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SUTHERLAND SAYS WTO SET TO PLAY CENTRAL ROLE IN SHAPING INTERNATIONAL TRADE ENVIRONMENT

"The World Trade Organisation, when it is established, will give its member countries a greatly improved set of tools in dealing with trade issues and it will have a central role in shaping the international trading environment into the next century," Peter Sutherland, GATT Director General said today (September 28).

Speaking in Auckland, New Zealand to members of the Australia-New Zealand Business Council, Mr Sutherland said "the benefits of the Uruguay Round will remain an uncashed cheque" until a substantial number of countries, especially the more important traders, completed the process of ratifying the agreements signed at Marrakesh last April. The costs of delay would include both direct costs and opportunity costs. He said the deadline of 1 January, 1995 for the establishment of the WTO is one that no one could afford to miss.

Citing Australia and New Zealand as examples of countries improving their economic performance against a background of support for more open global trading rules, Mr Sutherland said: "Australia and New Zealand made an outstanding contribution to the success of the Uruguay Round, through their own liberalizing example, through their constructive role in the negotiations, and through the part they played in the Cairns Group in moving debate beyond North-South confrontation."

Mr Sutherland focused on a number of aspects of the role of the WTO which he considered will greatly influence the future direction of the multilateral trading system. The Uruguay Round agreements will maintain and enhance the benefits of trade liberalization through improved comprehensive rules and

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procedures, including a new, one-stop shop dispute settlement procedure. The WTO will provide a forum for continuing discussion of further liberalization and maintain momentum to push for freer and more open trading arrangements. It will facilitate consensus on a new world trade agenda, including issues such as trade and the environment and trade and investment issues.

The WTO will provide an over-arching framework that can stimulate regional trading initiatives by providing clear global rules that will assist regional trade groupings to develop in a manner that remains open to other trading partners. "There is no better guarantee of openness in world trade and the world economy than an active and effective WTO," Mr Sutherland said.

The full text of Mr Sutherland's speech is attached.

**AUSTRALIA AND NEW ZEALAND IN
THE NEW WORLD TRADE ERA
ADDRESS BY
PETER D. SUTHERLAND, DIRECTOR-GENERAL, GATT
TO THE
AUSTRALIA-NEW ZEALAND BUSINESS COUNCIL
AUCKLAND, 29 SEPTEMBER 1994**

I have had some experience of the dynamism and drive that Australians and New Zealanders bring to the sports field. Now, this is being liberated into business, trade and the economy as a whole and these countries are well on the way to becoming economic champions too. That's certainly what I have seen this week. In government and private sector alike I have been struck by the energy and the enthusiasm for new directions and new challenges that has been released by the economic and trade reforms of recent years. The opening-up of both countries' domestic markets shows a confidence in your ability to compete that seems well placed. I know that the reforms have not all been easy going, but it is clear that the benefits are now starting to come in and that business is making good use of them.

The evidence is striking: growth rates among the OECD's highest, record export levels, high rates of investment. And the strong growth that both economies are showing at present should have every chance of being sustainable, unlike the cyclical commodity booms of the past. Firstly, since it is built on a more diversified and internationally competitive economic base. And secondly, because it is set in the framework of the global trade liberalization of the Uruguay Round, which will both reward competitive traders and provide the means to work for further liberalization across all trading sectors. A new era for Australian and New Zealand trade is part of a new era for world trade.

The parallels between what New Zealand and Australia have done individually and jointly to create a better environment for trade and growth and what the Round has done at a global level are of course no accident. For both countries, an active commitment to the multilateral system has long been a cornerstone of trade policy. Australia and New Zealand made an outstanding contribution to the success of the Round, through their own liberalizing example, through their constructive role in the negotiations, and through the part they played in making sure the Round did not degenerate into North-South confrontation. In this latter respect the Cairns Group took on an importance which goes well beyond agriculture.

In both countries government, the private sector and the public as a whole have invested heavily in the Uruguay Round. A partial return on that investment is already being felt in terms of bolstered confidence and a more secure investment climate. The prospects for smaller trading nations would have looked very different had the Round collapsed and protectionist policies flourished like poisonous weeds in the ruins.

The biggest gains, though, are still to come. In many sectors it will take several years to realize them fully - in fact some of the most important are open-ended. But you cannot even begin to collect them until the results of the Round are implemented with the establishment of the new World Trade Organization. And before this can happen a substantial number of countries, especially the more important traders, have to complete the process of ratifying the agreements they signed at Marrakesh in April. Until that is done, the benefits of the Round remain an uncashed cheque. The target date for cashing the cheque is 1 January 1995. It is not a date that anyone can afford to miss.

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The analyses that both governments have published of the Round's results only underline this point. The benefits they identify for both countries are clear and unarguable. There is no point in my going over the same ground. I want instead to concentrate on the new World Trade Organization, the central achievement of the Uruguay Round and the cornerstone of the new trade era.

Let me say first of all that while the WTO is a new organization, it is a direct evolution from the GATT and its work since 1947. The WTO will give its member countries a greatly improved set of tools for building on this work and on the achievements of the Uruguay Round. Obviously its immediate priority will be to oversee the full implementation of these achievements. But beyond this, it will have a central role in shaping the international trading environment in the new century. I want to focus on four particular aspects of this role which I think will be particularly relevant to Australia and New Zealand:

- maintaining and maximizing the benefits of trade liberalization through improved rules and procedures;
- negotiating further liberalization;
- working out approaches to a new global trade agenda;
- ensuring that regionalism remains open.

To take the rules aspect first, a fundamental point about the WTO is that it brings together all the different agreements which make up the Uruguay Round under one legal roof. Signatories have signed on to the package as a whole - unlike the results of the Tokyo Round, where there was an element of "pick and choose" in the membership of various codes.

It also brings them under a unified dispute settlement system. For smaller countries with limited resources this is a particular advantage, as it makes using the system a one-stop shop: resources need no longer be tied up in following a case around different GATT bodies.

The system itself becomes more credible and more effective. The automatic adoption of dispute panel findings coupled with a new appeal procedure should ensure that legal proceedings under the WTO meet the basic requirement to be swift and equitable. Again this is a big plus for smaller economies, who need to rely on an effective multilateral dispute settlement system as the ultimate guarantor of their rights.

The new WTO dispute system will not only be faster, simpler and fairer; it will also be more comprehensive, along with the rules it enforces. Trade in services comes under them for the first time, as does trade in intellectual property rights. The new rules in these areas were one of the major breakthroughs of the Round, and they mean the extension to the fastest-growing trade sectors of the fundamental GATT principles, such as non-discrimination, which have done so much to open up world trade in goods.

Even in goods trade, the GATT's coverage was not complete - bringing agriculture fully under the rules was a major negotiating objective for both Australia and New Zealand. It has largely been achieved, especially with the conversion of import protection to a tariff-only basis.

To sum up, the WTO gives smaller trade-dependent nations, in particular, new assurance that the commitments they have obtained in seven years of negotiation are secure and enforceable. It also gives your trading partners and investors added confidence that the liberalizing trade policies bound in your countries' own commitments are here to stay.

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But beyond added legal security there is another important way in which the WTO's rules will maintain and improve opportunities for traders. It is by removing or reducing non-tariff barriers, and by providing a more effective basis for continuing the effort to eliminate these insidious forms of protectionism.

As tariff barriers have come down through successive GATT rounds, other forms of protection have loomed larger as obstacles to trade. I know that a good deal of work has been done in the framework of the Australia-New Zealand Closer Economic Relations agreement (CER) on these "second-generation" issues, and that they are also on the agenda of APEC, the Asia-Pacific Economic Co-operation. The importance for exporters is clear: if the reduction of protection at the border is counteracted by other measures downstream, the effective value of improved market access can be wiped out.

It was thus a priority for the Uruguay Round to make solid progress in this area, and it did.

The rules on Technical Barriers to Trade have been strengthened, and of course they will now apply to all WTO members, not just signatories to a Code. Improved rules and procedures have also been negotiated in other areas such as Import Licensing, Rules of Origin, and Preshipment Inspection, which may not sound exciting to the public but which businessmen know are vital.

Australia and New Zealand, as major agricultural exporters, took a lead in negotiations to tackle the use of sanitary or phytosanitary measures as unjustified trade barriers. The new Agreement in this area establishes fairer rules and sets up a committee to oversee their implementation.

Together these agreements bring the most exotic and elusive forms of protection under the light of multilateral rules - and open the way to negotiations for their further reduction.

This brings me to the second key aspect of the WTO - its role as a forum for negotiating further liberalization. Because the GATT has had only an improvised institutional base, its liberalizing mission has had to proceed in a stop-go fashion through a series of negotiating rounds which have had to be set up from scratch every time. The consensus necessary to set them up means that everything goes on the table at once, and we have seen in the Uruguay Round how unwieldy the process can become.

Furthermore the intervals between rounds have given time and opportunity for backsliding. Protectionist forces have been able to regroup once the pressure of the negotiation is removed, so that the next round has often had to start by recapturing lost ground. Trade liberalization has sometimes been compared to riding a bicycle; if you don't keep up your momentum, you fall off.

Now, for the first time, multilateral trade liberalization will be able to conserve its momentum. The WTO will make possible a continuous effort to build on the gains negotiated in the Uruguay Round. What form this will take - whether, for example, there will ever need to be another all-encompassing round - will have to be decided by the members of the WTO. The important thing is that this new institution gives them a range of possibilities that were just not there before. My own view is that whilst the advantages of complex Rounds are that they can ultimately create the balance required for bargains and thus progress, they also can paralyse and inhibit progress over a period. We should look, at least initially, for continuing progress through a simpler process with less interdependence.

There are already mandates for continuing negotiations in certain areas, notably in services. They have in fact already resumed in maritime services, basic telecommunications, and the movement of natural persons, and will do so in financial services. In this sector above all, the present agreement is clearly just the beginning of an ongoing liberalization effort whose rewards are incalculable.

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In fact, practically every area of the package contains provision for continuing work, which is already getting under way.

The point is that the WTO is not just a once-and-for-all agreement but a living, dynamic entity which will permit the international trade policy agenda to keep pace with the evolving priorities of governments and with the ceaseless change of the trading economy.

As you know, elements of a new world trade agenda are beginning to emerge. Trade and environment has in fact already been put on the agenda, and work is under way as part of the WTO preparatory process.

Some of them are areas where work is already going on in this region - in APEC on trade and investment, for example. And CER's achievements in coordinating competition policy could offer some valuable lessons to any multilateral effort. Both these are areas where the importance of developing multilateral rules can only grow the more businesses expand beyond national borders.

Other issues were suggested for the WTO's agenda at the Marrakesh Ministerial Meeting last April. I certainly hope the new WTO is not overburdened with intractable issues before we have even implemented the results of the Uruguay Round. It is important too that trade measures are not seen as a cure-all to other issues: more effective solutions to specific problems will often be found in domestic measures or through negotiation in specialized international fora. Work in specialized bodies can also help to create a clearer understanding of what the issues really are - at the moment some of the suggested topics are shrouded in rhetorical fog. It is of course for the members of the WTO to decide what issues they take up, how they do so, and this must be done by consensus.

The last of my four points, the WTO's importance for regional initiatives, is in a way the sum of all the others. It is precisely because the WTO offers a global system of trade rules, a global forum for continuing negotiation and a global platform for building the new trade agenda that it is the essential and irreplaceable counterpart for the regional groupings of the future.

The rules of the GATT have always provided a framework of guidelines and procedures to help ensure regional groupings develop in an open way, rather than becoming hostile blocs. Judging by the evidence of increasing trade not only within but between such groups, and with third countries, they have had a fair degree of success.

The WTO will continue these rules and procedures in a more effective form. But that is far from being the whole story. It would not do justice to the vitality and potential of the WTO to think of it just as a static framework, a sort of climbing frame on which regional associations can grow without stifling each other. In fact it will also be a living and evolving entity - a tree rather than a frame - and its growth and the growth of regional groupings around it must be mutually nourishing and strengthening.

The critical early stages of the WTO's development are happening amidst a flowering of regional initiatives here and in other parts of the world. They are a welcome sign of private-sector vitality and political vision - and they are growing in ground cleared and prepared by the achievements of the GATT in cutting away the undergrowth of trade barriers.

The Asia-Pacific region contains perhaps the most striking example of the WTO's key role in shaping the environment for regional initiatives; the re-integration of China into the world trading system. As you know, China is actively pursuing the resumption of its contracting party status in GATT and membership in the WTO, and the evolution of this process cannot help but influence developments in APEC, for example.

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As Australia and New Zealand have found in CER, or the NAFTA countries, or MERCOSUR, a shared adherence to the principles and rules of the GATT system is in effect a prerequisite for negotiating closer association at a regional level. It gives the negotiators a common language and a common set of basic commitments to each other and to other GATT members.

It is very unlikely, for example, that Mexico could have become a partner in NAFTA had it not previously joined the GATT. And it must likewise be a question how far regional trade arrangements can encompass China's vast potential as long as it remains outside the multilateral system.

The importance of this question to CER exporters and investors in China is obvious - it concerns the basic issues of market access, security of commitments and confidence for future planning.

Similar issues arise in other parts of the world: in Central and Eastern Europe, for example. GATT membership gives ex-COMECON countries a firmer footing in negotiating closer links with the European Union. And the ex-Soviet republics, including Russia, make up almost half of the 21 countries now applying to join.

This number also includes the last two Latin American non-members (Ecuador and Panama). Latin America, as part of a turnaround even more radical than yours, has now embraced active trade liberalization. Their experience shows as clearly as CER's that unilateral liberalization, regional initiatives and the multilateral system grow best when they grow together.

The conditions they all need to grow in can be described in one word: openness. I was pleased to see the recent APEC Eminent Persons Group report reaffirm the principle of Open Regionalism which was endorsed by the Heads of Government in Seattle last year. It is a principle which I know has been fundamental to the development of CER. It is also fundamental to the multilateral system.

There is no better guarantee of openness in world trade and the world economy than an active and effective WTO. There would, on the other hand, be no better way of ensuring that regional arrangements grow away from this principle than diminishing the WTO's effectiveness.

It is for me an article of faith that all countries, whether superpowers or least-developed, need the WTO to be active and credible. But for smaller countries where trade contributes the bulk of GDP, the need is perhaps most obvious. I have suggested some of the ways in which New Zealand and Australia will find the WTO at the centre of their future trade horizon. I could mention others, such as the need to address more credibly the trade aspects of development; or the opportunity the establishment of the WTO, the missing third side of the Bretton Woods triangle, gives us to revitalize international coordination of trade, finance and development. Next week I shall be in Madrid for the annual meetings of the IMF and the World Bank, and I will be seeking to advance the greater coherence in global economic policy making which Ministers have invited the WTO to seek in conjunction with the Bank and the Fund.

In concluding, however, I want to come back to a point I made earlier and which I think cannot be emphasized enough: the urgent need to ratify the WTO agreements and then to implement them fully.

Ratification is the most pressing priority. An Implementation Conference has been scheduled for early December in Geneva to complete the formalities for the establishment of the WTO. Its date was set in accordance with the 1 January target date for entry into force. If by the time of that conference - now only two months away - a substantial number of countries have not ratified, the target may not be met.

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As of today, the signals are moderately encouraging, but there is certainly no reason for complacency. It is good news that the legislative process is well under way in both Australia and New Zealand - it will be even better news when it is completed.

I need not spell out the costs of delay. There are likely to be both direct costs - US market analysts have already warned of a negative effect on markets generally - and opportunity costs. All you have to do is think of the opposite of all the benefits I have outlined - and then factor in the possibility that delay might mean the WTO's credibility is weakened when it does arrive.

All the reasons why Australia and New Zealand have placed so much value on the GATT, and on the Uruguay Round, are reasons why the WTO is a vital part of your future. They are the reasons why I trust that the ratification process will very soon be completed in both countries, and that Australia and New Zealand will use every opportunity at regional meetings in the near future to urge their partners also to give ratification a top priority.

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