 ushered in today's accepted trading systems norms: transparency, inclusivity, predictability, and multilateralism. Pursuit of these objectives has enabled increased participation in the global economy by more people and countries. WTO rules and their enforcement through the WTO's dispute settlement mechanism (DSM) have together produced incremental changes in trade facilitation and liberalization



Sungmook Kang



Sherman Katz



Hongliu Gong and Yasuo Tanabe

that has led to tangible improvements in business, commerce, and livelihoods. To date, the WTO remains the only international organization dealing comprehensively with the global rules of international trade. The centrality of WTO's DSM is undisputed as demonstrated by the preference of countries to use the WTO's DSM rather than those embedded in regional free trade agreements to settle disputes under these agreements.

Participants agreed that multilateral trade is an important part of the sustainable development toolbox. In combination with sound policies addressing domestic barriers to doing business, active participation in the international trading system tends to accelerate economic growth and poverty alleviation. However, these gains are not a linear function of openness nor are they universal. Many low-income countries lack the preparation and capacity needed to safely navigate and take full advantage of open international trading systems. The increasing fluidness of international trade and its regulation has also increased the perception in some quarters that the playing field is not level for all countries.

Although the multilateral approach to trade liberalization has not been rendered obsolete, multilateralism faces many challenges. Emerging economies like China and India have changed the global economic landscape. Asymmetric benefits for individual countries from multilateral agreements coupled with perceived losses from trade liberalization in developed nations together make it seemingly

more difficult to reach a consensus within the WTO, let alone put new reform issues on its agenda. National willingness to engage in multilateral negotiations varies by topic, while ongoing innovations in global supply chains, the unbundling of services, the rise of the digital economy and more mobile investment flows have complicated efforts to focus these negotiations. These are some of the realities that have led to the stagnation of the DDA. What's more, the removal of the moratorium on bilateral negotiations within the framework of the WTO, which resulted in success in some previous negotiations, is no longer a panacea for the problems besetting the multilateral trade liberalization process.

Growing polarization between a multiplicity of rising global centers of power complicates further the prospects of the multilateral system. Emerging economies' share in world trade has become large and, consequently, industrial-country leaders want these new economic powers to take on more responsibility for nurturing the multilateral trading system; at present, they are seen to be engaging as free riders, enjoying most-favored nation access to developed markets without providing sufficient reciprocal access to their own. Conversely, other views emphasize that emerging economies regard themselves as still developing and see poverty reduction as their top priority. These differing views on responsibilities and trade-offs have recently seemed unbridgeable in negotiations and have led to protracted disputes, a vacuum in political leadership for multilateral trade negotiations, and a lack of trust in the system. A break in classic negotiation tactics combined with deeper research to uncover less obvious lines of common interest will be needed to break this impasse.

Participants in Salzburg felt that the WTO should help similar economies form flexible coalitions that can lead on initiating negotiations and moving them forward. For example, China is currently liberalizing its agricultural sector and may be favorably positioned to take a leadership role with other emerging agricultural economies to generate legitimacy for the discussion of such issues within the WTO context. Also, forming plurilateral agreements (e.g., similar to the Agreement on Government Procurement or GPA) would allow for easier initial negotiations on urgent issues that could then form the basis for fully multilateral discussions. For example, the efficient operation and integration of global supply chains requires greater regulatory convergence. In the view of some participants, the



Hyo-young Lee

first steps on this convergence can be handled best by small groups of countries with complementary interests that are involved in a large share of world trade. This was not, however, a unanimous view: other participants stressed caution, underscoring that thorough analysis is required before placing a multilateral issue within a plurilateral context since this can create a significant burden on countries left out of this process and skew the potential outcomes.

What new challenges affect the WTO and how can we respond to them?

Participants agreed that the WTO faces significant exogenous and endogenous concerns. Internally, the negotiating functions of the WTO are problematic. The crux of this dilemma lies in the highly-evolved structure of the WTO and the manner in which its work plans are developed. The WTO's single undertaking has become progressively more unwieldy as the number of negotiating countries has expanded from 123 under the Uruguay Round to the WTO's 168 member countries. WTO processes must simultaneously find common ground while at least respecting particular individual country interests. This makes for arduous bargaining and occasional delays that impair other WTO functions such as management, dispute settlement and research (which would, in turn, aid negotiations).

Externally, the advent of globally integrated value chains has generated other challenges for the WTO. Global value chains account for 56% of world trade in intermediate goods, such as components and parts; 48% of world trade is services and 76% of this trade is accounted for by intermediate services. Services trade is becoming the defining indicator of competitiveness in the global economy. This, coupled with the rise of an increasingly multipolar world, has led to significant use of trade negotiation and surveillance mechanisms outside the WTO, which may be diluting the effectiveness of the WTO's multilateral negotiations.

Given the now central role of services in the global economy, program participants in Salzburg felt that the recent Trade in Service Agreement (TISA) may provide a viable model for breaking impasses at the WTO. Involving 23 parties that represent, with the European Union (EU), 50 countries, TISA provides a promising plurilateral platform to complement WTO negotiations. It includes reasonable standards and its participants range across developing and developed economies.



Siwook Lee



Simon Evenett

Since the 1995 General Agreement on Trade in Services (GATS), the development of global value chains and related trade practices have increased markedly the importance of liberalizing services trade and improving cross-border market access, but neither issue can be handled easily in the WTO's processes. Nevertheless, because services negotiations can often find common ground on standards with less individual-country domestic adjustment than is the case in some good sectors (e.g., agricultural products, natural resource commodities, and sophisticated manufactured goods), potential exists to advance on liberalizing services trade through TISA. Gains under TISA may ultimately make more comprehensive advances and final agreement under the GATS and the WTO's auspices more feasible.

Some participants noted that TISA, however, has some important defects. Its processes have been criticized for their secrecy and they exclude some major emerging economies such as China, Brazil, India and South Africa. TISA also appears to dilute the development-friendly aspects of GATS by undermining the GATS emphasis on positive-list approaches to liberalization (i.e., a country spells out only those sectors it intends to open up and how it intends to do so) and related exemptions for developing countries from national treatment obligations. A tilt toward a negative-list approach (i.e., wherein a country is assumed to reform access to all sectors but those it explicitly excludes) would make it more difficult for many



Tatsuya Maisawa

emerging and developing economies to engage in meaningful reform. A negative list approach would imply that any new services developed as a result of innovation or technological advancement, or for any other reason, would automatically be subject to established disciplines. This is potentially a strong argument for a negative list approach, but its expansiveness makes governments cautious about adopting this approach. Still, setting these concerns aside in the short term, TISA can likely deliver progress on specific issues. With transparent examination and multilateral debate to resolve its legal uncertainties (e.g., it does not have a clear dispute settlement mechanism and it is not yet clear whether TISA will adhere to most-favored-nation (MFN) principles), TISA, along with other mechanisms, can be the experiential basis for resolving broader trade policy inconsistencies between regions.

Overall, many participants took the view that some trade regulation mechanisms external to the WTO are evolving to be useful accompaniments to multilateral agreements. Bilateral agreements, however, tend to be highly political and meet different needs. Plurilateral and mega-regional agreements are slightly less politically charged and allow emerging and/or detailed issues to be managed in an international forum. Participants thought it likely that the role of global supply chains, unbundling of services, and the implications of the digital economy will continue to be discussed first in these fora.

Therefore, the WTO needs serious dialogue on how to use these fora to resolve its own negotiation impasses and to respond to ongoing changes in world trade. Increasingly integrated global value chains



Antoni Esteve de Ordal



Brett House addresses Parker Hall

affect the need for more integrated approaches to product and service certification, technological innovation, logistics, and transportation for trade facilitation. These issues are equally (if not more) important on the multilateral level than in regional and plurilateral contexts. But if the WTO goes down this path, participants counseled that consideration needs to be given to changing its rule-making processes to facilitate multilateral regulatory harmonization of regional and plurilateral agreements. It will also need to consider how progress on these fronts can be used to drive reforms under the DDA that are critical to the interests of low-income countries.

How are plurilateral and regional trade agreements changing the landscape?

Plurilateral and regional trade agreements (PTAs and RTAs) often address to a greater extent than WTO processes “behind-the-border” issues such as regulatory convergence, competition policies, and the environment, as well as integrating up-to-date, emerging trade issues more quickly than the WTO. They have become more ubiquitous in part because the USA, EU and countries in Asia are strongly promoting mega-RTAs as national industrial strategies and their governments have invested substantial political capital in them.

The Salzburg Global program participants unanimously noted that mega-regional FTAs will have immense impact on the global trade regime, in part by creating new standards for non-tariff measures. Countries outside these deals will also need to build capacity in order to gain access to the large swaths of international trade covered by meg-regional free trade agreements (FTAs). But non-member countries



Bokang Ephraim Montsi

will likely also demand that the WTO enhance the inclusivity of these agreements. Participants believed that the WTO would become more active and relevant when governments bring these issues forward within the WTO's own forum. Countries will not allow discriminatory institutions to become the prevailing way of doing business when trade is such a critical engine of growth.

Some participants felt that, although RTAs are likely to dominate the trade-policy landscape for the foreseeable future, Article 24 of the GATT was a nevertheless a mistake. This "enabling clause" allows trade preferences to be extended to and by developing countries, preferences that would otherwise violate the cornerstone "most favored nation" treatment agreed by all WTO members under the GATT's Article 1. Some participants expressed concern that, in practice, Article 24 provides an unintended escape route from multilateral negotiations and diverts resources and political capital from WTO processes. For them, RTAs are act as a substitute to multilateral processes, not a complement. They note that RTAs seldom meet the criteria required by Article 24 for GATT-consistency, they rarely address real sticking points (e.g., agriculture), and they often instead focus on low-hanging fruit that would be better treated in the WTO's comprehensive multilateral forum. In practice, allowing trade to flow more freely among the countries within an RTA also effectively raises barriers to trade for those outside the group in an exclusive, non-transparent, and unrepresentative fashion. An RTA compels non-member countries involved in trade with member countries to adhere to the RTA's rules while gaining neither its full benefits nor a say in how it evolves.

Other participants forecasted that as complicated behind-the-border issues (such as non-tariff barriers) are added to the agendas of RTAs with increasingly diverse members, these RTA processes will encounter similar difficulties to those that have bogged down the WTO's DDA. It is relatively easy to cultivate standards between developed countries and, with their large stake in world trade, such standards naturally lead to significant improvements in trade facilitation and investment. However, standardization and harmonization of regulatory rules between developed, emerging and developing economies is much more difficult, and when done in a patchwork of RTAs, it could lead to trade diversions and increased costs for developed, emerging and developing countries. Even where developing countries are actively involved in regional integration processes, the implementation of the

rules stemming from these processes is often patchy, especially in Latin America and Africa, and their impact can be limited.

The DSMs under most RTAs also raised some concerns among the Salzburg participants. Most RTAs have implemented quasi-judicial DSMs with ad hoc arbitration panels that allow members to choose between the individual RTA's or the WTO's DSMs for the treatment of individual issues. To date, most RTA DSMs have not been used and the WTO still remains the DSM of choice, even for the resolution of conflicts on specific RTA issues. Some participants questioned the point of having a DSM within an RTA if it will not be used and/or if its provisions deviate from WTO rules. The current debate may influence both RTA and the WTO dispute settlement regimes: fragmentation and overlap between RTAs, if not addressed, may eventually lead to jurisdictional and legal conflicts for the WTO.

Due to negotiation impasses and the rise of targeted RTAs, many participants advised that the WTO is rapidly losing the interest of the business community. One panelist agreed that the private sector is an active supporter of regional and mega-regional trade agreements: it



Carlos Prima Braga, Ricardo Melendez-Ortiz, Nadir Merah and Nick Ashton-Hart



perceives these mechanisms as complementary to business interests. In contrast, business is skeptical that the WTO can leverage gains under RTAs to move forward the post-Bali agenda. Possible areas for successful business endorsement within the WTO include balanced outcomes on agriculture, non-agriculture market access negotiations (NAMA), services, and a dialogue on a possible multilateral framework for investment (i.e., similar to the updated 2012 guidelines for international investment issued by the International Chamber of Commerce (ICC)). The private sector also desires clarity and coherence on issues such as the extra-WTO “green goods” initiative that aims to reinforce multilateral principles while opening up trade in sustainable products. Business anticipates that the November 2014 mid-term elections in the United States will give the US administration more room to move ahead on these issues while also renewing its trade promotion authority and expediting conclusion of the TTIP and TPP processes.

Can the architecture of the Doha Development Agenda be repaired?

Participants agreed that although well planned, the DDA's architecture no longer works. The economic landscape has shifted since the DDA was launched and, as noted above, developed economies are pushing for adjustments in exemptions previously provided to emerging economies, which is creating a significant impasse as emerging economies resist. On the other hand, developing economies, especially the least developed, have not experienced significantly greater integration into international trading systems as the portions of the DDA most relevant to their interests have seen little progress. Even at the 9th Ministerial Conference in Bali in December 2013, only a few points of consensus were reached; this demonstrated in stark terms that – notwithstanding the breakthrough on the TFA – the DDA is not equipped to handle our current fragmented, multi-polar world. One participant noted that the DDA's multilateral mechanisms reflect a response to 20th century power structures for 21st century problems in the trade of 21st century goods and services. And so long as the multilateral system appears to offer such small returns to investing political capital in it, this mismatch will be difficult to fix.

While the DDA remains pending, it crowds out emerging issues and better ways of dealing with them from the WTO platform. Trade governance needs to be reformed to reflect current and projected economic conditions, fill leadership vacuums, and bring stakeholders to the negotiating table with a self-regulating and pragmatic mindset. At present, emerging economies tend to be underrepresented while traditional developed economies are over represented in a welter of regional and plurilateral processes. Amongst developed nations, these arrangements allow the EU and USA to continue to dominate on trade issues.

There was disagreement amongst the Salzburg participants on whether the DDA could or should be strategically repackaged, especially given the emphasis many developing countries continue to place on protecting their agricultural sectors. One participant suggested leveraging structural shifts that politically and economically incentivize countries (i.e., similar to the Three Pillars of Market Access from the Agreement on Agriculture) in order to align interests sufficiently to conclude the DDA. This would have to be done in a manner such that member countries with capacity reach a consensus utilizing PTA



Kiyotaka Morita



Markus Schlagenhof and Michael Postl during a coffee break

platforms and others, with distinctly allocated technical assistance and appropriate safeguard mechanisms, would be empowered to catch up later with enhanced roles and voices. The details of this approach remain to be articulated.

All of these suggestions underline the continued interest in and optimism for the WTO as the most significant and central international venue to pursue freer trade. The Bali TFA, notwithstanding its modest scope, gave a new sense of possibility to multilateralism and generated some hope for further success under the DDA.

What is required for the Bali Deal on Trade Facilitation Agreement to succeed?

The Bali TFA is the first WTO agreement in which members incorporate a provision for regional initiatives, such as agreements on economic cooperation, directly into official WTO text (i.e., TFA Article 12, Section 12); it's also the first WTO agreement in which technical assistance requirements are delineated in a detailed and binding fashion. The Bali TFA embraces regional development factors: for instance, it includes an advanced-ruling provision, similar to that of many FTAs, which can serve as a model for multilateralizing regional efforts. Given that more than half of world goods trade is concentrated in intermediate goods, such as components and parts.

Therefore, reform processes can no longer deal with issues in sectoral silos (e.g., NAMA and agriculture) and, instead, whole supply chains should be considered in holistic discussions, as was the case under the Bali TFA. The TFA updates requirements and rules for today's trade

system while also being relevant for both economies participating in and aiming to connect to international global value chains. With this structure, the TFA incorporates new dimensions where partnership and coordination among stakeholders, international organizations, and beneficiaries are crucial for implementation. If fully implemented, the TFA could reduce trade costs by an estimated 10-12% annually for most economies and spur development. In short, the TFA is long overdue and brings together different actors around a platform for public and private partnership that help untangle the complexity of trade facilitation and transform border bottlenecks into global gateways.

Assessments of the costs of implementing the TFA have been completed at the national, regional, and multilateral levels, but it is still not clear how these costs will be apportioned against estimated global benefits amounting to nearly US\$1 trillion in savings. Most of the costs are likely to be incurred by governments, while benefits are expected to be distributed more diffusely. Coordination between funding streams has only just begun, with many low-income governments looking toward traditional sources of development finance. The scope of possible financing sources should be broadened, particularly since the private sector supports the TFA and will benefit from its implementation.

Most participants noted that various parts of the TFA would benefit from further refinement: the achievements in Bali should not be oversold or leave multilateralism's proponents complacent. Bali made little progress on agricultural issues and even witnessed a regression in previous clarifications on tariff-rate quotas (TRQ) and food security issues raised by trade liberalization processes. There were questions on



Seokyoung Choi, Raed Safadi, Carlos Primo Braga and Ricardo Melendez-Ortiz

how well the TFA's rules feasibly and transparently address tangible problems for authorized economic operators. Another challenge is how to implement the agreement's "single-window system" and ensure that there is shared benefit in creating infrastructure for trade facilitation.

Specific provisions in the TFA could stymie its implementation. Within the TFA's text, Article 10, Section 9 (i.e., Temporary Admission of Goods/Inward and Outward Processing) has a provision that stipulates members will be exempt from tariff partially or fully on the outward processing. This type of provision is not included in many FTAs and rightfully so. It could be abused due to the loose definition of outward processing and its differential treatment of importation. Also Article 7, Section 4 (i.e., Risk Management) states that members shall concentrate customs control on high-risk consignments and expedite the release of low-risk consignments. The definition of "consignment" is not clear and could raise legal issues; "risk" may also be subject to interpretation.

There are also challenging structural issues in the TFA, especially with respect to its direct link to technical and capacity building assistance, previously somewhat uncharted territory in the WTO context. The mode of treatment of specific issues under the TFA depends on self-identification by members and will lead to inconsistent application of its rules. If each member self-designates provisions in categories A (enforcement within one year), B (designate date after a transitional period) or C (B along with technical assistance), it is unlikely that the TFA will be applied in an operable manner (viz. Section II: Special and Differential Treatment Provisions for Developing Country Members and Least Developed Country Members). Yet, self-designation framework was critical to the participation in the TFA of several large emerging economies. Their support would have been impossible without it. The TFA therefore implies that it will be important that members discuss their intentions, plans, and commitments to ensure their approaches are regionally compatible, especially in the case of road transport, port customs procedures, and goods trade procedures. Concern will linger, however, that developing and emerging economies will opt for self-designated categories that do not fairly reflect current realities and may undermine the rules-based systems of the WTO.



Jacqueline Muna Musiitwa

There is additional fragility in the TFA stemming from the legally enforceable obligations and voluntary contributions by developed economies. Therefore, cooperation between developing countries



Kate Hyejin Cho, Sherman Katz and Maarten Smeets

and developed countries and political will for domestic reforms shall be critical for the success of the TFA. It is not clear if the foundation for such cooperation is sufficiently in place to warrant such a model. For the EU, its strategy going forward is to work on understanding countries' (in)ability to implement the FTA and look at practical solutions to any roadblocks that arise on an ad hoc basis. This will be done by: encouraging developing countries to schedule as many commitments as possible under category A; analyze information on intentions for category B; and matching funding to meet capacity building commitments under category C. Such coordination among stakeholders, especially donors and beneficiaries, will be paramount to translating the TFA's good intentions into real change. Funding and information on best practices will need to be mobilized through donor conferences, case studies and practical measures to ensure that undertakings in category C result in real reform.

Finally, the TFA awards accountability and presents challenges to the WTO Secretariat and the established Committee on Trade Facilitation, which will manage enquiries and share information on implementation, notification, and practices in cooperation with the World Customs Organization. The biggest challenge is ratification, as seen recently with the hiccup on India's support, and the level at which it will be accomplished. This, of course, depends on level of WTO Secretariat and member investment in informal, creative dialogue to build trust and domestic political will. With endorsement of two-thirds of TFA participating countries required for any enforcement measures, peer pressure and constructive engagement will be more important than narrow legalism in making the TFA effective.

Priorities for the Future Trade Agenda

The WTO remains relevant and significant for the world trade system, as demonstrated by the sense of urgency shared by WTO member countries after the 2008 global financial crisis and the “Spirit of Bali,” which led to pragmatic achievement of the TFA. However, the relatively minor achievement in Bali reflects the fact that the environment surrounding the world trade system has changed significantly since the Uruguay Round: momentum for global trade liberalization has slowed as economies focus on their domestic response to sluggish economic growth. In addition, there is a growing perception that gains from multilateral liberalization are shrinking and that the WTO, by focusing now on trade facilitation issues, has revealed that its capacity to act on tariff reduction remains compromised.

All this calls for readjustment within the WTO to manage these challenges and meet the needs of 21st century trading systems. There is the need for discussions inside of the WTO, independent from the mandates of committees including general council and negotiations. However, very little will happen when the negotiating round is underway. Any consideration of a future (four or more years) agenda for the WTO should include some type of conclusion to the Doha Round. Without tying up the DDA, fundamental restructuring the WTO will be very difficult. The WTO work program is being formulated for end-2014 and success of the program will be critical to the WTO’s future. Any future agenda ought to reflect forecasts that the global economy will remain sluggish and the environment for progress will be difficult. Expectations should be set accordingly.



Parelists address participants in Parker Hall

Articulating and implementing the WTO work program

For the first and second quarter in 2015, the WTO shall likely concentrate on implementing the TFA and refining the text to ensure legal coherence, amending protocol, and receiving notifications for Category A Commitments by developing countries. By the end of 2014, the WTO will also prepare its work plan for the coming years. Director General Roberto Azevêdo at the Trade Negotiations Committee meeting in March 2014 highlighted six parameters for post-Bali activities: development, doability, balance, creativity, inclusiveness and transparency, and urgency. Doability can be interpreted as identifying and bridging the gap between ideal and reality, between interests and concerns. WTO members have not agreed whether to build on the progress made by 2008 or address issues afresh. The mindset and choices of negotiators will determine the ability and capability of the WTO to embrace and adopt new issues. It will also determine the place of the WTO with respect to other arrangements governing international trade.

For agriculture, the current work program is very well delineated and it is possible to finalize the contents of the modalities proposed in 2008. Three pillars shall be negotiated: export subsidies, domestic support and tariff cuts. Some members want to review all pillars in a horizontal mechanism (i.e., addressing an issue across the board) while others want to review by “ideas” so that it is easier to put together a comprehensive trade package. NAMA, the Swiss Formula (or some other ideal formula), sectoral negotiations, non-tariff barriers negotiations, etc. will all be discussed. In services, in-depth discussions are ongoing among a small group of TISA countries and there will be an analysis of how to multilateralize their efforts. The Singapore Issues (i.e., trade and investment, trade and competition policy, transparency in government procurement and trade facilitation) will also be discussed.

The goal is not to move everything forward at once, but to be creative in the methods and use of current structures to get things done. For example, some believe that to multilaterally advance these agendas in a multipolar system, informal, Track II dialogues are viable options and the WTO can provide support for them. Therefore, capacity building will be central to the work plan. As can be expected, the WTO is not ready to tap into 21st century rule-making issues (e.g., questioning the central of the single undertaking, alternatives to the consensus



Mark Pearson



Mina Mashayekhi

rule, caveats to MFN status, negative-list approaches, etc.), but serious discussion should be launched under future iterations of the WTO's work program on institutionalization of an advanced "ideation mechanism" that will provide a venue for countries to raise new and emerging issues. As the pause in the ratification of the Bali TFA this year has shown, we are operating in changed times with unchanged – and progressively less effective – rules.

Participants stressed that beyond 2015, the WTO should be empowered to undertake new issues and find solutions. It will also see more disputes regarding mega-regional FTAs. The question of multilateralization will be central. However, the WTO needs to rebuild trust in its functions, decide if it wants to be comprehensive or assist in crises on demand, and continue to solicit input from diverse political and business members. Development will always be at the core of the WTO but cooperation across platforms is needed urgently to sustain its relevance.

Optimizing plurilateral and regional trade agreements

Multilateralizing plurilateral and regional agreements and other distinct mechanisms such as investor-state dispute settlement have not succeeded to date. Such efforts require careful analysis and inclusion of all economies affected by the mechanism; to date, this has not happened. Salzburg participants' suggested using a critical mass approach or strategies similar to those of the TISA to push forward on multilateralization, but they were not hopeful this would happen soon owing to concerns about transparency, inconsistencies and political issues connected to these PTA and RTA mechanisms.



Valerie Hughes

Therefore, participants recommended in the meantime that south-south agreements be strengthened to ensure more balanced benefits flow from RTAs. Asia-Pacific Economic Cooperation's (APEC) approach, with goals and a roadmap to create a cooperative environment through open regionalism and concerted MFN-based unilateralism, may be a viable framework to follow. Over the next five years, APEC will experiment with difficult-to-negotiate subject areas, on which members can later opt out of eventual understandings. This will provide the WTO a great case study in the effectiveness of such asymmetric and informal, non-legalistic approaches.

Practically, on DSMs, participants also recommended that the WTO provide direction on how to best utilize its DSM in RTA disputes. Such direction should address overlaps and highlight jurisdictional and legal conflicts, with recommendations on dealing with their likely implications.

Leveraging the G20 and other global platforms

Political Economy

There are several global platforms that can facilitate the work of the WTO. One of these is the G20. Although it is not a legal institution and has fluctuating institutional memory owing to the lack of a secretariat, the G20 does have political engagement and support from its members who span both developed and developing countries and account for 85% of the world's GDP and 75% of global trade. Clearly, the actions of the G20 have significant implications for the rest of the

The member countries of the G20 are: Argentina, Australia, Brazil, Canada, China, France, Germany, India, Indonesia, Italy, Japan, Mexico, the Russian Federation, Saudi Arabia, South Africa, the Republic of Korea, Turkey, the UK, the USA, and the European Union.

world. The G20 does not try to supplant, but rather offers support to other international organizations in meeting their mandates. The G20's platform provides many regular opportunities for leaders to meet and discuss issues.

Some participants noted that, while it was successful in preventing an onslaught of protectionism after the global financial crisis, the G20 has a record of low ambition on trade – ranging from minimal to negative – and its primary focus is finance. From missed opportunities on liberalization and investment to ambiguous measures such as state aid, local content requirements, preferences in government procurement and anti-dumping laws, the G20 is not necessarily an ideal candidate for advancing trade liberalization. It was not until 2010, with the Republic of Korea as Chair, that trade and development gained prominence in the G20 as the crisis originating on Wall Street began to affect emerging and developing countries. The development-working group was established in 2012 along with the Multi-Year Action Plan on Development, picking up the development mantle from the G8. However, the ability to communicate development concerns at the G20 is still nascent but growing.

There are members within the G20 that are solely focused on national opportunities rather than exercising representative leadership for countries external to the G20. However, the G20 has a strong interest in completing the DDA, and this makes it a useful complement to the WTO in doing so. It is focused on adding two percentage points to global growth over the coming years and trade policy reform is one of many structural reforms needed to hit this target. At the minimum, the G20 can provide political coverage on new issues, sound out ideas for progress, and influence opinions.

The Australian G20 presidency has emphasized that the G20 should promote stronger economic growth and employment outcomes that should make the global economy more resilient to future shocks. As such, a two-track approach for trade has been put forward. In this, countries will commit themselves to: (1) a growth strategy coupled with trade policy reforms, including rollbacks of trade barriers and specific trade measures; and (2) strengthening the collective global trade agenda.



Peter Rashish



Andrew Jory

There are six elements within the broad global trade agenda that the G20 could move forward in the coming years:

1. Integrate trade reform into the growth and development agenda pushed by the Australian 2014 leadership;
2. Restore the G20's credibility with respect to standstill commitments (i.e., a commitment not to introduce additional protectionist measures) by reviewing restrictions imposed since the 2008 crisis, mapping a pathway to growth, and reinforcing this with effective monitoring and accountability;
3. Follow-up on the TFA, consider options for liberalizing agricultural trade, review 97% of duty-free, quota-free commitments (they still exclude most of the least-developed countries' primary exports) and harmonization of rules of origin across global supply chains;
4. Encourage and empower the WTO to address 21st century trade agenda items, including global value chains, services liberalization, regulatory integration, logistics, behind-the-border issues, climate change, etc., and prioritize according to considered benefit-feasibility-cost analysis;
5. Seek complementarity between the WTO and more exclusive regional/plurilateral tracks, with a view to maintaining an accessible multilateral trade framework under the WTO; and
6. Provide political coverage on difficult issues and initiate dialogues for the WTO with respect to its scope, single-undertaking approach, and surveillance.

The goal is not to establish a formal consultative mechanism between the G20 and WTO, but to provide a platform for high-level, timely and proactive dialogue and commitments to action that can assist fully multilateral WTO processes. Success will be measured by action and outcomes. There is still space for improvement; the G20 trade agenda is fairly general and should be made more operational, including through stronger south-south dialogue on G20 commitments. The BRICS (Brazil, the Russian Federation, India, China and South Africa) meetings may also be useful on this front. Informal space should be created for leaders to work together on trade issues at the summit level as other capacity in this space is stretched. From the development viewpoint, sticking points such as food price volatility, agricultural food security and corporate tax avoidance persist, as India has recently demonstrated in holding up the TFA, may be more easily resolved in informal G20-type settings.

Confidence building is viewed as the most important element for multilateral success. The G20 is a promising venue for this project because of its soft, cooperative pressures and informal, non-institutional status. The G20 can provide urgently needed political impetus to support and complement the institutional WTO track, as has been demonstrated since the onset of the 2008 crisis and in the efforts to seal and ratify the Bali TFA. Debate remains amongst some over the centrality of the G20's contributions to these achievements, but there is no need to quibble over questions of degree. The G20 helped deliver these successes and the participants in Salzburg generally agreed that it is a resource that should be used.



James Bacchus, Ricardo Melendez-Ortiz and Carlos Prima Braga



Piotr Rydzkowski and Manab Majumdar

Business and Civil Society

Although the private sector welcomes progress under the DDA at the multilateral level, its interest and representation in WTO discussions are limited. The general perception of producers and consumers of the WTO's agenda and work on market access, liberalization, negotiations, and ratification has deteriorated. Consequently, it is necessary to fill the gap between private-sector dismay and the fervor in Geneva. If there are no incentives to action or bottom-line effects associated with multilateral agreements, the WTO is not going to garner wide support, and pressure for members to deliver on its promise will wane. There should be quick action for a 2015 ministerial meeting to close the Doha Round and focus on business-relevant issues.

The Business 20 (B20) can play an instrumental role bringing business elements to the trade discussions of the G20. However, the B20's perception is that this is a very defensive agenda, especially on standstills and monitoring. The G20 has, of course, expressed a political will to expedite the DDA with a suitable timeframe and institute monitoring exercises for trade and investment measures, but business is generally look for greater effort to minimize protectionism. It would be advantageous for the G20 to take a more proactive approach and address structural trade reform with support of the B20, particularly in supply chains through domestic reforms, trade liberalization and concerted unilateralism.

The G20 also provides a model for the engagement of civil society that could assist the WTO in its own efforts on this front. The Youth 20 (Y20), the Think 20 and the C20 for civil society have brought a diversity of voices, perspectives and support to the G20. The WTO could create similar consultative bodies.

Technology

The WTO's declaration on global economic commerce was adopted in 1998 to establish a comprehensive work program on ecommerce and included a so-called "tax moratorium" on electronic transmissions. Given that the internet is now a general-purpose technology that affects every aspect of life, ecommerce is a real opportunity for the WTO. In order to do this, the trade community needs to understand the networked economy and its contexts. The internet is, by its nature, entirely blind to geography and the networked economy is inherently a crosscutting issue. Thus the WTO, rather than PTAs or RTAs, is the most appropriate forum for creating comprehensive, flexible and adaptive rules in ecommerce. Ecommerce institutions and other stakeholders should arrange proceedings that link with and are complementary to the WTO. They will likely bring a different way of thinking and working to the WTO's discussion, and they will provide an opportunity for the WTO to test new structures around ecommerce.

A successful work program in ecommerce would avoid "formalism" and politically risky issues that could hamper negotiations: there is enough low-hanging fruit to harvest first. It would also provide a platform for open knowledge sharing within the trade community about popular concepts and their likely impact on negotiations. It would also employ a non-exclusive list of members' interests (i.e., a negative-list approach). This can begin with compiling information on the networked economy from existing trade agreements and examining what has worked in driving exports, what has created exports from local environments, how networks and data that they carry are separate, and how privacy and data protection rules may apply. Issues could include cloud computing, data protection in a trans-boundary environment, statistical gaps (especially for developing and least-developed countries), technology's role in growing small and medium sized enterprises' (SMEs) benefits from trade, consumer protection, and, of course, links with the TFA and global value chains.



Nadir Merah



Nick Ashton Hart (right)

Building Awareness and Trade Support

Building domestic support for international trade reform is problematic for most large trade negotiation processes. The value of trade reform is seldom communicated in terms that citizens can understand and, while the gains from trade are general, losses (closed factories, lost industries, etc.) are easily identifiable and certainly more memorable. Since the 1999 WTO Ministerial in Seattle, public opinion plays a major part in trade negotiations because trade itself is changing and now the negotiations deal with new rules, regulations and standards that more directly affect health, environment, finance and even judicial issues such as investor-state dispute settlement. Citizens want to trust their negotiators and trade partners to protect them from adverse results and opponents tap into this with scaremongering. It is much easier to measure those who suffer from trade. Proponents of more open trading systems need to understand that, although at times callously placed, these fears are very legitimate. Free traders should use every opportunity to communicate directly the realities of trade reform outcomes from the perspectives of producers, traders, consumers, and citizens.

Trade reform is a national undertaking in terms of strategy and decision-making. Thus, the responsibility lies with national actors. However, international bodies can support reform and transparent communication. National actors should, to the best of their abilities, synchronize trade policies with supporting macro-economic policies to

deliver full benefits. For example, many national governments advocate development of global supply chains, but seldom invest in human resource development, capacity building, or other complementary measures to increase benefits and mitigate externalities.

Most program participants agreed that one group has particularly suffered on the national level across countries, especially in meeting standards and competing globally: SMEs. Domestic policy makers and negotiators lack the support and capacity to elevate SMEs' concerns to the international trade system, where targeted measures and aid-for-trade may be employed to increase their access and benefits.

True advocacy for the positive benefits of trade happens at the local level where there should be partnership with independent (research) institutions and the general public in transmitting this message. People need to know not only what trade policy reform entails and interests in maintaining or changing the status quo, but also the domestic requirements needed to make reforms fully operational and advantageous. Messages need to be well positioned and not just emphasize negative effects of protectionism or counter those focused on the cost of trade. They instead need to be tailored to specific audiences and circumstances. When speaking about complex issues, the focus should be on how new measures can enhance innovation and job creation efforts, not vague concepts like improving economic growth.



Bartosz Studniarski



In developing economies, there continues to be lapses in communicating the benefits of international trade and most of conversations lack connections between trade systems and inclusive growth. Thus protectionism and nationalization of industries, which are legitimate although cautionary components of the trade policy toolbox, are widely discussed and sometimes abused. Equally, developing nations continue to form coalitions within the WTO because there is belief that they are better informed and represented within a multilateral system.

Trade reform advocacy needs to be more bottom-up. One program participant noted that Kenya's comprehensive informal sector has mobilized their perspective subsectors to present their concerns on trade at the national level. As they form a large voting bloc, their concerns are heeded. In the context of East African community, integration is happening at multiple levels, from establishment of a common market to customs unions aiming to develop best practices in regional trade. There may be a trickle up effect for global trade if national governments view multilateralism as a priority.

One panelist noted that there are trade skeptics everywhere. Building domestic support for trade reform is a continuous and persistent process that requires thoughtful messaging, stamina, success, and a bit of luck. Agendas proposed by various advocacy groups do not (and should not) cover all issues (even the International Trade Administration does not do so), but together they can help frame a deliverable agenda for the WTO ministerial 2015. These groups should be supported in their efforts. This was exemplified in the recent adoption of the Trade Facilitation Agreement at the end of 2014. By balancing special provisions and domestic interests – especially food security for the poor – the TFA will reduce trade costs and provide substantial benefits to developing countries.



Hyunyoung Song

Framework for Action

After the program panels and plenary discussions, participants were presented with several working groups from which to choose. Key themes of the groups were: the 2014-2015 work program; achieving progress within the WTO; RTAs and other platforms; and priorities for least developed countries.

Within these working groups, program participants were asked to synthesize program dialogue and resulting debates, prioritize options, and provide actionable recommendations for follow-through. The table below represents the results of their work.

Working Group Recommendations

2014-2015 Work Program

Be practical

- Formulate future cooperative program piecemeal by decoupling the DDA and articulating specific, actionable and feasible steps that countries have already agreed to do;
- Establish a deliberative agenda based on information assembled by a Secretariat;
- Specify that information gathering in WTO context should be time bound and not a tool for delay;
- Avoid terms like “ambitious” and “modest”; and
- Limit exceptions.

Progress within WTO

Prioritize tasks based on WTO’s current strengths

- Negotiate to close DDA based on Secretariat findings with time limit on progress;
- Utilize the critical mass approach (i.e., Track II dialogues, etc.) to address urgent (business) issues decoupled from the DDA;
- Invest in dispute settlement mechanism (which continues to be WTO’s strength) within WTO and enable potential technical cooperation with PTAs and RTAs; and
- Invest in capacity building for technical assistance/consulting to middle and low-income countries, civil society and private sector.



Salih Ahmet Ustten



Thomas Jürgensen and Keith Rockwell

RTAs and Other Platforms

View as continuum of WTO

- Work for reciprocity with RTAs, especially on agenda items (RTAs can take on trade facilitation, dispute settlement appropriately divided between WTO and RTAs);
- Secretariat to take stronger role with developing consensus on best practices of RTAs, reflecting collective interests of members;
- Provide framework on how RTAs may harmonize complexities under WTO; and
- Provide framework for pathway to WTO that can leverage current use of RTAs [e.g., sequentially, 1. Domestic reform (trade policy); 2. RTAs (facilitation and practice); 3. Multilateral].

Priorities for LDCs

Prioritize development and ministerial-level responsibility on trade

- Assess WTO reforms from perspective of LDCs' interest in sustainable development and justice in enforcing agreements;
- Assess domestic regulatory, trade, investment, industry and infrastructure platforms from sustainable development perspective;
- Establish practical guidelines (may include exemptions) to mitigate undesirable effects of trade liberalization, especially for trade facilitation and industrialization;
- Ensure LDCs are represented as observers in dialogues using critical mass approach; and
- Support smart use of all trade policy tools.

Program Outcomes

During the Salzburg program, participants re-affirmed that trade is an essential part of the sustainable growth and development toolbox; its oversight and regulatory systems should aim to contribute to these goals.

Therefore, the WTO should move to adopt a more practical agenda than the DDA or concentrate on its most actionable elements. Core concepts from the DDA, such as sustainable economic growth and development and agricultural subsidies, must be maintained but the focus should be on actionable steps.

Such action may include examination of how to make the growing use of regional, plurilateral and preferential trade agreements inevitable complements to the work of the WTO. Despite the dangers of discrimination, such agreements should be used to experiment domestically and in regional groupings to develop new rules in areas not currently covered by the WTO. There should be assurance that a multilateral intervention to close gaps between the WTO and RTAs/PTAs will follow to safeguard meaningful multilateral outcomes for all. Alternatively, PTAs may provide testing grounds for new rules and practices that later, when successful, can form the building blocks for future negotiations and multilateralization on issues such as fragmentation in global supply chains, the growth of services trade, and the impact of the development of digital technologies. For example, the free-rider problem presented by MFN clauses in bilateral investment treaties may be perfected through stricter commitments within PT. This may discourage countries from adopting policies that circumvent MFN completely and derail multilateral efforts. The WTO may also provide guidance that reduces the complexity and overlapping nature of PTAs' rules, thereby decreasing complexity for business.

For action, there should be adjustments in WTO procedures and management that reflect the multipolar system. Suggestions include using the critical mass approach, which has received growing support over the last five years, to address many of the extant challenges to the single undertaking and to promote efficiency in multilateral negotiations. The WTO should also support informal "Track II"



Francine Zimmermann

Salzburg Statement

Recommendations of Salzburg Global Fellows

Our goal is shared and lasting prosperity for the world.

We believe this can best be obtained through sustainable, inclusive and equitable growth in the context of macroeconomic stability, which will require lowering the barriers to trade and investment.

We call for political impetus at all levels to make this happen.

The Role of the WTO

We believe that lower barriers to trade and investment are best achieved multilaterally. We strongly support continued action to build a global rules-based trading system through the WTO.

All WTO Members benefit from the multilateral trading system, and thus share the responsibility to comply with WTO rules and contribute to further WTO development. We applaud the success of the 9th Ministerial Conference in Bali in December 2013 and the completion of negotiations on the Trade Facilitation Agreement (TFA), which did much to reinvigorate the multilateral approach to trade liberalization and should ensure that developing countries, especially the least developed, secure a share in the growth of international trade to advance their economic development.

There are three priority actions to maintain momentum post-Bali (and to show that multilateralism can still work):

1. Tangible efforts to ensure successful implementation of the TFA as quickly as possible. We welcome especially the donor community's offer to support capacity building for implementation. We recommend that technical assistance offered to WTO Members and those seeking WTO accession should include support, not only for governments, but also for the private sector and civil society, as well as contributions toward harmonization of customs procedures to facilitate smoother goods trade across borders;
2. Achievement of concrete advances in areas particularly ripe for progress, for example by expanding the products covered by the Information Technology Agreement (ITA); and
3. Completion of the Doha Development Agenda (DDA) by focusing on the core topics of agriculture, non-agriculture market access, and services. In parallel, other DDA elements need to be advanced at an appropriate level of ambition. We encourage WTO Members to focus on areas where progress has been made to date and to pursue quick success in these areas.

Doha Development Agenda

The DDA should ideally be concluded by the next Ministerial Conference in December 2015.

We encourage creativity and re-examination of previous texts to help achieve this. If we cannot succeed by this target date, WTO Members should be ready to try other approaches, recognizing that the WTO Agreement permits plurilateral processes and agreements. We should work to broaden participation in agreements already in place, such as the amended Agreement on Government Procurement, and to advance negotiations currently under way, such as those on information technology and green goods, with a view to making them truly global.

To the extent possible without prejudicing the conclusion of work on DDA issues, informal, non-negotiation-based discussions on emerging issues like investment, the networked economy and digital trade, sustainable energy, and competition policy should begin now.

We recognize the central role played by the WTO Director General in the process of reaching consensus in Bali, and we urge him to play a similarly central role in assisting WTO Members in preparing the post-Bali work program with a view to implementing the TFA and concluding the DDA.

We agree that sustainable growth and development remain central to all our efforts. The WTO should continue to take into consideration the special needs of Least Developed Countries and should consider allowing them to implement their prospective obligations on a phased basis, commensurate with their development needs.

WTO Members should allocate additional and adequate resources to enable the WTO to continue to tackle emerging issues, and also strengthen its capacity to deliver technical assistance in line with the above recommendations. Additional resources should also be allocated to dispute settlement activities to meet the ever-increasing demand for the WTO's services and to ensure continued high-quality delivery.

The Role of Regional and Preferential Trade Agreements

To achieve our goal of shared and lasting prosperity, the global community should look to other ways of lowering barriers to trade and investment beyond the WTO. These include regional and preferential trade agreements (RTAs and PTAs), as well as unilateral and concerted actions to liberalize trade, such as those undertaken by Asia-Pacific Economic Cooperation (APEC). These are relevant for global value chains and to contribute toward regulatory coherence and convergence.

We believe that RTAs not only complement the multilateral system, but can also address concerns currently beyond the scope of the WTO, such as investment, competition and the business environment. In addition, RTAs can also support the rule of law through innovative reforms that strengthen both investor-state and state-to-state dispute settlement. However, even when tackling these issues bilaterally or regionally, we must never lose sight of our goal of dealing with trade and investment barriers globally in order to avoid discrimination. RTAs should strengthen and not undermine the multilateral trade system.



Graphic representation of final group presentations by Wolfgang Imber

The Role of Regional and Preferential Trade Agreements (continued)

We recognize that in the past, regional efforts have sometimes led to and helped inspire successful global efforts. WTO Members should instruct the WTO Secretariat to search for practical ways to facilitate the transformation of concessions already made under RTAs into

fully global concessions consistent with the fundamental WTO principle of non-discrimination, with a particular focus on concessions under RTAs that are already applied in a non-discriminatory manner.

The Role of the G20

The G20 can play a key role in advancing efforts to achieve our goal of shared and lasting prosperity. Whilst it is not a formal international institution and has 20 rather than 193 member countries, the G20 represents 85% of the world's economy and can provide critical leadership and momentum to foster positive change in the global trade architecture, including within the WTO.

As global value chains are also a high priority in trade, we urge the G20 to encourage more coherent national policies on this issue to enable future multilateral examination. We emphasize the need for continuity, accountability, and follow-through in making the efforts of the G20 more effective in achieving shared and lasting prosperity for all.

We applaud the G20 for having taken a leadership role since 2008 to avert further negative consequences of the global financial crisis. In particular, we also applaud Australia, which currently holds the Presidency of the G20, for promoting the importance of trade as a means to achieve global economic growth. We urge all G20 members to follow Australia's lead and to take affirmative steps on trade liberalization through the G20 and the WTO.

Next Steps

The Bali TFA could not have been agreed without public support and attention. Negotiators were empowered knowing that they had strong business advocacy and general support at home.

In order to harvest more from the DDA, this support must be strengthened and skeptics that may want to block progress should be confronted directly. Even more urgently, the same creativity that led to the conclusion of the TFA needs to be re-deployed to lock in India's support for the agreement and finalize ratification.

Once that is achieved, we can move forward on the recommendations stemming from this Salzburg Global Seminar program on streamlining the DDA, improving links between WTO and complementary processes, and ensuring the WTO's own processes are made nimble enough to take on the challenges of 21st century trade.



Participants of the Salzburg Global Seminar session *New Dynamics in Global Trade Architecture: WTO, G20 and Regional Trade Agreements*

Appendix I

Chair

James Bacchus

Chair,
Global Practice Group,
Greenberg Traurig;
Chair,
Global Commission on Trade
and Investment Policy of the
International Chamber of
Commerce,
Orlando, FL, USA

Resource Specialist

Simon Evenett

Professor of International Trade
and Economic Development,
University of St. Gallen,
St. Gallen, Switzerland (UK)

Rapporteurs

Brett House

Senior Fellow,
Centre for International
Governance Innovation,
Montreal, Canada

Tatsuya Maisawa

Economic Affairs Officer,
Trilateral Cooperation
Secretariat,
Seoul, Republic of Korea (Japan)

Session Participants

All positions correct at time of session (May 2014)

Dukgeun Ahn

Professor of International Trade
Law and Policy,
Seoul National University,
Seoul, Republic of Korea

Nick Ashton-Hart

Executive Director,
Internet and Digital Ecosystem
Alliance,
Champers, Switzerland (UK)

Miriam Chaves

Deputy Permanent
Representative of Argentina to
the International Organizations
in Geneva,
Geneva, Switzerland
(Argentina)

Hyejin Cho

Project Manager,
Korea Broadcasting System,
Seoul, Republic of Korea

Byung-Il Choi

Professor,
Ewha Womans University,
Seoul, Republic of Korea

Seokyoung Choi

Ambassador and Permanent
Representative,
Permanent Mission of the
Republic of Korea to the UN,
Geneva, Switzerland (Republic
of Korea)

Antoni Esteveadeordal

Manager of the Integration and
Trade Sector,
Interamerican Development
Bank,
Washington, DC, USA (Spain)

Hongliu Gong

Associate Professor,
China University of
International Business and
Economics,
Beijing, China

Nicolle Graugnard

Policy Manager – Trade and
Investment,
International Chamber of
Commerce,
Paris, France (USA)

Valerie Hughes

Director,
Legal Affairs Division, WTO,
Geneva, Switzerland (Canada)

Andrew Jory

Counsellor,
Australian Permanent Mission
to the WTO,
Geneva, Switzerland (Australia)

Thomas Jürgensen

Counsellor,
European Commission,
Brussels, Belgium (Germany)

Sungmook Kang

Senior Research Associate,
KDI School of Public Policy &
Management,
Seoul, Republic of Korea

Sherman Katz

Senior Advisor,
Center for Study of the
Presidency and Congress,
Washington, DC, USA

JiHong Kim

Associate Dean,
KDI School of Public Policy &
Management,
Seoul, Republic of Korea

Hyo-young Lee

Associate Research Fellow,
Korea Institute for International
Economic Policy (KIEP),
Seoul, Republic of Korea

Siwook Lee

Associate Professor,
KDI School of Public Policy and
Management,
Seoul, Republic of Korea

Manab Majumdar

Assistant Secretary General,
Federation of Indian Chambers
of Commerce and Industry
(FICCI),
New Delhi, India

Abdel Hamid Mamdouh

Director,
Trade in Services, WTO,
Geneva, Switzerland (Egypt)

Mina Mashayekhi

Head of Trade Negotiations
& Commercial Diplomacy,
UNCTAD,
Geneva, Switzerland (Iran)

Ricardo Melendez-Ortiz

Chief Executive,
International Centre for Trade
and Sustainable Development,
Geneva, Switzerland (Belgium)

Nadir Merah

Head of Trade Division,
African Union Commission,
Addis Ababa, Ethiopia (Algeria)

Bokang Montsi

National EIF Project
Coordinator,
Ministry of Trade and Industry,
Maseru, Lesotho

Kiyotaka Morita

Manager,
International Cooperation
Bureau, Keidanren (Japan
Business Federation),
Tokyo, Japan

Jacqueline Musiitwa

Managing Partner,
Hoja Law Group,
Nairobi, Kenya, Zambia

Mark Pearson

Independent Consultant,
Lusaka, Zambia (UK)

Session Participants

(Continued)

Milovan Peulic

Head of Department for EU Integration,
Ministry of Industry Energy and Mining of Republic of Srpska,
Banja Luka, Bosnia and Herzegovina

Michael Postl

Head of Department,
Federal Ministry of European and International Affairs,
Vienna, Austria

Carlos Alberto

Primo Braga
Director,
Evian Group@IMD,
Lausanne, Switzerland (Brazil)

Zia Qureshi

Director, Strategy and Operations, The World Bank, Washington, DC, USA (Pakistan)

Peter Rashish

Senior Advisor,
Europe and Transatlantic Trade, Transnational Strategy Group LLC,
Vienna, Austria (USA)

Keith Rockwell

Spokesman and Director,
WTO,
Geneva, Switzerland (USA)

Piotr Rydzkowski

DDA Coordinator,
European Commission,
Brussels, Belgium (Poland)

Raed Safadi

Deputy Director,
Trade and Agriculture Division,
OECD,
Paris, France (USA)

Markus Schlagenhof

Minister,
Head WTO Division,
State Secretariat for Economic Affairs (SECO),
Bern, Switzerland

Harsha Singh

Senior Associate,
ICTSD,
Geneva, Switzerland (India)

Maarten Smeets

Chief of Section,
Technical Coordination, WTO,
Geneva, Switzerland (The Netherlands)

Hong Song

Assistant Director,
Institute of World Economics and Politics, Chinese Academy of Social Sciences,
Beijing, China

Hyunyoung Song

Project Officer,
UNDP,
Nairobi, Kenya (Republic of Korea)

Bartosz Studniarski

Case Handler,
European Commission,
Brussels, Belgium (Poland)

Yasuo Tanabe

Vice President and Executive Officer,
Hitachi Consulting Co., Ltd.,
Tokyo, Japan

Ahmet Ustten

Head of Department,
Turkish Ministry of Economy,
Ankara, Turkey

Ganeshan Wignaraja

Director of Research, Asian Development Bank Institute,
Tokyo, Japan, (UK)

Francine Zimmermann

Deputy Head Bilateral Economic Relations, State Secretariat for Economic Affairs, Bern, Switzerland

Session Staff

(Continued)

Diasmer Bloer

Program Director

Astrid Koblmüller

Program Associate

Louise Hallman

Editor

Jan Heinecke

Fellowship Manager

Alex Jackson

Intern

Daniel O'Donnell

Intern

Stephen Salyer

President &
Chief Executive Office

Clare Shine

Vice President &
Chief Program Office

Appendix II

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Agenda

Day 1

15:00 – Opening Remarks

Stephen L. Salyer

President and Chief Executive, Salzburg Global Seminar

Clare Shine

Vice President and Chief Program Officer, Salzburg Global Seminar

Jihong Kim

Associate Dean, KDI School of Public Policy & Management

15:15 – Framing the Conversation: Issues, priorities and expected results

James Bacchus

Session Chair; Chair, Global Commission on Trade and Investment Policy of the International Chamber of Commerce

16:00 – Place of the WTO in Trading Systems

Trade facilitation and liberalization policies and agreements have increased access and competition in the global marketplace and improved livelihoods and bottom lines, while the WTO's binding dispute settlement decisions are generally accepted. Although momentum in recent years has shifted towards bilateral and regional trade agreements, the conclusion of the Bali Declaration has shifted the spotlight back to the WTO and the multilateral trading system. Panel briefly examines realities, complexities, challenges, and opportunities in trading system; the Bali Declaration's effect on conclusion of the Doha Round (esp. on agriculture, industrial goods and services); and guidelines and readiness for post-Bali engagement.

Panelists:

Song Hong

Assistant Director, Institute of World Economics and Politics, CASS

Nicolle Graugnard

Policy Manager, International Chamber of Commerce

Thomas Jürgensen

Counsellor, European Commission

Harsha Vardhana Singh

Senior Associate, International Centre for Trade and Sustainable Development and Senior Fellow, International Institute for Sustainable Development

Panel Chair:

James Bacchus

17:30 – Plenary

Is universal economic development the central pillar of our efforts? What should be trading systems' scope and priorities to ensure tangible results and benefits for their members? Updates on trade agreements' progress at the bilateral and regional levels

Moderator:

James Bacchus

18:30 – Closing

Synthesis, key questions and points of divergence, thoughts for tomorrow

Day 2

9:15 – Trade Mechanisms

Due to geopolitical and economic factors, certain trade mechanisms, like RTAs, are more utilized than others. Which trade issues should realistically be addressed through on multilateral, regional and/or bilateral platforms? What does this mean for the WTO and its members, especially those on the periphery of other trade agreements? Can preferential trade agreements, plurilateral agreements and current negotiations for a Trade in Services Agreement be leveraged to meet divergent needs and complement or aid key WTO negotiation principles such as single undertaking?

Panel discusses empirical results from trade mechanisms – their business, social and political capitals; their abilities to dynamically respond to emerging challenges such as innovations in supply chains of goods and services, financing, investment and telecom; and debate recommended levels of integration with the WTO.

Panelists:

Hongliu Gong

Associate Professor, China University of International Business and Economics

Valerie Hughes

Director, Legal Affairs Division, WTO

Abdel-Hamid Mamdouh

Director, Trade in Services, WTO

Mina Mashayekhi

Head, Trade Negotiations and Commercial Diplomacy Branch (TNCDB), DITC, UNCTAD

Appendix III

9:15 – Trade Mechanisms (cont'd)**Yasuo Tanabe**

*Vice President and Executive Officer,
Government and External Relations,
Hitachi Consulting Co, Ltd*

Panel Chair:

Ganeshan Wignaraja

*Director of Research, Asian Development
Bank Institute*

10:15 – Plenary

21st century supply and value chains are global. Does the multilateral system have unique advantages in managing future concerns (thus increasing its value to larger economies)? For trade mechanisms, how are issues of exclusivity and limited transparency best managed? How can adherence, surveillance, reporting and accountability to the global system be ensured?

Moderator:

Ganeshan Wignaraja**11:30 – WTO Future Agenda**

As the WTO's ambidexterity has proven effective, the WTO should continue to play a major role in informing on and assisting in trade facilitation, especially in agriculture, e-commerce, financial services, supply chains and value chains. However, many now question the WTO's abilities to make effective use of available mechanisms and anticipate and to anticipate and quickly adapt to emerging private sector and investment demands.

Panel debates:

- What can the WTO realistically accomplish from the Bali Declaration?
- What should be the Doha Development Agenda's work plan on remaining issues for feasible results?
-

- How can the WTO be on the forefront of the 21st century trade agenda?
- What WTO reforms are required to manage and implement the work plan and agenda?

Panelists:

Nick Ashton-Hart

*Executive Director, International Digital
Economy*

Carlos Braga

*Professor of International Political
Economy and Director of the Evian
Group, IMD Business School*

Seokyoung Choi

*Chairperson, Council for Trade in
Services, WTO; Ambassador, Permanent
Mission of the Republic of Korea to the
UN, Geneva*

Nadir Mehra

*Head of Trade Division, African Union
Commission*

Raed Safadi

*Deputy Director, Trade and Agriculture
Division, OECD*

Panel Chair:

Ricardo Melendez-Ortiz

*Executive Director, International Centre
for Trade and Sustainable Development*

**14:00 – Working Groups:
Prioritizing the Agenda**

Considering 21st century trade issues and Doha, what should be the future trade agenda and how can the WTO adapt to meet these goals? Participants break into working groups, build a priority agenda for the WTO and link those to actions required internal to and external from the WTO, on multilateral, regional and country levels.

16:30 – Plenary:**Group Report Back and
Discussion**

Brief presentations by groups' rapporteurs of main ideas developed, building consensus on what to take forward.

Moderator:

James Bacchus**17:15 – Building Home Support
for Trade Reform**

Domestic pressure for success at Bali may have influenced its outcomes. Despite this, building domestic support for trade is a problem faced by every large trade negotiation process. Given diverse country perspectives and seemingly reduced political and social capital for further trade liberalization, how can we gain support from lawmakers, stakeholder groups, and constituents?

Panel discusses dominant messaging and how to address realpolitik and frontline realities and sensitivities in order to communicate the value of the system at all levels.

Panelists:

Manab Majumdar

*Assistant Secretary General, Federation
of Indian Chambers of Commerce and
Industry*

Jacqueline Muna Musiitwa

Managing Partner, Hoja Law Group

Keith Rockwell

*Spokesman and Director of Information
and External Relations, WTO*

Panel Chair:

Peter Rashish

*Senior Trade Advisor, Transnational
Strategy Group LLC*

18:15 – Closing

Synthesis, key questions and points of divergence, thoughts for tomorrow

18:30 - Australia and the G20

Preview of Australia's G20 trade strategy within the global trade architecture (30 minutes)

Presenter:

Andrew Jory

Counsellor, Australian Permanent Mission to the WTO, Department of Foreign Affairs and Trade, Australia

Day 3

9:15 – Perspectives from the G20 and Global Platforms

“As G20 President in 2014, Australia will focus leaders’ discussion on how trade contributes to economic growth and on ways to boost trade globally. Australia will encourage G20 countries to commit to undertake concrete, practical domestic actions (as part of their G20 comprehensive national growth strategies) that will ease the cost of trading across borders and facilitate access by their businesses to regional and global value chains.”

Panel discusses how the G20 and other global platforms can tangibly support multilateral trade as an integral tool in global growth and development and how multilateral trade and investment components can be systematically promoted and, when relevant, addressed in these platforms.

Panelists:

Byung-II Choi

Professor, Ewha Womans University

Andrew Jory

Counsellor, Australian Permanent Mission to the WTO, Department of Foreign Affairs and Trade, Australia

Nadir Mehra

Head of Trade Division, African Union Commission

Zia Qureshi

Director of Strategy and Operations, Office of the Senior Vice President, World Bank

Panel Chair:

James Bacchus

11:00 – Leveraging Tools and Capacity for Trade Facilitation Agreement

There are many roadblocks to trade facilitation, especially for emerging and least-developed countries. Bali's TFA provisions are aimed at reducing these roadblocks. However, what are the domestic policy implications for emerging and least-developed countries? How are regional common markets addressing this issue? What mechanisms, beyond aid for trade, can systematically address regional challenges and subsequently ameliorate global issues? Given the importance of global value chains, how should WTO implementation be coordinated with other institutions?

Panel examines current state of trade facilitation and recommends what can be done, within capital and political constraints, to increase trade access to essential goods and services.

Panelists:

Duk Geun Ahn

Professor of International Trade Law and Policy, Seoul National University
Piotr Rydzkowski, DDA Coordinator, European Commission

Mark Pearson

Former Program Director, Trademark Southern Africa

Raed Safadi

Deputy Director, Trade and Agriculture Division, OECD

Panel Chair:

Maarten Smeets

Chief of Section, Technical Coordination, World Trade Organization

12:00 – Working Groups: Implementing the Agenda

Participants break into working groups and, building from priority actions identified yesterday, find realistic ways to implement recommendations and tackle mitigating constraints.

15:30 – Plenary: Group Report Back and Discussion

Brief presentations by rapporteurs of main proposals developed by their respective groups

Moderator:

James Bacchus

Graphic Facilitator:

Wolfgang Irber

ViSUELLe Kommunikation

16:30 – Getting our Findings Heard

How and where can program outcomes best be shared?

Drafting of the Salzburg Statement.

16:45 – Organizers’ Response and Closing

Day 4

Check out

Salzburg Global Seminar Staff

Senior Management

Stephen L. SALYER, *President & Chief Executive Officer*

Patricia BENTON, *Vice President & Chief Operating Officer*

Clare SHINE, *Vice President & Chief Program Officer*

George ZARUBIN, *Vice President & Chief Development Officer*

Program and Administrative Staff

Chanel Bell, *Program Associate – Mellon-GCP*

Thomas Biebl, *Director, Marketing and Communications*

Diasmer Panna Bloe, *Program Director*

Chai Lu Bohannan, *Davidson Impact Fellow*

Jemma Clerkin, *Program Associate*

Charles E. Ehrlich, *Program Director*

Jochen Fried, *Director of Education*

Marty Gecek, *Chair – Salzburg Global Seminar Studies
American Association (SSASA)*

Rachelle Giard, *Individual Giving Manager*

Benjamin W. Glahn, *European Development Director*

David Goldman, *Program Consultant – Mellon-GCP*

Michaela Goldman, *Internship Program Manager*

Louise Hallman, *Editor*

Jan Heinecke, *Fellowship Manager*

Lisa Karl, *Finance Assistant*

Astrid Koblmüller, *Program Manager*

Jackie Koney, *US Development Director*

Brigitte Kraibacher, *Assistant, Admissions Office*

Tatsiana Lintouskaya, *Program Director*

Andrea Lopez Portillo, *GCP Community and Outreach
Coordinator*

John Lotherington, *Program Director*

Sharon Marcoux, *Financial Manager, US*

Paul Mihailidis, *Program Director, Salzburg Media
Academy*

Edward Mortimer, *Senior Program Advisor*

Klaus Mueller, *Program Consultant – Salzburg Global
LGBT Forum*

Daniel O'Donnell, *Development Associate*

Beth Pertiller, *Director of Administration*

Claire Power, *YCI Community and Outreach Coordinator*

Bernadette Prasser, *Program and Admissions Officer*

Ursula Reichl, *Assistant Director Finance, Salzburg*

Manuela Resch-Trampitsch, *Director Finance, Salzburg*

Marie-Louise Ryback, *Program Consultant, Holocaust
Education and Genocide Prevention Initiative Director*

Astrid Schröder, *Program Director, Global Citizenship
Program*

Katharina Schwarz, *Special Assistant to the President*

Susanna Seidl-Fox, *Program Director, Culture and the Arts*

Nancy Smith, *Program Consultant – Mellon-GCP*

Ginte Stankeviciute, *Program Associate*

Julia Stepan, *Program Associate*

Eszter Tóth, *Program and Development Assistant*

Hotel Schloss Leopoldskron Staff

Richard Aigner, *Hotel Operations Manager*

Ernst Kiesling, *Executive Chef*

Viktoria Liebl, *Service Supervisor*

Karin Maurer, *Reservations and Revenue Supervisor*

Matthias Rinnerthaler, *Maintenance Supervisor*

Karin Schiller, *Sales and Marketing Manager*

Daniel Szelényi, *General Manager*

Marisa Todorovic, *Housekeeping Supervisor*

Seminar Interns

(at time of program)

Stanislava Gaydazhieva, *Program*

Alex Jackson, *Communications*

Kevin Mersol-Barg, *GCP Program*

Daniel O'Donnell, *Program*

Report Contributors:

Brett House is a senior fellow at the Centre for International Governance Innovation (CIGI) in Waterloo, Ontario, Canada. He is also a senior fellow and lecturer in economics at the Jeanne Sauvé Foundation at McGill University in Montréal. His previous roles span academia, financial markets and policy institutions, including, inter alia, the International Monetary Fund, the United Nations, Columbia University and Woodbine Capital Advisors, a NY-based hedge fund. A macroeconomist, Mr. House's research and writing focus on the role of trade in growth, financial crisis prevention and resolution, and sovereign debt restructuring. A former Rhodes and Rotary scholar, he studied at Oxford, Queen's (Canada), St Andrews and Cape Town. Mr. House is a World Economic Forum young global leader.

Tatsuya Maisawa works as researcher for the Department of Economic Affairs at the Trilateral Cooperation Secretariat (TCS), a unique intergovernmental organization among the Republic of Korea, Japan and China. His tasks include providing administrative support with governmental consultative mechanisms among the three countries such as the Trilateral Economic and Trade, the Trilateral Agricultural and the Trilateral Health Ministers' Meetings; organizing promotional events for trilateral economic cooperation; conducting economic research on basic interrelations and interdependence of the three economies; and compiling database of the trilateral consultative mechanisms. Prior to his position in the TCS, he was a Ph.D. candidate in political science at the Graduate School of International Cooperation Studies, Kobe University, Japan. His fields of study include politics and social movements in the Republic of Korea. He holds an M.A. in political science from the Graduate School of International Cooperation Studies, Kobe University, Japan.

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Salzburg Global Seminar would like to thank all Speakers, Discussion Group Facilitators and Resource Specialists for donating their time and expertise to this session and to all the participants that contributed their intellectual capital and superior ideas.

For more information contact:

Diasmer Bloe

Program Director

dbloe@salzburgglobal.org

Louise Hallman

Editor

lhallman@salzburgglobal.org

Clare Shine

Vice President and Chief Program Officer

cshine@salzburgglobal.org

For more information visit:

www.salzburgglobal.org/go/533

Salzburg Global Seminar

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www.SalzburgGlobal.org

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FOR MORE *info*. PLEASE VISIT:
www.kdischool.ac.kr

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