

# GATT News WTO

## FROM GATT TO THE WORLD TRADE ORGANIZATION

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**"OPENING UP NEW OPPORTUNITIES FOR TRADE AMONG COUNTRIES  
IN THE MIDDLE EAST AND NORTH AFRICA IS ONE OF THE MOST  
IMPORTANT WAYS OF HELPING THE PEACE PROCESS"  
SAYS PETER SUTHERLAND**

**'The greatest benefit of the World Trade Organization is security'**

"Opening up new opportunities for trade among the countries of the Middle East and North Africa is one of the most important ways of helping the peace process and cementing its achievements," said Peter Sutherland, Director-General of GATT, at the Summit Conference for the Middle East and North Africa in Casablanca, Morocco, today (Monday 31 October).

Mr Sutherland pointed out that the new trading opportunities for countries in this region which had signed the Uruguay Round results would be considerable and would include improved access to markets for agricultural products; major tariff reductions in developed-country markets for products of particular regional export interest such as metals, minerals, precious stones and chemicals; and the phase-out of import quotas, as well as tariff cuts, in textiles and clothing. These opportunities would help these countries to diversify their trade and economic base and to specialize in areas where their productivity advantage was greatest.

"One such area is trade in services," emphasized Mr Sutherland, "where the positive link with the peace process is clear and direct - most obviously so in the tourist and travel industry which is one of the first to flower in a more secure political environment. And we should not overlook the potential of services industries to create the new jobs that are so urgently needed by the expanding populations of this region.

"Although the full extent of these benefits will apply only to WTO members, even those countries in the Middle East and North Africa which are still outside the multilateral trading system will benefit from increased economic activity and a more stable trading climate. However, it is only as full members that they will be able to take advantage of perhaps the greatest benefit of the WTO - security. Governments represented here today have had the courage to open up to the promise - and challenge - of peace. The more they can also open up to the opportunities of trade, the better the prospects for peace will be."

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

Address by Peter D. Sutherland  
to the  
Summit Conference for the Middle East and North Africa

Casablanca, 31 October 1994

**TRADE AND PEACE**

I

First of all let me congratulate you, Your Majesty, for inspiring and hosting this meeting. The world saw at Marrakesh in April the vision and commitment that Morocco is bringing, under your leadership, to the pursuit of economic development at a global level. Here in Casablanca we have further cause to appreciate this country's key rôle in bringing this region closer together in the cause of peace.

This conference takes place at an exceptionally auspicious time. We are, as we all hope, seeing the beginning of a new era in the political relationships of this region. To ensure that prospects for peace can really last, it is essential to build a solid framework for the growth of confidence and security. Trade is a vital component of that framework. A new era also opened in world trade when the Final Act of the Uruguay Round was signed here in Morocco and the formal decision taken to establish the new World Trade Organization. The conjunction of events could not be more propitious, and I would like to think that it is a sign of a general move towards a greater rationality and co-operation in world affairs. In any case it means a unique chance to build the economic foundations of a lasting Middle East peace as part of a more stable and more equitable global trading system.

It has always seemed odd that this region, which has a good claim to be the cradle of international trade and which has always been home to some of the world's greatest traders, should have been to such an extent outside the multilateral trading system as it has existed in GATT since 1947. I believe that the WTO will be the means by which the region as a whole can re-enter the system fully, and that through the WTO it can resume the central place in international trade for which its history, its location and the entrepreneurial energies of its peoples mark it out.

II

The essential point about the WTO is contained in its name - it will truly be a World Trade Organization. It will be practically global in every sense - in its membership, in its coverage of world trade sectors and issues, and in the possibilities it will provide to address global economic issues in a fresh and effective way.

The economic stimulus it provides will also be global. The existing commitments for liberalization of market access under the WTO will add \$755 billion to world trade annually by 2002, according to GATT Secretariat estimates. The global income gain by 2005 has been estimated at \$500 billion. For the OECD countries, the success of the Uruguay Round is expected to increase merchandise trade by 7 or 8 per cent; for developing countries the trade growth is conservatively estimated at 14%. And these figures are gross under-estimates, since they exclude trade in services, the fastest-growing

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sector of world trade. They also exclude those aspects of the WTO which cannot be quantified but which may well come to be seen as even more important than the direct economic gains.

This agreement means the most important single stimulus to global trade - and the world economy - for decades. A stimulus which should have the added advantage of not inducing renewed inflation.

Beyond the purely economic benefits, the rules of international trade will see the most significant strengthening of their effectiveness and credibility in fifty years. And this is not some abstract or theoretical achievement - it is nothing less than a reinforcement of the rule of law in international economic relations, a reinforcement for which the need is both urgent and universal.

In addition to consolidating and extending the frontier of trade liberalization, the WTO will also provide a platform for developing a new global trade agenda; for improving international economic cooperation and for promoting sustainable development in developing countries. Furthermore, the WTO will be a dynamic and expanding universe within which regional initiatives can coalesce and evolve.

### III

The new trading opportunities opened up to Middle Eastern and North African countries which have signed on to the Uruguay Round results will be considerable. They include: improved access to markets for agricultural products such as rice, fruit and vegetables; major tariff reductions in developed-country markets for industrial products of particular regional export interest such as metals, minerals and precious stones and chemicals; and the phase-out of import quotas on textiles and clothing exports under the Multifibre Agreement, in addition to tariff cuts. According to GATT Secretariat estimates, the increase in world textile and clothing trade by the year 2005 as a result of the Uruguay Round (34 and 60 per cent respectively) will be higher than in any other sector of merchandise trade.

The WTO will help countries in this region diversify their trade and economic base.

Export diversification has proven difficult to realize in the past, in the face of poorly functioning preference schemes, high tariffs and subsidised competition. Now, as foreign markets open and competitive conditions improve, countries in the region can expand production of goods that make best use of a skilled and productive work force - one of their greatest resources. The specialization encouraged by more open markets will allow Middle Eastern and North African countries to concentrate resources in areas where their productivity advantage is greatest.

Trade in Services is one such area - one whose vast potential to boost economic growth in the region as a whole has hardly yet been tapped, though it contributes already a significant proportion of export income in Egypt, Tunisia, Israel and Morocco. The security of new rules and commitments on services under the WTO will help attract foreign investment to its members. They also contain provisions to promote the development of the sector in developing countries.

This is an area of trade where - perhaps more than any other - the positive link with the peace process is clear and direct. Most obviously so in the tourist and travel industry, which is one of the first to flower in a more secure political environment. But construction and engineering, business and financial services are also areas where the skills and experience of these countries can liberate a new economic dynamism in a setting of lessening political tensions and freer trade. And we should not overlook the potential of services industries to create the new jobs that are so urgently needed by the expanding populations of the region.

MORE

#### IV

Although the full extent of these benefits will apply only to WTO members, even those countries in the Middle East and North Africa which are still outside the multilateral trading system will benefit from increased economic activity and a more stable trading climate. I am confident that they will quite quickly see that the logic of becoming full members is irresistible. For only then will they be able to take advantage of perhaps the greatest benefit of the WTO; security.

This is the security of belonging to a system with over 120 member countries who are all legally committed to observe the same basic rules in international trade - rules which rest on vital core principles like non-discrimination. It is the security of access to the only global mechanism for settling trade disputes. It is the security of market access and trading conditions which are legally binding and enforceable. In short, it is the security that comes from having a place at the table of the international trading community.

It is encouraging that Bahrain, Qatar and the United Arab Emirates have recently become GATT contracting parties, and that Saudi Arabia and Jordan have both applied to accede to the GATT. They are part of an impressive group of applicants which includes China, Russia, many of the ex-Soviet republics - and the last two Latin American non-members. It is also valuable that Algeria took part in the Uruguay Round, though not a GATT member, and that a number of countries apply GATT rules on a de facto basis or have observer status in GATT bodies.

These moves towards fuller integration into the world trading system are also important for the support they provide to regional trade and economic co-operation. Regional integration schemes have so far had mixed fortunes in this part of the world. Part of the reason is surely that they have not always been built on the firm foundation of multilateral rules.

Shared adherence to the principles and rules of the multilateral system is in effect a prerequisite for negotiating close 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 or WTO members.

The rules of the GATT have always provided a framework of guidelines and procedures to help ensure that regional groupings develop in an open way, opening up trade among their members while not shutting out the wider world.

The WTO will continue these rules and procedures in a more effective form. But it won't just be a static backdrop - it will be a living, dynamic global counterpart to regional liberalization efforts in this region and other parts of the world. Its growth, and the growth of regional arrangements, can and must be mutually strengthening.

#### V

Opening up new opportunities for trade among the countries of this region is one of the most important ways of helping the peace process and cementing its achievements. There is tremendous scope for developing intra-regional trade from its present relatively low levels.

This will play a key part in liberating enterprise and encouraging the development of export industries which can compete successfully on world markets.

I do not underestimate the challenges this will involve. Moving away from import substitution and high levels of protection to a more open and competitive trade policy calls for courage and leadership. But, as the experience of developing countries elsewhere in the world shows, it is well worth the effort. And if the effort is undertaken within the multilateral system, it has the support of shared commitments, reciprocal obligations and expanded opportunities.

The aim must be to move trade, like all the other aspects of relations within the region, away from a defensive posture and towards a co-operative one. Governments represented here today have had the courage to open up to the promise - and the challenge - of peace. The more they can also open up to the opportunities of trade, the better the prospects for peace will be.