

International Institute for Sustainable Development Report on the WTO's High-Level Symposium on Trade and Development

OPENING STATEMENTS

Renato Ruggiero, WTO Director-General, introducing the Symposium, said that in some ways the dialogue on trade and development was an old one, because development was one of the central goals of the GATT. However, the dialogue was also new because, in the age of globalization, interdependence and instantaneous communications, the level of inequality between countries and people is becoming increasingly unacceptable. He noted that more than two billion people - a third of humanity - live on less than 2 dollars a day, 1.5 billion people lack access to fresh water, and 130 million children have never gone to school. The idea that billions are mired in poverty, while others grow richer, was not just unsustainable it was unconscionable. The second difference is that the role of developing countries in the

The EUROPEAN UNION said that the best way for developing countries to prevent unilateralism and protectionism and ensure integration into the multilateral trading system would be to enter into a new round. He said the EU would put all its current tariffs on table for the new round. He stressed the need to help developing countries with implementation, develop an approach to capacity building and ensure institutional reform to facilitate developing country participation in the WTO system. With the UNITED KINGDOM and DENMARK, he called for LDC concerns to be given specific consideration. The UNITED STATES elaborated on the elements of President Clinton's conception of the new round. It included an accelerated agenda for negotiation, institutional reform to ensure transparency and capacity building and on-going trade liberalization. She said the US was willing to work on increasing market access in agricultural and industrial goods, discussing implementation problems on a case-to-case and issue-by-issue basis and making improvements to dispute settlement procedures.

PANEL I: LINKAGES BETWEEN TRADE AND DEVELOPMENT POLICIES

This panel was moderated by Paul Collier, Development Research Group, World Bank.

MAIN SPEAKERS

C. Fred Bergsten, Director, Institute of International Economics, Washington D.C., identified the urgent need for a new round based on his estimation that the openness of the trading system was at risk from protectionist measures in the EU and US. He enumerated possible priority interests the developing countries could pursue in the new round including increased market access for textiles and agricultural goods, elimination of preferential tariffs in regional arrangements, new agreements on foreign direct investment, tougher discipline on the use of anti-dumping duties, liberalization of the movement of natural persons and further strengthening of the dispute settlement mechanism. He said developing countries had a great deal to gain from launching a new round and as a strategy it was preferable to re-negotiating the Uruguay Round. He also advised developing countries to avoid a push for renewed "special and differential treatment" but rather to seek full and active participation as equal partners in the trading system. He said that a new round was essential to keep the "bicycle" of trade liberalization moving forward.

DISCUSSANTS

María Livanos Cattai, Secretary General, International Chamber of Commerce, argued that any new approach must account for microeconomic aspects. As for LDCs, she called for a focus on local business, local markets and proper partnerships with international business. She regretted that many developed countries still maintain protectionist policies in textiles and agriculture. There were also many practical issues that impede the free flow of goods, such as technical standards and labeling requirements. She said the role of trade in promoting development should not distract from the essential preconditions for development, such as stable political systems, a solid framework of business laws, an independent

Wontak Hong, University of Seoul, Republic of Korea, suggested focussing on ways for developing countries to be more active partners in the WTO system. He recommended learning from the East Asian experience. Expansion of labour-intensive manufacture exports could be an important engine of growth as it would increase employment opportunities, improve overall labour efficiency and create a dynamic learning effect. He emphasized the need for an appropriate role for government and cited this as the lesson of the Asian economic crisis. Industrialized countries and the WTO must learn to tolerate a more active governmental role in developing countries.

Deepak Nayyar, Jawaharlal Nehru University, New Delhi, stressed that trade was not an end but a means, and development was not about economic growth but about improving living conditions. He said that export orientation is not the same as openness. He said the degree of openness and nature of intervention are strategic choices in the pursuit of industrialization that cannot be defined "once and for all" as they depend on the stage of development and must change over time. He also said it was essential to redefine the economic role of the State vis-à-vis the market so that the two institutions complement each other as circumstances or times change. Highlighting the fact that striking asymmetries exist in a world of unequal partners, he said different rules exist in different spheres. For example, free movement of capital contrasted with the absence of free movement of labour. He said the emerging asymmetry in international rules significantly reduced the autonomy of developing countries in the formulation of economic policies in the pursuit of industrialization and development.

John Toye, UNCTAD, acknowledged that it was urgent to launch a new round of trade talks, but raised questions as to whether this would be feasible in the time-frame envisaged. He wondered whether sufficient time remained to implement a programme of technical assistance for developing countries to be ready for negotiations due to open in November. He noted that if they feel rushed, Members may not cooperate in the necessary launch of the next round. He stressed that special and differential provisions should not grant generalized exemptions.

DISCUSSION

Participants expressed a range of views on the impact of increased trade liberalization and emphasized different priorities regarding issues that should be taken up in the WTO. INDIA said that developing

also stressed the importance of South-South trade, binding of tariffs at applied rates by developing countries and improved technical assistance. FRANCE called for adoption of a generous and ambitious programme of debt relief and highlighted its proposal to suspend payment on debts for 30 years. He emphasized the need for LDCs to take advantage of the access to technical cooperation and the use of generalized preferences. JAPAN emphasized the need for a new round and for it to deal with investment. He also stressed the importance of capacity building.

Fred Bergsten, in response to India, said that a World Bank Study had indicated a 1.2 to 2% annual benefit in additional GDP growth for developing countries from the Uruguay round. In response to Bezansen, he said that every one of the postwar negotiations had been triggered by protectionist measures - a result of macro-economic and monetary crisis. He said it was time for the "bicycle" to be started again.

In summing up, Paul Collier said that differing views had been expressed - that trade liberalization is a necessary and sufficient condition for development, that it is neither necessary nor sufficient and that it is necessary but not sufficient. He endorsed the view that trade liberalization was a necessary but not sufficient condition. He said many LDCs had created capital-hostile environments and did not have a social agenda in place to enable growth to be complemented by equity. He said trade policies need to be integrated into a wider framework of development strategies geared toward poverty alleviation. He said that specialization by LDCs and low-income countries in a narrow range of commodities had left them vulnerable to external shocks. Developing countries had contributed to their own marginalization by following closed policies. The WTO was therefore a natural organization for low-income countries. He said it was in the interest of small low-income reforming countries to try to get rid of anti-dumping activity, determine which environment and labour concerns are genuine and which are not and focus on agriculture and textiles as their key areas for reform in the next round. He supported the initiative on bound, duty free access for all LDC exports and upheld Fred Bergsten in his prediction that unless action is taken the future could be one of protectionism.

The following day, THIRD WORLD NETWORK, presenting a statement signed by a number of NGOs, said many participants were upset at the way the first panel was conducted and the moderator's conclusions. He said African countries were insulted by the moderator's remarks implying that they were deliberately marginalizing themselves within the WTO. He also characterized the moderator's message as stating that developing countries will only change when they are shocked and that the US was about to

timing, sequencing and degree of market liberalization, which would allow developing countries to adapt individually to the consequences of open markets. He highlighted the impact of technological advances that have lowered the cost of communication and transport, which could benefit developing countries.

DISCUSSANTS

Marcelo de Paiva Abreu, Rio de Janeiro, Brazil outlined a possible agenda for the New Round and recommended removal of distortions in agricultural trade, improvements in the international discipline in anti-dumping duties and strengthening the multilateral system to deal with the use of unilateral measures. He suggested a re-examination of special and differential treatment for developing economies and said such treatment should be geared towards integrating LDCs and low-income countries into the multilateral trading system. He referred to the importance of binding commitments and schemes relating to the

CONFEDERATION OF INDIAN INDUSTRY (CII) stressed the need for capacity building to precede any discussion of a new round. She said there was a need to examine issues related to special and differential treatment and anti-dumping. SWITZERLAND supported the need for coherence in policy between international organizations and between and among governments. He favoured the launching of a new round of negotiations and promised a focus on tariff peaks and tariff escalation, issues of importance to developing countries. NORWAY said it was unnecessary to wait until a new round to introduce improvements and called for improved access to dispute settlements mechanisms. FINLAND and UGANDA said WTO must ensure capacity building through adequate technical assistance programmes and with NEW ZEALAND supported duty free market access for LDC exports. KOREA called for exploiting the possibility of improved market access and said the next round should consider maintaining special and differential treatment. RESEARCH FOUNDATION FOR SCIENCE, TECHNOLOGY AND ECOLOGY (RFSTE) expressed disappointment at the "low level of metaphors being used in the high level symposia." She stressed that if there is a punctured tyre on the bicycle it would make better sense to

Sir Leon Brittan, Vice President of the European Commission, suggested that the WTO endorse capacity-building in Seattle and develop a work programme that could enhance cooperation among donors, avoid duplication and improve targeting of assistance. He encouraged the consideration of a new round of multilateral trade negotiations and explained that the new round was of vital importance to the developing countries as the agenda-setting process was of an open-ended nature and the outcome would be

enhance their prospects for growth. Further, while potentially significant for the LDCs, this proposal would not involve significant costs for industrial countries. Past schemes to help the LDCs integrate into the international trading system had not worked. He said it was time to try something new.

DISCUSSION

Several statements underscored the need for and different approaches to capacity building. Many countries, such as GUATEMALA and URUGUAY expressed support for the establishment of a WTO legal advisory unit. COMMUNAUTÉ ECONOMIQUE ET MONETAIRE DE L'AFRIQUE CENTRALE (CEMAC) stressed the need for technical assistance. CANADA called for more attention and resources on building capacity in: understanding the issues of new negotiations and developing negotiating positions; implementation of existing WTO obligations; and fostering an enabling environment for development. The UNITED STATES agreed that the WTO would benefit by involvement of the recipients of assistance, which would ensure that it is demand-driven. The UNITED KINGDOM called on others to make the next round of talks a "development round." He said that if it is to be a development round, developing countries must have the capacity to negotiate. GERMANY stressed the role of technical-assistance and announced the contribution of DM 1 million to the WTO Trust Fund to support developing countries in securing their own interests in the multilateral trading system.

Market access for LDCs was the focus of several statements. The US said improving market access is a shared responsibility and it had taken in an increasing number of developing country imports and had a range of duty free treatment for LDC products. The NETHERLANDS said that talk of improved access for agriculture and textiles was not just intended to induce developing countries into consenting to another round. He envisioned a world without tariffs in a decade or so. FAO noted that agricultural performance of LDCs is poor and said it was no surprise that they had suffered serious economic setbacks. He sought to raise competitiveness of this sector and stressed that, despite progress, access to market was still constrained by SPS and TBT standards. FAO had embarked on a training programme for the next round. AUSTRALIA welcomed duty free access for LDCs, but said this alone was insufficient. They should not have to compete with heavily subsidized products. HUNGARY expressed support for a new round of negotiations and the suggestion that all developed WTO members should permit duty-free access for all LDC exports. He said that improved market access must be complemented by enhanced trade-related technical assistance.

INDIA explained the WTO "scepticism" of the developing world by pointing to the fact that the issues promoted by the developed world such as intellectual property rights and services had resulted in agreements; investment and competition policy had resulted in the creation of working groups; and environment had resulted in the creation of the CTE. However, developing country concerns such as technology transfer, financial mechanism, capacity-building, debt relief and supply side constraints had not been addressed. NEPAL called for an inclusive approach, assured market access for products of LDCs and increased bilateral and multilateral assistance to tackle supply side constraints. KOREA stressed the need to provide more flexible procedures for accession. He called for the adoption of the "umbrella waiver" - a legal basis to provide preferential treatment to LDCs. MALAYSIA said that the developing countries were not going to enter into the new round merely because of the threat of rising protectionism in the US and EU.

In summarizing, the moderator noted that many thoughts on integrating the developing countries into the multilateral trading system had been provided. He noted that developed countries should remember that an example is better than a sermon. He also noted many statements questioning the belief that simply freeing trade is enough. He said LDCs will be encouraged if the trading system does not become a source of additional obligations. UNITED KINGDOM noted the importance of poverty alleviation and the need for integration of trade policies into a wider set of development policies.

WTO Director-General Renato Ruggiero, in closing the Symposium, noted that by the end of the four days of discussion, around 200 interventions from delegations had been made. He said the meeting had been positive and constructive, with an impressive number of interventions which had contributed to a

better knowledge of problems pertaining to trade and development. He noted in particular: the strong emphasis placed on least-developed countries; the statement by Alec Erwin that trade liberalisation and development policy required adjustment in both developing and developed countries; the wide consensus that trade liberalisation was not on its own sufficient for development; and the support for closer cooperation between the main international organisations to ensure an integrated framework in terms of development strategy.

Mr. Ruggiero noted the discussion about the goals to be pursued through the WTO and took up Mr. Erwin's idea that greater social equity should be sought in future negotiations. It was recognized that there had been difficulties for many developing countries in implementing the Uruguay Round results; this was a serious issue that needed to be examined with an open mind in order to prepare future negotiations. Studies showed that, although there had been benefits from the Uruguay round, these had not necessarily been evenly distributed.

Regarding the next round of multilateral negotiations – which many had called a Development Round - some had expressed the need for delaying the initial phase of the negotiations. Others had indicated that it was necessary to meet the agreed deadline; this could be done if developing countries had greater confidence in themselves, their roles, and their leverage in forthcoming negotiations. He recalled Mr. Ricupero's statement that developing countries needed to face a positive agenda with a more aggressive mind, so that they might define and defend their interests successfully.

The role of new technologies had been indicated as an essential element both of future negotiations and of the development process in general. He had been particularly impressed by negotiations for the liberalisation of telecommunications, which had been completed in a few months. These negotiations had not been particularly arduous for developing countries. They had quickly recognised that liberalisation in telecommunications would be of interest to them as it would allow a flow of investment and network technology that would increase their competitiveness. He also recalled that developing countries had made positive contributions in the area of electronic commerce, allowing agreement on an ambitious work programme. It was essential to consider how to use new technologies to accelerate the development of developing and least-developed countries.

Mr. Ruggiero said that a major success of the Symposium was the full support for giving priority to the integration of LDCs into the multilateral trading system, and the need for industrial countries to open their markets through bound duty and quota free access to the exports of least-developed countries, at an early stage of the next Round. He also noted full support for the development of an integrated strategy to address shortfalls in capacity experienced by LDCs, a quick decision on debt relief, measures to strengthen the access of LDCs to the Dispute Settlement Mechanism, and the provision of both financial and legal assistance to this end. He was grateful to the IMF, World Bank and UNCTAD for their support in this area.

Reacting to the concern expressed that the WTO system tended to exclude some developing countries, Mr Ruggiero recognised that the system was not perfect, and acknowledged that some developing and least-developed countries had difficulty in participating fully in the organization. This was mainly because there were too many meetings, which was an objective problem, but not the result of a deliberate policy of exclusion. While recognising that further efforts needed to be taken in improving the negotiating capacity of developing countries, he noted the ability of developing and least-developed country Ambassadors in defending the interest of their countries, and recalled that the success of the Singapore Ministerial Conference was in large part due to the work of Ministers from developing countries. Developing countries therefore played a very important role in the organisation, and it was consequently necessary to dispense with the notion that the organisation worked in favour of some members and against others.

As with the Symposium on Trade and Environment, Mr Ruggiero declared that the Symposium on Trade and Development was closed, but that a new dialogue had now been opened.