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Statement Circulated by H.E. Mr. Cesar B. Bautista,
Secretary of Trade and Industry

Introduction

1. On behalf of the Philippine Government and my delegation, I wish to express our gratitude to the Chairman, His Excellency Mr. Pascal Couchepin, and to the Swiss Government for the holding of this Ministerial Conference in the international city that is Geneva. Your hospitality - esteemed as it already is - is only rivalled by the beauty of your country.
2. Allow me also to extend our sincerest appreciation to the Director-General, Mr. Ruggiero, and his steadfast colleagues in the Secretariat, for their efficient management of our session, and for their dedication and unselfish effort in assisting us, Members, in the exacting preparatory work leading to this important occasion. I must say that the Decision we took last month that will hopefully lead next year to the establishment of an independent WTO Secretariat was but appropriate.
3. Since we last met in Singapore in December 1996, Philippine trade continued to expand and growth in the overall economy has been very encouraging. Without doubt, we benefit immensely from the multilateral trading system and, under this system, we are determined to sustain our trade-driven growth. But we have also witnessed a swing in the cyclical fortunes of many countries in our part of the world. To a certain extent, the Philippines itself has not been spared the challenges of the financial crisis in Asia.
4. Now is not the time to delve into the "whys" and "hows" of the crisis. We are confident that these are being addressed competently, including on a regional basis, with the end in view of learning not to repeat the miscalculations of the past. For now, it is important to nurture the fledgling recovery through correct and timely reforms and adjustments; and even more importantly, to quickly rebuild confidence precisely through such actions to allow us once again to claim the title of "most dynamic region in the world."
5. Allow me now to share a few thoughts on our main topics at this session, that is, on implementation and the work ahead.

Implementation

6. The Philippines accords the highest importance to the full and faithful implementation of the WTO Agreements we signed in Marrakesh. And since we met last, we have gained more experience in the implementation of these Agreements, and in the educational process in specific issues we decided to pursue in Singapore.

7. In our assessment, the experience thus far yields mixed results and, in the case of some agreements, possibly point to some more fundamental reassessments in the future.

8. The implementation of various agreements, including the successful conclusion of sectoral services negotiations, has proceeded efficiently in the relevant WTO Bodies. Reviews continue of the WTO consistency of national legislations and of measures taken by Members, particularly in the area of rules such, as anti-dumping and countervailing duties and safeguard measures. These serve as an institutional vanguard against the indiscriminate and unjustified use of trade defense measures.

9. The review mandated of the Agreement on Technical Barriers to Trade achieved consensus on forward-looking activities that can only strengthen the open, non-discriminatory WTO system. Other reviews are under way - like those of the Dispute Settlement Understanding and the Sanitary and Phytosanitary Measures (SPS) Agreement - with the end of view of clarifying and, if necessary, improving them, again by consensus. In the case of SPS, it would be essential that the review does not give rise to amendments that will weaken the basic principle that SPS measures should not be used discriminatorily and without scientific basis.

10. In respect of regional trading agreements (RTAs), the Committee on Regional Trade Agreements has done good work, but remains unable to resolve the main issues that affect the operation of Article XXIV of GATT 1994. The resolution of various issues hinges on the resolution, in turn, whether through authoritative interpretation or consensus decision, of the extent to which such arrangements are or should be subject and answerable to the non-discrimination rule of the WTO system. Until such time, I cannot offer an answer to the definitional and legal questions before the Committee. The alternative, however, is to continue monitoring and reviewing the RTAs. I hazard to predict, though, that in the future, we might be reviewing not just RTAs among countries, but broader arrangements among RTAs. Perhaps, by that time, with the proliferation of RTAs, the concept of regionalism would have become redundant, and the more relevant issue would be global free trade, rather than mere trade liberalization.

11. The trade and environment interface is a challenging one because both involve legitimate interests that are inscribed, on one hand, in WTO rules, and in the multilateral environment agreements (MEAs), on the other. It is well known that a central question in the Committee on Trade and Environment remains to be whether or not the MEAs and their trade provisions should be respected and even enforced in the WTO. The underlying issue here is the extent to which the WTO can legally recognize and enforce the objectives of the MEAs. This has to be assessed in light of the state of evolution of public international law, given that under its present norms, the WTO Agreement and the MEAs have a separate and distinct existence; that corollarily, the "single undertaking" of Members covers solely their rights and obligations under the WTO Agreement, and no other. After all, if we are to pursue a rules-based multilateral trading system, we can only do so in strict conformity with international law.

12. Another important issue in the Committee on Trade and Environment are the potential benefits of removing trade-restricting and distorting measures, especially as such removal improves the trading, and therefore, wealth creation capacities of developing countries. Certainly, it is important that the trade and development regime give proper consideration to the preservation of the environment. Thus, there may be benefits to environment-friendly global governance. However, any such regime should be compatible with the basic purpose for which the multilateral trading system was established, which is the freer movement of goods and services.

13. We have also seen progress in the study of new issues we agreed to in Singapore. Although there is no outcome so far that could be described as agreed in the Working Groups on investment, competition policy and transparency in government procurement, a wealth of ideas and concepts have been aired, thus allowing a better appreciation of where each one of us stand. It would be important

to underscore that the study process in these Working Groups remain to be simply educational, and without prejudice to any future activity we might, or might not, find necessary.

14. There is also encouraging movement in the area of trade facilitation, particularly with the holding of the symposium on this topic last March, although at some point we will need to have a fuller understanding of how trade facilitation will tie up with existing WTO Agreements, say, on Customs Valuation.

15. Accession work on the more than 30 countries presently seeking membership continue at varying speeds and progress. Where work is more advanced, the Philippines can only enjoin all Members to facilitate the conclusion of those applications. We also call on the acceding countries to make commercially viable offers and meaningful concessions, and to refrain from any action that may be construed as tactical protraction of the accession process.

16. The implementation of other agreements, however, has failed to live up to expectations, and even betray the lack of balance we thought we had reached when we concluded the Uruguay Round in Marrakesh.

17. The full and faithful implementation of the Agreement on Textiles and Clothing is of central significance to many developing countries. But the manner by which certain large importing countries have eliminated restrictions on items politically sensitive to them - but commercially important to exporting countries - casts serious doubt on whether or not we can reasonably expect the full integration of the sector into the rules of WTO by 2005. By pushing the bulk of restrictions for elimination to the end of the 10-year transition period - the longest in the WTO - the willingness of the importing countries to undergo industrial adjustments through increased competition becomes questionable. This situation also has important ramifications for the ability of the exporters to acclimatize themselves to an open, quota-free trading environment. The Philippines believes the situation must be rectified so that the original objectives of the Agreement can be set on track before we reach 2005.

18. Furthermore, the tendency of at least one large importing country to use rules of origin, in the face of ongoing and sometimes intractable negotiations in this field, to change the conditions of competition in certain sectors of the textile and clothing industry is specious, if not outright ignoble. In its quest to further its apparent protectionist motives against some exporters, it has adversely affected others which would have otherwise easily fulfilled the rule-of-thumb on substantial transformation.

19. In the area of agriculture, the Philippines considers subsidies - in all its forms and amounting to some US\$280 billion across OECD countries in 1997 - as the most trade-distorting policy measure that bedevils world agricultural trade. Thus, the next round of agriculture negotiations should deepen commitments and give way to strengthening the disciplines in the areas of domestic support and export subsidies. The Agriculture Agreement as it now stands provides for firm and transparent disciplines and meaningful commitments in market access but with respect to domestic support measures and export subsidies, the disciplines have been less defined and the commitments less substantial. This has perpetuated the unevenness of the playing field which the multilateral trading system has been seeking to correct. Moreover, this has placed a greater burden of adjustment on developing countries relative to countries who can afford to maintain high levels of domestic support and export subsidies. It is in this light that we would like to see the negotiations in agriculture by the end of 1999 achieve a better balance of commitments in domestic support and export subsidies relative to market access commitments.

20. I also wish to point to the unacceptable cases of *de facto* circumvention of export subsidy commitments by certain major players. In particular, the Philippines deplores recent decisions by these major players to roll-over unused budgets for export subsidies from a previous period to the next. While the Agriculture Agreement is silent on the concept of roll-over, such action contradicts the

underlying spirit of the Agreement, and only intensifies the subsidies war and the havoc it wreaks on our trade. We had sought to put an end to these in the Uruguay Round. Thus, even as we devote significant attention to the next round of agriculture negotiations, we shall devote equally serious attention to the review and monitoring of the implementation of the Agreement. After all, reform is achieved not in establishing disciplines, but by fully and faithfully implementing them.

21. It would also be important to note that, in respect of other agreements, developing countries have encountered difficulties in complying with their obligations and, in some cases, have been challenged before the Dispute Settlement Body. The Philippines is not saying that it is necessary to re-open those agreements for the purpose of expressly reducing the obligations of developing countries specified thereunder. Neither are we saying that Members have no right to invoke dispute settlement.

22. We are, however, of the view that the pursuit of a legalistic approach, to the exclusion of other considerations, in resolving implementation issues, is not necessarily the best option especially if it involves developing countries. Such an approach could dampen the ability and political will of developing countries to make more ambitious commitments in the future and may deter the full integration of developing countries into the multilateral trading system.

23. Notwithstanding their inherent constraints and relatively disadvantaged economic situations, developing country Members were enticed into joining the multilateral trading system because of the hope and expectation, as prominently emphasized in the Marrakesh Agreement Establishing the WTO, that the multilateral trading system is about "*positive efforts designed to ensure that developing countries, and especially the least developed among them, secure a share in the growth of international trade commensurate with the needs of their economic development.*" Positive efforts, here, go much beyond the mere extended transitional timeframes after which developing countries must comply with their substantive obligations. On the contrary, they encompass a general frame of mind in dealing with smaller and weaker trading partners.

24. The Philippines respectfully submits, therefore, that in the exercise of their rights, it is expected that developed country Members will act with circumspection and due restraint when calling to task developing countries in connection with the performance of their obligations. This, we believe, is not a matter of charity or mere tolerance; rather it is intrinsic in an understanding among economic unequals.

25. At this second session, we will have the opportunity to address the issue of implementation in greater detail. I trust that in doing so, we not only contribute to the strengthening of the multilateral trading system, but also aim that it truly thrives in a balanced and equitable fashion to better address the needs, limitations and aspirations of developing countries.

Future activities

26. This brings me now to the future activities of the WTO, which the Philippines believes should not only be forward-looking, but also cognizant of and sensitive to the conditions and capabilities that exist in developing countries, which in turn define the extent of their continued active participation in the WTO forum.

27. With a sense of urgency, we will need to push ahead with the work that must be done in the context of the built-in agenda. This will necessarily involve the negotiations in agriculture and services that will need to take place as scheduled (end of 1999 and beginning of 2000). Their mandate and structure must be established so that we can ensure their prompt and proper start and conclusion. In this regard, I believe that the Ministerial Conference should be able to instruct the General Council

to carry out as soon as possible the necessary preparations, in consultation with other subsidiary bodies, so that substantive negotiations can commence by end of 1999.

28. In respect of such preparations, the Council for Trade in Services and the Committee on Agriculture must carry on their work through existing activities in the information exchange programme (IEP) in the case of services, and the analysis and information exchange (AIE) in the case of agriculture. In addition, for trade in services, negotiations on emergency safeguard measures and other GATS disciplines should proceed bearing in mind that the timely and balanced agreement on these topics is an indispensable component of a strong General Agreement on Trade in Services.

29. In respect of other activities that also include the reviews of the various agreements where they are so mandated, the Ministerial Conference should encourage the relevant committees, bodies and working parties to carry out their work efficiently with the objective that the WTO remains focused on the ambitions we set for ourselves in Marrakesh. There is a long list of these type of activities, which our officials are diligently attending to and on which we receive regular reports.

30. With respect to the ambitions that we developed further or set for the first time in Singapore, the Philippines believes that activities in these areas must be calibrated to suit the readiness and ability of developing countries to address them. There is no fixed, uniform formula for further work in those topics.

31. Work on regional trade agreements, and on trade and environment, have proved useful and interesting. While I am sure that we all aim for the fullest understanding of the conceptual definitions and legal implications of the issues being discussed, it cannot be denied that any further substantial progress can only be made if there is consensus - elusive as it often is - on the key political issues before the relevant committees. Our officials should continue their work in these committees with an open mind, and an abundance of good will, and submit their report and recommendations to the General Council for our consideration or decision at our next session.

32. In the area of trade and investment, trade and competition policy and transparency in government procurement, the Ministerial Conference should instruct the General Council to continue overseeing the work of the relevant working groups. Upon the completion by the end of 1998 of the educational process we agreed in Singapore, these working groups should be able to continue their work in 1999 with the end in view of submitting to the General Council, for our consideration at our next session, their agreed recommendations on how the WTO should further proceed. I should stress that in these various processes, decision by consensus will be primordial.

33. The same process should apply as well to the case of trade facilitation, where work is directly being done under the auspices of the General Council. The Philippines, however, would wish to caution those Members who tend to be overly ambitious in laying down various elements for future work. It might be more productive to concentrate on the immediate relationship between trade facilitation and rules that already exist in the WTO. We also need to keep in mind that the "principle of subsidiarity" dictates that we should leave to those international organizations (like the World Customs Organization) subject matters they are more competent in addressing.

34. The draft Ministerial Text also refers to the possibility of the future work programme including any other matter that Members will propose. The Philippines would likewise not wish to exclude a priori any topic any Member would wish to propose for work in the future. I would however hasten to qualify that for any additional subject matter to merit our time and resources, they should be issues for which the WTO has a mandate and the competence to address. Here, I reiterate that consensus will be crucial and indispensable.

35. As a final point, the Philippines is aware that views have been expressed that it would not be opportune, or even advisable, for Ministers to identify for now the date for the third session of the Ministerial Conference. Indeed, if consensus escapes us on this matter, I believe that the timing of the third session can be left again to the General Council to determine later, just as we did when we concluded our first session in Singapore. In this case, the work programme should be allowed to evolve until such time when a decision on the timing of the third session, and on the agenda of that session, is ripe for the taking.
