

# WORLD TRADE ORGANIZATION

WT/MIN(99)/ST/93  
2 December 1999

(99-5335)

---

MINISTERIAL CONFERENCE  
Third Session  
Seattle, 30 November - 3 December 1999

Original: English

## SRI LANKA

### Statement by Mr. Anton Alfred Secretary of the Ministry of Internal and International Commerce and Food

It is indeed a great honour and a privilege for me and my delegation to be able to attend this Third WTO Ministerial Meeting which is taking place in the important Pacific North West Gateway of the United States - the city of Seattle.

At the outset I wish to express my deep gratitude to our hosts, the Government and the People of the United States of America, in volunteering to hold this high-profile conference in which more than 150 Trade Ministers from all over the world are in attendance with some 5,000 delegates. We are also grateful for the excellent arrangements made to make our stay both comfortable and pleasant in this beautiful city.

We are on the threshold the new millennium and certain important decisions are to be taken by us collectively at these sessions, for further trade liberalization. We are indeed living in epoch making times when even a giant economy like the People's Republic of China has taken positive steps towards achieving membership in the WTO. Sri Lanka warmly welcomes China and other trading partners including the Russian Federation, States in Asia, the Middle East and in the other regions in their efforts to gain accession to the WTO. In particular, it is gratifying to note that our South Asian partners, Bhutan and Nepal are in the process of acceding to the WTO. We call upon all WTO Members to facilitate a "fast-track" process of accession on conditions commensurate with their levels of development.

We consider it most appropriate that this meeting is being hosted in the United States, which is clearly one of the most powerful economies in the world today and a major exponent of free trade. To my mind, the fact that this meeting is being held in a vibrant democracy like the USA becomes significant from a developing-country perspective, because, it provides us with an excellent opportunity to reach a wider domestic audience within the United States for the first time.

The greater awareness of WTO issues in the USA will be extremely important in comprehending the current difficulties faced by the developing countries. Consequently, any positive opinion generated therefrom may collectively influence the political will of the US Government to transform the Multilateral System in a truly beneficial one for the greater prosperity of all nations.

As you are aware, globalization, one of the biggest challenges our economies are confronted with today, arose from the trade liberalization process that was initiated by us under the multilateral trading system over 50 years ago. Trade liberalization is viewed as the promotion of economic efficiency, international competitiveness and expansion of trade, especially in imperfectly competitive markets. Following this process many countries have now dismantled trade barriers and opened their economies to international competition thereby creating new vistas of hitherto unimagined human endeavour allied to trade for the betterment of mankind. Consequently, trade liberalization is today an

irreversible process that has touched the lives of millions of people. However, one must recognize that this process has also led to most of the benefits being denied to the developing world. In fact, what is most commonly seen is that domestic liberalization measures undertaken by many developing countries as a result of their international commitments have contributed towards widening the gap between the rich and the poor. There is no doubt that a number of countries have recorded some acceleration of economic growth in the wake of liberalization and deregulation. But what is significant is that they have witnessed a marked paradigm shift in income distribution favouring of those in higher income groups, leading to discontent among the majority of our populations.

It was five years ago, that we welcomed with great optimism the results of the last round of multilateral trade negotiations under the Uruguay Round establishing the WTO to replace the GATT. The Final Act which was signed in Marrakech in 1994 containing the results of the Uruguay Round was a landmark agreement which, apart from strengthening the existing multilateral trade rules under the GATT, also brought for the first time application of such disciplines beyond the trade in merchandise goods to cover other areas such as trade in services and intellectual property rights.

At the time when the Final Act was signed, many of the developing countries did not have a clear understanding of the far-reaching implications of some of these Agreements as it is now evident for example, in the case of Agreements such as TRIPs, TRIMs, Customs Valuation, SPS and TBT etc. Also it would be recalled that the Final Act was accepted by all in good faith as a single undertaking or in other words a package of a delicate balance of rights and obligations of all Members. However, with five years in hindsight, the experience of a majority of developing countries in the implementation of WTO Agreements has been that it has created a multitude of problems leading many of their economies particularly small and vulnerable economies and least-developed countries to be marginalized in the process.

We believe that if any country is to fully benefit from the international trading system, it is important that its ability is seen from the following perspectives: (a) identify and take advantage of the trading opportunities; (b) fulfill its multilateral trade obligations; (c) formulate and pursue development strategies within the framework of those strategies; and (d) defend its acquired rights.

Based on the above, our evaluation of the Uruguay Round Agreements reveals that despite billions of dollars worth of benefits that were expected to accrue to developing countries in the form of immediate market access, no worthwhile benefits have flowed into a majority of developing countries up to now. For example, it was anticipated that under these Agreements the global economy would incrementally increase 1 per cent annually, i.e. US\$200-500 billion. It was also expected, that world trade would increase by 6-20 per cent per annum. These expectations unfortunately have not been fulfilled mainly due to problems associated with market access, for products of developing countries particularly textiles and agricultural products on which more than 50 per cent of expected benefits were to be derived from the elimination of restrictions applied in respect of such products.

For instance, in textiles, it was estimated that liberalization in the textile trade would result in income gains for textile exporting countries to the tune of US\$300 billion. However, we are far from realizing any of these gains, since, what we know is that despite 33 per cent of trade being integrated, there has not been any meaningful liberalization of trade in products of importance to developing markets. On the contrary, the increases in growth rates in quotas have been minimal and modest.

The experience of vulnerable small developing economies such as Sri Lanka whose economies are heavily dependent on foreign trade is perhaps even more revealing as the Uruguay Round Agreements had failed to provide them with any tangible market access opportunities for their exports while also contributing to their overall detriment. In Sri Lanka's case, it is observed that certain non-traditional exports particularly had suffered due to the erosion of preferential tariffs and withdrawal of certain export incentive programmes as well as competition from new sources of supply. This fact is particularly evident in respect of Sri Lanka's recent export performance with

regard to products such as tropical fruits, horticultural products, semi-processed agricultural products, processed food and light industrial manufactures.

Other areas of concerns of developing countries with regard to implementation of WTO Agreements cover technical barriers to trade, sanitary and phytosanitary measures, intellectual property rights, trade related investment measures and services.

As you are aware, the drafters of the Uruguay Round Agreements had the foresight at that time to put in place practically in all WTO Agreements, the provision of Special and Differential Treatment to address the problems of developing countries. This was done on the basis of different levels of economic development of countries and consequently the need to differentiate them according to their respective commitments and obligations towards the implementation of WTO Agreements. Such flexibility is given in the form of transitional periods, favourable threshold levels, greater flexibility in commitments, as well as undefined action which is termed as "best endeavours".

However, in practice, the developed countries have consistently ignored the basic philosophy behind such obligations, thus rendering them meaningless. In this regard, I might add that the same would hold true of the fate that has befallen on the Marrakech Ministerial Decision on the Negative Effects of WTO Agreements on Net-Food Importing Countries, on which so much hope had been placed upon by developing countries.

Another area of concern as regards implementation issues has been technical assistance, which WTO Agreements stipulates would not only be necessary but, also shall be provided for developing countries in the implementation of the respective Agreements as in the case of TRIPs, SPS and TBT, Customs Valuation Agreements, Dispute Settlement Understanding, etc. Unfortunately, our experience is that technical assistance which developing countries have been receiving from the WTO Secretariat under its regular budget has been both inadequate and irregular. When taking into consideration the magnitude of the obligations and commitments under various WTO Agreements. As you are aware, small economies and least developed countries have limited capacity in terms of human, technical and financial resources towards fulfilling their obligations under the various WTO Agreements let alone the prospect of deriving any meaningful benefits under these agreements. Consequently what is important is to find ways and means of strengthening the technical assistance capacity of the WTO Secretariat, and ensure that the bulk of such assistance is provided through a regular mechanism.

My country as it was then called Ceylon was a founder Member of the GATT 1947, when the multilateral system was first created. Sri Lanka was the first in South Asia to liberalize her economy and was one of the earliest founder Members of the WTO. Consequently, Sri Lanka needs no fresh conviction at this stage with regard to the virtues of the multilateral system or for that matter the need for further trade liberalization in the pursuit of global free trade. We fully recognize that further progress in multilateral trade liberalization is vital, as certain sectors still remain relatively insulated from the global economy through imposition of a number of tariffs and non-tariff barriers.

However at this stage, we do not see the urgent need for another comprehensive round of trade negotiations, when the greater need is for consolidation of whatever gains we may have derived from the last Round. As we have seen already there is so much disappointment today particularly over the results of the Uruguay Round. Hence, the need for urgent remedial measures before we embark on further trade liberalization initiatives.

With regard to the Singapore issues, it would be premature for us to think of framing multilateral rules as the studies and analysis that are being carried out on investment, competition policy, transparency in government procurement, environment, etc., by various Working Groups have presently not been able to establish the need to develop such rules in those areas, though those groups

have been contributing much to the greater understanding of the complexities of those subjects and their linkage to trade. Hence, it would be necessary to continue the educative process further with a view to building consensus on such issues and after which the prospect of framing multilateral disciplines may be examined. As for the attempts to introduce linkages between trade and core-labour standards, it is our considered view that, as decided at the Singapore Ministerial Meeting, the ILO is the most competent organization to deal with this subject and that therefore it should not be brought under the purview of WTO Agenda.

With regard to work on further liberalization to be undertaken by the WTO, it is our understanding that the built-in-agenda provides us with a substantial work programme. This involves the mandated negotiations on further liberalization as well as the mandated reviews of certain WTO Agreements. Besides, there is also the on-going work on the educative process under the separate Working Groups which have been set up on Singapore Issues namely Trade & Investment, Trade & Competition Policy, Trade Facilitation, Transparency in Government Procurement and Electronic Commerce (arising out of the Geneva Ministerial). This we believe is indeed a very substantial workload for the WTO in the immediate future and we are fully committed to carrying out this work in the respective Committees and other bodies of the WTO established for such purpose. In this regard, for example the work on further liberalization of agriculture and trade in services which involves negotiations obviously will need our greater focus and vigilance, if we are to ensure that developing country interests are to be fully safeguarded in the future.

Finally, if I may be permitted to borrow a sentiment expressed by Mr. Rubens Ricupero, current Secretary General of the UNCTAD at a meeting in Geneva last year with regard to his organization's contribution to the preparations of developing countries for future multilateral trade negotiations, I quote:

"As progress is made towards global free trade, if marginalization and increased impoverishment are to be avoided, efforts of developing countries and LDCs in particular, to build internationally competitive supply capabilities take on a greater degree of urgency. Care will therefore need to be exercised in the framing of multilateral rules so as to avoid proscribing the use by developing countries of policy measures that would be effective in fostering a durable development of their supply capabilities".

These words of wisdom need the serious attention of both developed and developing countries for reflection not only when we are focussing on future trade negotiations but also in rectifying some asymmetries in the existing WTO Agreements.

---