

***“Why rules matter. The importance of free and open trade  
in a contested world”***

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**Introduction**

Thank you Professor Van den Bossche for the generous introduction...

...and good afternoon everyone. Let me begin by congratulating all of you graduating today.

Whilst I won't reveal exactly how many years have passed since my own master's graduation, even if the Professor may have given you a heavy hint, I still vividly remember how I felt...

....obviously I felt proud - elated even - at what I had achieved...not least pipping my British Yale classmate (in a class of little more than 15), Barbara Woodward, to the class prize, even though she got her own back 30 years later by becoming a Dame of the British Empire and Ambassador in first Beijing and now New York...

...there was also a sense of relief that I didn't need to open a textbook again for a while though I still have a recurrent nightmare of having miscalculated my Yale credits and failing to graduate...

...and, if I am completely honest, I remember feeling a little bit sad. Sad that it was all over. Sad to be leaving my classmates and friends behind who had helped me get through a couple of fabulous years, my first living abroad.

I suspect you can relate to those bitter sweet feelings today. My advice would be to allow yourself to feel all of these emotions – even if they feel contradictory.

Take the time to celebrate and bask in the glory of your academic achievements– including over a drink or two...in fact I hear there is an apero after this, so I'll try not to keep you too long...

I'd also encourage you to make a promise to your classmates that you will stay in touch, no matter which direction your professional careers take.

## **The history of trade and the trading system**

Now before I go any further, it's time for a confession: my own career did not begin with a specialism in trade, let alone the sort of deep study in which you have all been engaged.

Despite being the UK's Permanent Representative to the WTO, I still wouldn't necessarily call myself a trade expert...though I am lucky enough to have many experts in my team.

However, trade has been a constant in my 30 year diplomatic career.

That is because trade policy and foreign policy are intertwined. This is nothing new: the history books will tell you so.

In the year 30 BC, Rome conquered Egypt in large part to have a better supply of grain (with no public stockholding...).

And if you go back to 3<sup>rd</sup> Century BC, during the Han Dynasty, China used its military power to maintain the Silk Road for its value for trade.

It is worth noting that the Silk Road flourished for a thousand years, in part, because of the minimal trade frictions along its route.

Goods, people and ideas were able to flow without too much let or hindrance.

Other trade routes – for example north-south routes in Africa - did not flourish in the same way.

Bilateral free trade agreements had their fans through the ages, particularly in the UK, and Europe more broadly, from the 1850s.

But the concept that we need multilateral rules to facilitate trade between nations was only really widely accepted half way through the last century.

Fast forward to the 1940s and the GATT was established to regulate world trade and boost economic recovery after the extraordinary destruction of World War II.

More than that, the GATT was born of out a belief that economic interdependence could contribute toward the pursuit of peace between

nations – a point that the President of the Board of Trade explicitly made when he opened the preparatory conference in London that kicked off the road that led to GATT and the WTO.

Many politicians and economists were involved in the creation of the GATT, but there is a name that stands out: Sir Eric Wyndham White. I hope you'll indulge me as I tell you a little bit about him...

As you may have guessed, he was British. Like me, he started with the British Foreign Office but in 1948 he took six months 'temporary' leave to establish the GATT. He ended up staying for 20 years to lead the organisation. Not so temporary after all!

As an interesting aside, Sir Eric was known to be a great thespian. As a result, to this day, the Director General of the WTO's conference room is known informally as the 'Green Room' – a reference to the space in the theatre where performers wait.

Although, in this case, the performers are generally Ambassadors like myself. The cast may be different but I can assure you that trade negotiations often have their fair share of drama and even farce - just as the theatre does. Just not so many musicals, or at least not yet.

Sir Eric Wyndham White is widely regarded as one of the most influential architects of the multilateral, rules based trading system as we know it today. Room W in the WTO is a physical tribute to his life and work. I'm proud of this piece of history because it demonstrates that British expertise and British leadership was there at the start.

The UK was a founding member of the GATT, which later morphed into the WTO. Some commentators like to say that we only really became an active member of the WTO when we left the EU, but that isn't strictly true.

As an example, when the UK held the EU Presidency in the early 1990s (when we were still a member of the EU), we played a vital role in getting the Uruguay Round over the line. Prime Minister John Major was in close touch with the first President Bush to get the critical agriculture part of the deal done. Prime Minister Major was also instrumental in convincing President Clinton to stick with it after his election.

### **What the multilateral rules based system has achieved**

So the UK has backed the multilateral rules based system since the start and we continue to back it now.

Not just because we helped to build it, but because we appreciate just how beneficial the system has been – and continues to be. That's self-interest as much as altruism or idealism.

The data speaks for itself...

After the inception of the GATT in 1947, the volume of global trade grew – on average – by around 8% per year. Trade growth fell in the '70s due to the oil market-induced recessions. In 1995, when the WTO came into function, growth accelerated again to about 6% per year until the Global Financial Crisis in 2008. Between 1995 and 2008, the volume of world trade increased by 125%.

Since the WTO was established in 1995, WTO tariffs applied by WTO members have almost halved from an average of around 13% in 1996 to just over 7% in 2021.

And further research shows that the predictability of trading conditions that WTO commitments ensure boosts trade by approximately between

10 to 30% compared to a world where – at any moment – tariffs could be raised to an arbitrarily high level.

These figures are really quite impressive...

### **Trade and development**

It's even more impressive when you look at the power of trade to help *developing* countries: to grow their economies, to raise incomes, to create jobs and ultimately to lift themselves out of poverty.

Trade is a pre-requisite for development and it stimulates growth and investment.

But to achieve these things, the conditions need to be right.

Striving to make global trade more inclusive and pro-poor is a critical part of the UK's development strategy.

That means trade that empowers women, narrows gender gaps and has positive effects on countries' macroeconomic outcomes.



It is so important for smaller developing economies to compete on fair terms. To attract investment, they also critically need the certainty provided by a credible and coherent system of global trade rules. That is where the WTO comes in. Again, the data tells a story.

Research conducted by my own government recently showed that from the period 2000 to 2016, around 80% of members benefited as a direct result of WTO membership, with many of the largest gainers being developing countries.

The average WTO member saw a fall in trade costs equivalent to a 15% reduction in tariffs, with developing countries seeing costs falling by the equivalent of a 21% reduction in tariffs.

UK funded analysis also shows that African countries saw – by far – the largest increase in trade in the three to six years following accession, with trade for African countries increasing by around 70%, compared to around 20% in the three-to-six-year period pre-accession.

So it is pretty clear that the WTO – specifically the transparent and predictable trade rules it presides over – has played a big part in supporting developing countries' integration into the global economy.

From 1990 to 2017, developing countries increased their share of global exports from 16% to 30%; in the same period, the global poverty rate fell from 36% to 9%. In real terms, that's around one billion people being lifted out of poverty.

But we know we can go further when it comes to helping developing countries to maximise the benefits of trade. Despite all the progress, developing countries' total share of global trade remains less than 1%, and has not increased in over a decade.

That is why, just last month, I am proud to say the UK introduced its new Developing Countries Trading Scheme. It provides generous access to UK markets for 65 developing countries. Of these, 37 countries are African, 19 Asian, 7 Oceanian and two are in the Americas. We listened to LDCs in developing the DCTS and the scheme delivers greater market access by cutting more tariffs, simplifying rules so more goods qualify for duty-free tariffs, and enabling more countries to have access to more generous tariffs.

Allowing generous market access is just one of the policy interventions we are pursuing in support of developing countries. We are also strong

advocates of Aid for Trade – development assistance which helps developing countries to build their capacity to benefit from international trade. From 2015 to 2021, we contributed well over £600 million of Aid for Trade funding for developing countries.

Fundamentally, our goal is to support inclusive economic growth and poverty reduction, whilst removing the barriers low and middle income countries face to trading efficiently.

### **Challenges to the system in 2023**

It seems hard, on the surface at least, to understand why a system which enables free and open trade is now under threat.

As I said earlier, part of the answer lies in the fact you cannot separate trade policy from foreign policy and from the wider geopolitical context.

We are living through a period in which contestation between some countries is sharpening. Putin's war against Ukraine is perhaps the most acute example, but there are others.

The pressure facing international and multilateral cooperation is mounting in a range of settings, affecting everything from climate change

negotiations to the race to secure strategic advantage in science and technology – such as Artificial Intelligence.

Massive global shocks such as the Covid-19 pandemic have not helped matters...

...and there are other dynamics at play, such as domestic pressures on governments of all political systems.

Some commentators like to say that the world in 2023 is a more contested place than ever before.

I am not sure I agree with such a sweeping statement. I think we are sometimes guilty of having short memories and forgetting about the challenges generations before us have faced, not least the threat of both fascism and the Soviet bloc.

To a greater or lesser extent, the world has always been contested. I think it always will be.

However it is fair to say we are living through a challenging time: a world of disruptions, volatility and constrained resource.

The temptation might be to turn inwards...

...to turn away from cooperation and multilateralism...

...to turn away from the rules which enable free and open trade...

Indeed, we are seeing this play out through a rise in protectionist tendencies.

But I would argue the opposite is true. Now is the time to lean into the rules-based system...

...to lean into free and open trade...

...to lean into the WTO.

### **How trade can help solve global challenges**

Why? Because trade can be part of the solution to many of the challenges facing our contested world.

And the WTO is the place where these solutions – particularly the trade rules which enable free and open trade - can be thrashed out between countries.

Allow me to give you two examples...

### **Challenge: Food security**

The first global challenge I want to talk about is food security and hunger.

According to the UN, more than 250 million people faced acute food insecurity in 2022 - the fourth year in a row in which the number of people facing food crises increased substantially.

For those living in a country like Switzerland – where there is certainly no shortage of Gruyère or Emmental (thank goodness) –it’s hard for of us to truly imagine what it’s like to worry about where your next meal will come from. But many of you come from countries where that is indeed the daily reality of life.

As part of the Sustainable Development Goals, we made a collective pledge to end hunger and malnutrition globally by 2030.

Sadly, we are nowhere near meeting this target. We urgently need to redouble our efforts to reverse the trend.

The reasons for food insecurity are multifaceted – from conflict to climate change.

The recent decision by the Russian Government to withdraw from the UN's Black Sea Grain Initiative and threaten civilian shipping carrying much needed grain out of Ukraine will only add to the challenge.

I am *not* suggesting that the answer for world hunger lies solely in improving trade rules. But it can help.

Ensuring open and predictable international trade is key to food security.

Export restrictions, particularly the most egregious form of export bans, disrupt the flow of food and drive up food prices....

...they present acute food accessibility and affordability challenges for all countries but particularly countries who are net importers of food.

We also know that export restrictions tend to have a ‘multiplier effect’, as action by one country leads to other countries responding with further export restrictive measures.

We have seen this dynamic play out during the commodity price spikes in 2007-8 and 2010-11, and more recently, the rapid succession of export restrictive measures imposed in response to the Covid-19 pandemic and Russia’s invasion of Ukraine.

100 export restrictive measures on food and fertiliser have been imposed on food and fertilizer since Russia’s invasion - export bans being the most common.

This is why the UK is advocating greater progress in tackling export restrictions in agriculture. We want this to be a priority at MC13 in six months time.

### **Challenge: protecting the environment**

To move on to my second example, trade can also help countries come together to address environmental challenges.



As the UN Secretary General said so eloquently yesterday, in the face of the hottest ever July, which has precipitated these horrifying forest fires, record-breaking floods and devastating drought, climate change is a global issue requiring urgent global solutions.

And we believe that part of the solution lies in bringing the environment and trade agendas closer together.

Sustainable development was very much in negotiators minds when the WTO was established, and is part of its object and purpose.

So, it was very welcome that in 2022, after 20 years of negotiations, we landed the first WTO agreement focused on environmental sustainability – the Fisheries Subsidies Agreement.

Overfishing is a pressing challenge. According to the UN, 35% of assessed marine fish stocks are exploited beyond sustainable levels, a share that has been steadily increasing since the 1970s.

The WTO Agreement on Fisheries Subsidies establishes important new multilateral rules on fisheries subsidies. Once ratified, it will help to protect our oceans and precious fish stocks. At the next WTO

Ministerial Conference, our aim is make this agreement genuinely comprehensive.

Beyond protecting our oceans, there are many areas where trade has a role to play in helping us to better preserve our planet...

...from addressing carbon leakage to reducing plastic pollution to achieving fossil fuel subsidy reform...

these are all topics we are debating at the WTO right now.

To focus on another example, tariff liberalisation is a trade policy measure which can support the global green transition by increasing incentives for green businesses to innovate, and lowering the price of green goods for consumers.

The UK has already taken steps to liberalise environmental goods and services. In addition to keeping tariffs at 0 on environmental goods already liberalised by the EU, we have liberalised 104 environmental goods under the 'Green 100 initiative'.

Our aim is to promote the deployment of renewable energy generation, energy efficiency, carbon capture, and the circular economy through recycling and reducing single-use plastics.

At the WTO, we want to explore ways in which we can collaborate with other countries on environmental goods liberalisation.

Now, I recognise I have talked about food security and environmental preservation as two separate points, but clearly they are linked. We can see this link clearly when we look again at agricultural policies.

There is a live debate at the WTO around how countries can best support their farmers to address key challenges, including the global food security crisis and climate change.

It's important to remember that farmers and land managers grow our food but they also shape our natural environment.

Globally, governments provide more \$800 billion dollars in subsidies to their agricultural sector – much of that support distorts markets, is inefficient in transferring income to farmers and is too often environmentally harmful.

This is something that UK policymakers are cognizant of and it's why, since leaving the EU, we are seeking to reform our own domestic agricultural policy in a way which protects our farmers, protects our food supply and protects our land.

Reforming our agricultural policy will involve incentivising methods of farming that create new habitats for wildlife, increase biodiversity, reduce flood risk, better mitigate climate change and improve air quality by reducing agricultural emissions. We will achieve this by ensuring that public money is spent on public goods, such as restoring peat bog and measures which sequester carbon from the atmosphere; protecting dry stone walls and other iconic aspects of our heritage; and reducing disease through new initiatives that better monitor animal health and welfare.

We think we have a good story to tell and are working with other WTO Members to share our experience.

## **Addressing criticism: 'the WTO doesn't make deals anymore'**

I have just painted a fairly optimistic picture of how trade rules - particularly those agreed through the framework of the WTO - could help us to tackle some of the biggest issues of our time.

But it would be remiss of me not to address some of the criticisms facing the WTO and the multilateral trading system.

Some have doubted the Organisation's ability to deliver legally binding rules, pointing to the fact that relatively few multilateral agreements have been reached in recent years.

Personally, I don't doubt the organisation's ability to deliver. Multilateral agreements at the WTO may take time, but they are worth waiting for.

Achieving consensus between 164 nations is no easy feat, but it is all the more meaningful and legitimate when it does happen.

Having been involved in the WTO Ministerial Conference last year, I can attest to this fact: my team and I barely slept for the best part of a week as we negotiated the final package with fellow members.

It's easy for commentators to focus on the areas where we didn't reach agreement, but it's worth reminding ourselves that, in the words of the Director General, an "unprecedented package" of multilateral trade outcomes was secured at the 2022 Ministerial Conference – from agriculture to fisheries to e-commerce.

Our hope for the next Ministerial Conference next February is that we can build on these agreements to make them even deeper and even more comprehensive.

Let me also stress that we mustn't overlook the success of the WTO plurilateral initiatives. They have enabled groups of countries to create new rules and commitments in priority areas, even when the whole membership is not yet ready to do so.

More than this, these plurilateral deals – the Joint Initiatives - have injected some much-needed dynamism into the WTO, showing that we can do things differently if we want to.

The landmark agreement on services domestic regulation, reached at the end of 2021, is a good example of why we should celebrate

plurilateral deals. Over 65 WTO members, including both developed and developing countries, united behind the goal of cutting red tape around licensing and qualifications for services providers.

This was a meaningful achievement that has real commercial value for businesses all around the world – in fact it is expected to reduce services trade costs by up to 7% annually. Or, to put it a different way, annual trade cost savings could be in the range of 150 billion US dollars.

More recently – earlier this month in fact – we saw the conclusion of another joint initiative at the WTO: the Investment Facilitation for Development Agreement.

This is the biggest plurilateral WTO agreement so far with over 100 Members involved, enabling investment in developing countries through more transparent and streamlined investment procedures. It should help us narrow the gap that has opened up in securing the UN's Sustainable Development Goals and enable the investments so vital for the green transition. And it was driven by and with developing countries.

Looking ahead to the end of the year, we are also aiming for the substantial conclusion of e-commerce negotiations. There are 89 WTO

Members participating in these discussions, accounting for over 90% of global trade.

This agreement will be the first global framework on digital trade rules and will boost the global digital economy by simplifying businesses processes and significantly reducing transaction costs.

So, clearly, these examples prove that the WTO is still creating rules – both multilateral and plurilateral.

Looking at little further ahead, we need to look at the how states intervene in the economy in order to address issues such as climate change and agriculture. And how to do so while enabling developing and least developed countries to secure their legitimate needs for economic development. We won't come to an answer to those questions in Abu Dhabi, but Ministers will take that conversation one step further on.



## **Addressing criticism: ‘can’t we just rely on bilateral and regional FTAs?’**

As you all know better than me, among the criticisms levelled against the multilateral trading system is that the proliferation of regional and bilateral trade agreements could make it redundant.

To anyone who subscribes to this view, I urge you to think again. It is entirely possible – necessary even – for the multilateral trading system to share the task of regulating global trade, working alongside regional and bilateral trade agreements.

As an independent trading nation, the UK now has over 70 free trade agreements in place.

In fact just two weeks ago we joined the Comprehensive and Progressive Agreement for Trans-Pacific Partnership – the CPTPP - the first European member of what was until now an Asia-Pacific bloc and is now truly global.

And we have made no secret of our desire to clinch further free trade agreements: priorities for 2023 include progressing negotiations with

India, Canada, Mexico, Israel and the Gulf Cooperation Council, as well as continuing negotiations that we have just started with the country hosting us all here, Switzerland.

We pursue free trade agreements with the same gusto that we seek multilateral outcomes at the WTO. These objectives are not mutually exclusive, but mutually reinforcing.

And it is important not to overstate the ability of free trade agreements to replace the need for multilateral rules. Last year, according to WTO data, over three quarters of global merchandise trade was conducted on the basic “most favoured nation” tariff terms that governments extend to all WTO members, suggested that the multilateral rulebook does indeed still play a defining role.

### **Dispute settlement & WTO reform**

It’s all very well having trade rules, but what happens when we can’t enforce them?

That is the question we are grappling with in the WTO right now. And that is why restoring the Dispute Settlement System is the UK’s number

one priority in the WTO: we want to see it fully-functioning again, and accessible to all WTO Members, as soon as possible in 2024. Just as our Ministers agreed at MC12.

By reinforcing the rule of law, the dispute settlement system makes the trading system more secure and predictable. This is in the interests of every member, large or small.

And that is the UK is working tirelessly with the other WTO Members to seek a way through that can reconcile all Members' interests in the dispute settlement system. I do not underestimate the challenge, nor do I overestimate the importance of meeting that challenge.

As well as reforming the Dispute Settlement System, we are engaged in wider discussions about WTO reform.

We want the WTO to be fit for the future, driving forward multilateral dialogue on rules which support the future of green, digital, services-based, and inclusive trade.

## Trade & gender

Inclusivity is a topic particularly close to my heart. It's why I have taken up the position as co-chair of the Informal Working Group on Trade and Gender within the WTO.

Trade rules need to be accessible for everyone, but for far too long women have been underrepresented in global trade.

Besides being a problem for gender equality writ large, it doesn't make any economic sense: gender equality in labour markets could add up to \$28 trillion, or 26%, to global annual GDP by 2025.

The UK is committed to intensifying efforts to increase women's participation in trade, including through supporting female owned businesses.

As an example, UK support to the SheTrades Commonwealth Programme has empowered over 3,500 women entrepreneurs, helped generate over £30 million of trade for women-owned businesses in the tourism, IT, textiles and agriculture sectors, while also supporting the creation of over 6,000 jobs.

## **Conclusion**

So, to conclude, I hope I have left you in no doubt as to why trade rules matter.

These rules help us to create an environment in which free and open trade can thrive, bringing about transformational benefits for consumers and businesses in developed and developing countries alike.

We need to uphold these rules even when the temptation might be to turn away from them.

And we need to get better at communicating the benefits to our publics around the world.

The rules we have may not be perfect and we may need some of them to evolve, but they provide the foundation upon which we can continue to build.

The geopolitical backdrop in which we are operating remains contested and complex. I'll let you into a secret: that isn't going to change any time soon.

But I firmly believe that cooperation and collaboration can co-exist alongside contestation and competition.

Trade rules – whether multilateral, plurilateral, regional or bilateral – are crucial because they help us to formalise that cooperation and collaboration between countries.

More than that, these rules give us of stability and predictability, even if the world around us doesn't always feel as stable and predictable as we might like.

In the words of Alan Wolff, former Deputy Director General of the WTO, who spoke from this same stage at a previous graduation: "Trade does not guarantee peace, but it is an essential foundation for the economic stability that makes peace more possible."

As I said earlier, trade can be part of the solution to some of the biggest challenges facing the world.

But all of you graduating today can also be part of the solution.

In fact, we *need* you to be part of the solution.

We need the knowledge and skills you have learnt during your master's degree here at the World Trade Institute.

And we need your energy, your ideas, your ambition, your *hope*.

I am confident that I am looking at the next generation of trade negotiators, trade lawyers, business leaders, even politicians.

But, whatever your next step and wherever your future career takes you, I urge you to keep banging the drum for free and open trade, and for the *rules* that support it.

Congratulations once again and thank you very much for inviting me to be part of your celebrations today.