

# WORLD TRADE ORGANIZATION

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## SOUTH CENTRE

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(As An Observer)

### Revision

The South Centre is grateful to the WTO membership for granting it the observer status at this second Ministerial Conference of the Organization. South Centre, as an intergovernmental organization of developing countries, believes that the multilateral trading system will benefit from the effective participation in the work of the WTO of its entire membership. Because of limited staff resources and backup analytical support, many developing countries find themselves at a considerable disadvantage in coping with the increasing scope and depth of the WTO work programme, a situation well recognized by the WTO itself. The South Centre, through a pilot project, aims to help the developing countries overcome this handicap. The South Centre, therefore, looks forward to a continuing relationship between our two organizations beyond the Ministerial Conference.

Fifty years ago, 23 countries including 12 from the developing world, agreed to a multilateral framework to exchange tariff concessions on selected industrial products. This was the beginning of the rule-based multilateral trading system - a system that was widened and strengthened through successive rounds of trade negotiations and, finally, led to the establishment of the World Trade Organization. The WTO, today, has 132 Members and another 31 are in the process of accession. Of the present membership, 98 are from the developing world, almost three quarters of the total. Recent decades have also been characterized by a rapid growth in the volume of international trade which has greatly outpaced the growth in world output and benefited many developing countries.

These are significant achievements of the multilateral trading system.

The present occasion is not only an opportunity to celebrate achievements, it is also an opportunity to analyse the shortcomings, as only a balanced approach can ensure consolidation of the system. It is therefore an appropriate time for all of us to dispassionately assess the past achievements and shortcomings of the trading system and, based on this assessment, elaborate the broad contours of a system that reflects the aspirations and takes into account the concerns of its membership.

Firstly, promoting economic growth and development should be the focus of the multilateral trading system. It was recognized in the Preamble to the GATT 1947 that "... relations in the field of trade and economic endeavour should be conducted with a view to raising standards of living, ensuring full employment and a large and steadily growing volume of real income and effective

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\* Editing changes only.

demand, developing the full use of the resources of the world and expanding the production and exchange of goods." The Preamble to the Marrakesh Agreement Establishing the WTO reaffirmed this basic objective and went on to add, "... there is need for positive efforts designed to ensure that developing countries, and especially the least developed among them, secure a share in the growth in international trade commensurate with the needs of their economic development ... ." Similarly, this objective of facilitating and promoting economic development of developing countries has been reiterated at a number of places in various Uruguay Round Agreements. We should take the present opportunity to reaffirm our commitment to this crucial objective and ensure that the WTO focuses on achieving sustained economic growth and sustainable development for all, particularly the developing countries.

Secondly, the rule-based nature of the multilateral trading system should be unambiguously reaffirmed by full and faithful implementation of the existing Agreements. On 1 January 1995 the WTO came into being and, with it, a multilateral trading system that is very different from and much more comprehensive than its precursor, the General Agreement on Tariffs and Trade (GATT). It was the first time that the multilateral system included, in addition to tariff bindings on industrial products, market access commitments for trade in services and trade in agricultural products, provisions to protect intellectual property rights, rules to conduct international trade that covered such diverse areas as customs valuation, anti-dumping, subsidies, preshipment inspection, technical and sanitary standards etc., and mechanism for binding dispute settlement - all as part of a single undertaking.

It was also the first time that a large number of developing countries, by signing on the single undertaking, assumed equal obligations in these areas. In return, the developing countries were promised some benefits in areas of interest to them e.g., better market access for clothing and textiles, and tropical and agricultural products. Also there were provisions within the Agreements for special and differential treatment for developing countries, and commitments for financial and technical assistance etc.

While many developing countries are still struggling under the costs of massive adjustments required of them under the existing Agreements, the implementation by the developed countries in the few areas of interest to the developing countries by the Uruguay Round leaves much to be desired.

For example, quota restrictions on only 3 per cent of the restrained textiles and clothing exports will be removed by the major importers in the first five years of implementation. During the same period the developing countries are required to implement all their obligations under most of the Agreements including those relating to the new areas covered in the Uruguay Round. Market access for agricultural exports of developing countries in the developed country markets has not expanded but the import bills of net-food importing developing countries for basic foodstuffs are mounting. And extremely modest commitments in respect of movement of natural persons have been given by the developed countries whereas substantial concessions in the areas of basic telecommunications and financial services have been obtained from the developing countries.

It is therefore imperative to ensure adherence by all to the rule-based nature of the system that all the provisions and Agreements, particularly in areas of interest to developing countries, are promptly and faithfully implemented. This may require establishing operational modalities, especially regarding many provisions on special and differential treatment, and effective monitoring mechanisms.

Thirdly, the multilateral trading system should be fair and equitable. This requires that the WTO agenda reflect the balance of interests of the developed and the developing countries; that the imbalances in the present Agreements are rectified; and that the benefits of the system accrue to all members in relation to their needs and not in proportion to their share in international trade. This also requires recognition of the serious limitations of the principle of reciprocity as an instrument for mutually advantageous trading arrangements when the participating countries have very different levels of development.

The reciprocity principle of "getting more by giving more" is bound to enhance the disparity between those who can give and those who cannot or very little. The widening of this cycle of giving and getting will bring ever increasing benefit to the strong parties while the weaker ones are increasingly marginalized. This is what has happened in successive rounds of multilateral trade negotiations when, on the one hand, the multilateral agenda continuously expanded to take into account the widening interests of the major developed countries and, on the other, the benefit of trade liberalization accrued unevenly to different groups of countries. The average tariff reduction in tariff rates, for example, has been steeper for products generally exported by developed countries than for products of interest to developing countries. Moreover, the escalation of tariffs in developed countries in respect of processed products exported by developing countries continues to exist.

To remove the present shortcomings and to ensure that the benefits of a fair multilateral trading system are equitably distributed among all the participants, the principle of reciprocity needs to be reconsidered to take into account the capacity of countries according to their levels of economic development.

Fourthly, every effort should be made to achieve the universality of the multilateral trading system. This will be achieved by facilitating the accession of new members and by ensuring participation of all members, as equal partners, in different activities and decision making. It should be a matter of principle for the present membership of the WTO that all accession proceedings are conducted expeditiously and fairly, including the prompt establishment of an accession working party upon application for membership by a country; that adequate technical assistance be provided to the applicants, especially the least developed among them, to better cope with the substantial technical requirements of the accession process; and that applicants be allowed to accede on terms commensurate with their level of development.

The participation of all the membership in different WTO activities including decision making also needs to be improved. Admittedly, the involvement of a large number of countries, with different interests and capacities, in any process of decision making is not easy. But this is absolutely necessary, not least because of the contractual nature of the WTO where decisions are part of a legal system of rights and obligations and binding on all Members. This is also necessary to ensure the continue and whole-hearted participation of developing countries in the multilateral trading system.

Fifthly, there is a need to ensure that the WTO contributes effectively to achieving greater and positive coherence in global economic policy making taking into account the interests of all countries - developing as well as developed. The relevant Marrakesh Ministerial Decision recognizes that "the interlinkages between the different aspects of economic policy require that the international institutions with responsibilities in each of these areas follow consistent and mutually supportive policies". This Decision also refers to the positive contribution that greater exchange stability and further efforts to address debt problems of developing countries can make towards the expansion of trade, and economic growth and development.

The requirement now is to work towards better coordination arrangements among international institutions including the relevant organizations of the UN system, the Bretton Woods institutions and the WTO to find coherent solutions to global problems impeding economic growth and development. Two such problems requiring immediate attention are: (i) the volatility in international financial markets that has resulted in frequent financial crises, most recently in East Asia, and has exacted heavy price from the affected countries; and (ii) the excessive and unsustainable debt burdens under which many poor countries continue to suffer.

Sixthly, there should be a clear recognition of what is not in the competence of the multilateral trading system as embodied in the WTO. The success of the system in promoting trade

liberalization and its binding dispute settlement mechanism may tempt some to use it for achieving other objectives in social and environmental fields which are laudable but not central to the WTO work. Obviously the WTO cannot solve these issues which governments have not been able to address satisfactorily in other specialized fora. It could in fact do great harm to the multilateral trading system by providing a tool to the protectionist lobbies. To quote the Director-General of the WTO, "the WTO is not - and has no intention of becoming - a supranational body with the power to determine values and standards for the international community - especially in the absence of internationally agreed standards and rules".

In conclusion, widespread and equitably shared economic growth and development resulting from a rule-based and fair multilateral trading system will benefit all. In fact, the developed countries will be important beneficiaries of the economic growth and development of developing countries which will provide larger markets and better opportunities, respectively, for their products and investment. This will also lead to global peace and prosperity ensuring a truly stable framework for international relations based on mutuality of benefits.

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