



WTO NEWS: SPEECHES — DG PASCAL LAMY

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Lamy: Sports equipment typifies new global production pattern

Director-General Pascal Lamy, in his speech at the annual meeting of the World Federation of the Sporting Goods Industry on 5 February 2011 in Munich, said that a “significant change in the international trade landscape is the spread of globally-integrated production chains... This new global reality forces us to re-examine how we analyse and measure ‘international trade’”. He called on the sports equipment industry and the business community in general “to press your governments for a conclusion of the Doha Round this year”. This is what he said:

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It is a pleasure for me to be here today in Munich to talk to the World Federation of the Sporting Goods Industry. An added pleasure for me derives from the fact that, as a runner, as a cyclist and someone who appreciates sports, I have long had a “personal interest” in your industry. An interest which, in my present position, I think I should disclose right away!

I believe your industry is a force for good in the world. This is not only because your products underwrite activities that promote recreation and good health, but also because sport is a crucial part of our social and political fabric — a key contributor to harmonious relations, nationally and internationally.

International trade is important to the sports industry and I would like to focus my remarks on three key elements of trade.

The first is the growing economic importance of trade and how trade patterns are changing.

The second is the role of international cooperation on trade policy in safeguarding and promoting trading opportunities, in particular the situation with regard to the Doha Round.

And the third is to reflect briefly on the relationship between industry and the trading system.

International trade has grown much faster over time than production, steadily increasing inter-dependency among nations. Since 1950, world trade has grown more than twenty-seven fold in volume terms. This expansion has been three times faster than growth in world GDP, which has expanded eight-fold over that same period. As more and more economic activity has become trade-dependent across the globe, the quality of international trade cooperation has become correspondingly more important in contributing to economic well-being, prosperity and growth.

Patterns of trade have also changed profoundly over the last decade, driven partly by market opening, but mainly by rapid progress in the development of transport, communications and information technologies. Developing countries, especially in Asia, have emerged as major players as they harness globalization to “catch-up” to the industrialized West. The share of developing countries in world trade has grown from a third to over half in just fifteen years. Furthermore, the increasing importance of trade between developing countries is striking. In 1990, less than a third of developing-country trade was with other developing countries; today over half of their trade is South-South.

Another significant change in the international trade landscape is the spread of globally-integrated production chains — in effect, global factories — as firms locate various stages of the production process in the most cost-efficient markets. The iPod, for example, incorporates Japanese microchips, US design, Korean flat-screens and Chinese assembly. Hence, what we call “Made in China” is indeed assembled in China. But a part of the commercial value of the product also comes from the numerous countries that preceded its assembly in China in the global production chain. In fact, according to American researchers, less than 10 per cent of value added in an iPod actually comes from China.

The sports equipment industry is another example that typifies the new global production network pattern. For instance, the blueprint of a sport shoe is designed and conceived in a research lab in the United States, but manufactured in factories located in China, Vietnam or Indonesia, using raw materials such as leather, rubber and plastic from neighbouring Asian countries. You locate the different stages of your activities from creation to production, marketing and distribution in order to maximise efficiencies and optimise your value addition chain. It suggests that the “Made in China” or “Made in Vietnam” label on the back of a sport shoe should really read “Made in the World”. This new global reality also forces us to re-examine how we analyse and measure “international trade”.

At present, international trade flows are computed by attributing the full commercial value of a product to the last country of origin. But with so much trade now involving foreign companies operating within national

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jurisdictions – and with so many components now criss-crossing the same border many times – this method results in a statistical bias. The need of the hour is a new approach to trade statistics which measures the value-added at each stage in the production chain. This would ensure that international interactions resulting from globalization are properly recorded. And that related employment is properly assessed. Such a system would require the creation of appropriate statistical bridges between different national accounting systems.

With the growing participation of developing countries in world trade, development issues have become increasingly important for the multilateral trading system. The Doha Round places economic development at the heart of its agenda. In many ways, the Round marks a transition from the governance of the old world trade order to the new governance of a new world trade order. Covering classic trade issues such as the reduction of import tariffs and subsidies, as well as innovative new chapters on trade facilitation and reduction of fisheries subsidies, the Doha Round is a turning point for the multilateral trading system.

Concluding the Doha Round remains a central priority. But with 153 Members now at the table and the most ambitious negotiating agenda yet, this task has become longer and harder. Early GATT rounds, which focused on tariff cutting among a small group of countries, could be wrapped up in a matter of months. But with an increasing number of issues and participants, and more effective and active dispute settlement, trade rounds have inevitably become more drawn-out and difficult to conclude. The Kennedy Round which involved 60 countries took three years to complete. The Tokyo Round – which addressed “non-tariff” barriers and involved 102 countries – lasted six years, twice as long. And the Uruguay Round – which created the WTO and involved 133 countries – turned into a negotiating marathon lasting eight years. So, the length of the Doha Round should come as no surprise.

Doha is proving very difficult because it is tackling the tough problems that cannot be resolved anywhere else. Certainly, the current proliferation of bilateral and regional preferential trade agreements offers no substitute for global rule-making – or for coherent governance of a fast globalizing world. In addition, regional agreements cannot come close to matching the economic impact of agreeing to global trade opening among 153 countries. Bilateral and regional deals can be a complement to the multilateral system, but they can never be an alternative.

Notwithstanding the difficulties, a lot is already on the table and we are now heading towards the finish line. At a recent gathering of trade ministers I sensed an unambiguous determination to further accelerate the talks to meet the 2011 window of opportunity. This calls for intensified engagement, negotiations across the board, and a commitment to seeking domestic ratification once a deal is reached, in order to conclude the endgame.

Political will is therefore of utmost importance to the conclusion of the Round. But the role of industry, which is an important stakeholder in the multilateral trading system, should not be forgotten. The WTO is the forum which, by making rules and solving disputes in accordance with these rules, ensures that international trade can take place smoothly. This enables industries to exploit business opportunities across the globe. In fact, the multilateral trading system has now served world business well for over 60 years. The relationship between the WTO and the business community – including here trade unions – needs to be one of mutual support. After all, it is the business community which is the on-the-ground operator of international trade. The Doha Round negotiations are now at a crucial stage and we need the support of the business community – who are important shareholders in the process – to seize the moment. As for the sports equipment industry, we have a proposal on the table calling for the elimination of tariffs in this sector, which amounts to over half a billion US \$. I urge your industry, as well as the business community in general, to press your governments for a conclusion of the Doha Round this year.

Though the WTO is an inter-governmental organization, the end users or beneficiaries of the trade disciplines are producers, traders and consumers. This is why we need to understand more about your operations, your ideas and your concerns regarding the existing international trading system. We need to learn from you which obstacles to trade you have to deal with. And in turn you need to know better what we are doing and how the trade rules affect your daily business. Remember that trade rules are not only about tariffs; they are also about technical obstacles to trade, safety standards, rules on anti-dumping, to name just a few.

For the last three days, we have hosted a Global Forum on Trade Statistics in Geneva. It was a joint event organized by the UN Statistics Department, Eurostat, WTO and UNCTAD. The theme of the forum was “Measuring Global Trade: Do we have the right numbers?” The answers given by almost all participants were identical. No, we do not have the right numbers on international trade today. Or at least, the numbers we have do not fully reflect the real picture of international trade in a globalized world. According to researchers, one of the main factors for this deficiency is the lack of sufficient firm-level data. I believe there is a lot that we can do together on this front, to better associate business needs with international trade rule-making. Let us know more about you so as to better help you.

The world economy is undergoing fundamental changes, with patterns of world trade also evolving over time. Today, international trade is intricately linked with global production chains and foreign direct investment. Multinational corporations are playing a fundamental role in international trade activities. SMEs are also making inroads into the global trading scene. Trade statistics, trade rules and trade negotiations have to adjust to this new global scenario. Many in the WTO think that we need to explore new issues — such as trade and investment, trade and competition, and standards — in order to further advance business opportunities around the world. But we first need to safeguard and promote trading opportunities by concluding the current Round. And for that, we need the support of business and labour. I believe that both have an important stake in pushing for the conclusion of the Doha Round, because a reduction in trade barriers and stronger, clearer and more transparent trade rules will boost trade. Hence efficiency, hence growth, hence development, hence poverty reduction. We all share the same goal — that of a more prosperous future for the world. And a successful completion of the Doha Round will undoubtedly help in that endeavour. The finishing line is in sight. And your support could help us reach the chequered flag.

Thank you for your attention.

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