

**GENERAL AGREEMENT
ON TARIFFS AND TRADE**

RESTRICTED
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Special Distribution

(95-0155)

Committee on Technical Barriers to Trade

DERESTRICTION OF DOCUMENTS

Note by the Secretariat

1. At its second meeting, held on 24 April 1980, the Committee agreed that:

" ... a procedure (for the derestriction of documents) based on customary GATT practices would be followed, i.e. that working documents and minutes would never be derestricted and that the Secretariat should make a proposal annually regarding other documents to be derestricted at the end of the year and that these documents would be derestricted if no delegation objected to the proposal".
2. As after previous Annual Reviews, it is suggested that the full set of working documents prepared for the Fifteenth Annual Review be derestricted.
3. The following documents are being proposed for derestriction:

TBT/38, Rev.1 and Add.1
TBT/W/31/Rev.11, Corrs 1-6
TBT/16/Rev.8
TBT/1/Add. 38-41
4. Any signatory wishing any of these documents, or part of a document, to remain restricted is invited to notify the Secretariat not later than 15 March 1995.

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SUTHERLAND URGES G7 REFORM

Speaking at the World Economic Forum in Davos, of which he is honorary Co-Chairman, Mr. Peter D. Sutherland, Director-General of the WTO, renewed his call for improved coherence in global economic policy-making.

Addressing an audience of senior media figures on Sunday, Mr. Sutherland emphasized that change had outstripped the existing structures for economic cooperation. He pointed to four fundamental factors which were shaping the global economic and political environment:

- the ever deeper and broader integration of the world economy;
- the sharply different demographic trends in the developed and developing countries;
- the spread of market-oriented reforms; and
- the end of the Cold War.

Mr. Sutherland stressed that the development of new structures for cooperation should build on the opportunity now represented by the establishment of the WTO. The new Organization had a clear mandate from governments to further global economic coherence.

Mr. Sutherland pointed to the very positive sign that the G7 Summit last year had picked up the need to focus on the institutional changes necessary to meet the global economic challenges of the next century. Preparations for discussion of this point at the Halifax Summit later this year should include contact with the WTO, the IMF and the World Bank.

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

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KEY ISSUES IN THE GLOBAL ECONOMY - HOW THE WTO CONTRIBUTES TO GLOBAL SOLUTIONS

Address by Peter D. Sutherland, Director-General,
World Trade Organization
to senior media representatives,
Davos, 29 January 1995

A year ago at this meeting I made a proposal for improving global coherence in economic policy-making. It centred on the perception that existing structures - such as the G7 and G15 - are increasingly flawed because they are no longer representative of the realities of the world economy. I suggested the development of new structures of cooperation which would take advantage of the opportunity represented by the establishment of the new World Trade Organization.

I am pleased that this proposal has evoked considerable interest and debate. I firmly believe it is an idea whose time has come. But it should not remain just an idea. Tonight I want to emphasize not only why a better system of world economic cooperation is an urgent necessity, but also how the WTO can now help make it a reality.

The immediate world trade priority for the past year has been to get the WTO established, on target, on the first day of this year. It has certainly been my personal top priority. The fact that we succeeded in doing so is, I hope, an encouraging sign of the readiness of world leaders to cooperate in the interests of global growth. Getting the WTO up and running was the essential prerequisite to any further progress in trade liberalization, in stabilizing international economic relations, and in building a durable framework for development. It is an achievement the world as a whole can be proud of - but not one we can afford to rest on. History doesn't take holidays.

It is often said that the creation of the WTO restores trade to the front rank of international policy-making, as it was intended to be in the Bretton Woods plan. It is certainly true that trade issues are making the front pages more often. But the world has moved a long way since 1944, and for me the key point about the creation of the WTO is not just that it completes a historic design - the key point is that it represents a new departure, new possibilities, and new hope.

The WTO is central to our hopes of a more stable and prosperous world because trade is central. For most of its history the GATT was confined to negotiating on certain limited (though important) aspects of trade, especially tariffs. Now, the WTO's mission encompasses practically all international exchange of goods and services. This means it includes the most challenging economic questions of the future - and the most challenging questions for international relations.

The GATT was born into a more than usually uncertain world in 1947, and so was the WTO in 1995; though the uncertainties may be less dramatically evident than in the postwar period, they affect almost every area of national and international life. As we saw in the closing stages of the Uruguay Round, and during the process of ratifying the WTO, trade policies can easily become the lightning-rod for fears and doubts across a wide spectrum of concern, much of it outside the traditional scope of trade negotiators.

Partly this is because trade and economic questions have for too long been wrapped in obscurity

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and so become natural targets for anxiety. The media around the world have done much to dissipate this fog with their reporting on the Uruguay Round, and I hope that together we can keep the light shining in on trade policy issues. But there is a deeper set of causes which has to do with the rapid erosion of barriers between economic and political categories - and even between nations. The reality of change has outstripped the ability of established ways of thinking and established political programmes to keep up. The results are a volatile and sometimes angry electorate and a penchant to entertain simplistic solutions. And internationally change has certainly outstripped the existing structures for economic cooperation. If we cannot restore a credible sense of purpose to economic life, national and international, and match it with effective institutions, we risk losing the collective gains of the Uruguay Round, the individual economic reforms of many courageous countries - and much more - to a returning tide of protectionism and nationalism of the worst kind.

Action on this shared challenge needs to start by taking account of four fundamental factors which are shaping the global economic and political environment.

The **first** is the ever deeper and broader integration of the world economy. Led by the liberalization of exchange and capital restrictions, technological change, innovations in the organization of international business operations, and the more open and secure trading environment made possible by GATT, the volume of world trade has expanded more rapidly than the volume of world output in nearly every year since the end of the Second World War.

As the world's trade-to-output ratio has steadily increased, national frontiers have become less and less relevant for private sector decisions concerning investment, production and consumption. The mirror image of more intense competition on world markets has been an increasingly defensive stance of some import-competing industries, especially noticeable in the developed countries in periods of recession. Thus, even as the national economic interest becomes increasingly identified with an open international economic environment, certain forces hostile to that openness clamour more loudly for assistance. Whether actually linked to trade or not, persistent social problems including high rates of unemployment are blamed by some as the main "costs" of liberal trade. Misguided political efforts to appease these sectional interests impose high costs on consumers and export-oriented businesses.

Already there are disturbing signs of a rise in protectionist sentiments, in various guises, in several developed countries. Even more worrying is an apparent reluctance on the part of some of the long-time supporters of freer trade to speak up when it is necessary to do so. The existence of such pressures in domestic politics are all the more reason to reinforce the counterweight of the multilateral system.

The **second** development is the sharply different demographic trends in the developed and developing countries. Very low or zero population growth rates in the OECD countries are aging the populations and bringing many attendant changes, not the least of which are the financial implications for national pension schemes. As for the developing countries, of the nearly two billion people who will be added to the world's population in the next 20 years, 95 out of each 100 will be born outside the current OECD area. One consequence is that between now and the year 2015, the number of new jobs required to keep unemployment rates unchanged in the developing world will exceed the current populations of Western Europe and North America combined. Again the economic implications are manifold, including competition for capital and a continuing shift in competitiveness in labour-intensive activities to high population growth countries. Nor is it a coincidence that migration, and the linkage between pressures for migration from low-income countries and trade barriers in the rich countries, are moving rapidly up the international agenda.

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The **third** development is the spread of market-oriented reforms. In transition economies, reforms are liberating markets from government control and creating the basis for faster growth. Export-led growth strategies in developing countries have led many to reject former policies of import substitution. In both cases difficulties have arisen in this process, exacerbated by limits on export access to vital areas. But the trend remains clear. For much of the postwar period, more than three-quarters of the world's people lived in countries whose governments were sceptical of - and in some instances, openly hostile to - the advantages of integration into world markets. That has changed and the implications for international economic relations are enormous. Since 1982, for example, the developing countries have nearly doubled their share of world exports of manufactures, from 11 per cent to more than 20 per cent last year. One-third of the top 25 traders of goods and services are now developing countries.

The **fourth** development is the end of the Cold War. National economic "competitiveness" has now become a rallying cry, and competition has increasingly been refocussed from the political-military sphere to the economic sphere. Of course, the notion of competition between countries and regions is rather simplistic in an era of greater global economic integration. Indeed, competition among enterprises is the issue in a global economy. Nonetheless, the concept of national champions has not lost its political appeal to some and it seems to influence policy-making to a growing extent. And, as the interests that bound together traditional alliances have shifted, the cohesion that helped countries resolve economic problems can no longer be taken for granted, increasing uncertainty in the area of international economic relations.

The common element in these four developments is continuous pressure for structural adjustments in patterns of production, investment and world trade. The challenge is to prevent these adjustment pressures from generating trade tensions which could sour political relations between countries and, in time, lead to conflict.

How can we hope to cope with the immensity of these challenges? In the first instance we have to recognize that they can only be addressed in the context of some form of order. This order insofar as it existed in the past was largely based upon a concept of the balance of power (which some appear still to see as an essential element in maintaining global stability). An aspect of the balance of power was a perception of the need for powerful players who would, when push came to shove, be willing to use their great power in order to maintain stability. In the past this imperial role was more easily played than today. The electorates of the major powers have begun to demonstrate clearly that, for whatever reasons, whether founded on morality or self interest, they do not relish the prospect of foreign military adventures. Colonialism as historically understood is generally, and one hopes permanently, out of fashion. So if the balance of power logic is undermined by a more disengaged public mood and a more disparate world, how are peace and stability to be maintained? How are the more powerful to be prevailed upon to act in a manner consistent with this long-term interest in order while respecting the rights of others?

One element in a solution is related to the structures of trade. There is no more potent cause of international tension than trade. It was the recognition of this fact that promoted the founding element in the European integration process - economic integration.

If there are no rules in trade then the resulting anarchy will inevitably lead to conflict. International norms not only ensure freedom for economic agents to operate in their commercial interest across national frontiers. They also enhance the freedom of governments in their trade policy interventions, by defining the scope of actions permissible within the confines of international law. The behaviour of all governments becomes more predictable when all accept the rules of the game.

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The World Trade Organization now stands as testimony to the willingness of the governments of well over 120 countries to accept disciplines in international trade. It further represents a recognition that multilateral structures rather than power politics of bilateralism or unilateralism is the best way to order our affairs in this difficult area.

The WTO will provide an improved forum for liberalization, contribute to more effective surveillance, and ensure observance of multilateral agreed rules and disciplines. These improvements mean that trade policy can in the future play a more substantial role in ensuring the coherence of global economic policy-making. But difficulties whose origins lie outside the trade field cannot be redressed through measures taken in the trade field alone. This underscores the importance of efforts to improve other elements of global economic policy-making to complement the improved trading system.

The full potential of the WTO as a cornerstone of cooperation will only be realized if Governments come to grips with the fact that the globalization of the world economy has led to ever-growing interactions between the economic policies pursued by individual countries, including interactions between the structural, macroeconomic, trade, financial and development aspects of economic policy-making. The coherence of these policies internationally is also an important and valuable element in increasing their effectiveness at the national level.

Furthermore, successful cooperation in each area of economic policy contributes to progress in the other areas. For example, the greater exchange rate stability which results from more orderly economic and financial conditions should contribute towards the expansion of trade, and vice versa. Remarkable results have been achieved in recent years through increased private sector flows of investment to countries in the process of structural economic reform. Clearly, it is desirable that an international framework should encourage further efforts in this direction, especially in respect of countries who have a demonstrated commitment to maintain open markets and to continue economic reforms. Indeed such efforts are critical to address the debt problems of developing countries and economies in transition. A strong multilateral trading system underpins the export expansion needed to service and amortize debts.

Interdependence must also be recognized as a fact of life by the major international economic institutions. Each institution - WTO, IMF, World Bank - has a clear mandate, but they are also clearly related. Money, Finance and Trade have all to be treated in an integrated way. The resources that can be mobilized by the World Bank in support of the development of essential infrastructure and enterprise are vital, especially to give a lead to promising private sector initiatives. The IMF's role of guiding macroeconomic and monetary policy is a crucial one. and the WTO will - over and above all its other specific tasks - provide a much-needed means of gauging the appropriateness and effectiveness of microeconomic policies through their impact on trade and consistency with the multilateral rules.

Furthermore, with the creation of the WTO, trade liberalization will form an increasingly important component in the success of the adjustment programmes that many countries are undertaking, which may involve transitional social costs. This in turn suggests a key role for the World Bank and the IMF in supporting adjustment to trade liberalization, for example in possible support to net food-importing developing countries facing short-term costs arising from agricultural trade reforms, or in giving support to transition economies which irreversibly bind their economic and trade reforms through WTO commitments.

Improving coordination among the existing institutions is thus an essential starting-point for better global economic policy-making. **The setting-up of the WTO means that there is now a solid foundation for progress.** The new organization has come into being with a clear mandate from governments to take a lead in furthering global economic coherence in cooperation with its sister

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agencies. Putting this mandate fully and urgently into effect is a priority for me, as I am sure it will be for my successor.

But this is clearly far from enough. Improving cooperation among the WTO, the IMF and the World Bank is just dealing in technicalities unless it takes place within a coherent policy framework that can command broad international support. We simply do not have such a framework. Neither the G7 and the G15 reflects a perspective that adequately represents the world economic community. Their capacity to set and pursue global economic policy objectives is thus limited. We have, in short, a structural deficit in the world economy, in terms both of the making of policies and of their execution. To see what this deficit is costing, you only have to look at the lack of coordination and clear direction which has bedeviled the international efforts to assist the transition to a market economy in Russia; or the international community's failure to come up with effective joint action to help Sub-Saharan Africa join the world economy as a participant rather than a dependent; or the linkages illustrated by the recent Mexican experience between the trade and capital needs of emerging markets and wider currency and investment issues.

The underlying pressures I identified earlier will ensure that these and many other problems are not likely to solve themselves. If the world's present economic leadership does not broaden its membership and its outlook to include them, it will find itself marginalized, reduced to talking to itself about a set of concerns which have less and less to do with the realities of the world.

This is why I am renewing, through you, the call for new creativity and new leadership in the way we approach the global economy. The most immediate specific need is for revised structures for coordination on international economic issues at the highest political level. These must be representative enough to command the necessary consensus for effective action. They must also be backed by a strong commitment of political credibility so that they do not become just another talking-shop. No new bureaucracy is required - the existing economic institutions, the IMF, the World Bank and the WTO should be able to provide analytical support and execution of agreed strategies of coherence within their existing mandates and terms of reference.

To anyone who would say that a more representative forum is a guarantee of deadlock, there are two answers. One is to ask how well the current setup is doing. And the other, more important, response is contained in the plain fact of the WTO's existence. The success of the Uruguay Round and the creation of the WTO are proof that progress and consensus are compatible - indeed that real and durable progress in economic relations is not possible in any other way. After all, how can we expect the world-wide movement towards the principles of the open market to be completely credible as long as economic policy at the highest level excludes significant players?

It was a very positive sign that the G7 leaders at their summit in Naples last July picked up the need to focus on the institutional changes that may be needed to meet the global economic challenges of the next century, and made it one of the main themes for their next meeting, in Halifax this summer. To ensure that this discussion is as productive as possible, those engaged in preparing for it will clearly need to initiate appropriate contacts with the WTO, the IMF and the World Bank as the main institutions concerned. And beyond this, I urge that the leaders at Halifax also be prepared to give particular attention to the changes that are needed at the highest level of world economic coordination - their own. In this way, I hope that next year's Davos meeting will be able to record that the call was heard and acted on at the highest political level, to give the world the truly global economic leadership it needs and expects.

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