

NUR 082
28 January 1994

GLOBAL TRADE - THE NEXT CHALLENGE

Address by Peter D. Sutherland
to the
WORLD ECONOMIC FORUM

Davos, 28 January 1994

On 15 December 1993 the world changed. Maybe not as dramatically as the moment when the Berlin Wall fell, but then unlike that very necessary demolition job, the success of the Uruguay Round was a work of construction. Like the destruction of the wall, though, its effects will be profound and lasting ones, felt far beyond its immediate context. It will be seen as a defining moment in modern history.

The true significance of this historic achievement has not yet been fully absorbed. This is partly because of the sheer size of what has been achieved. The scope and substance of the Uruguay Round agreements are so vast that it may be hard to see the wood for the trees. The importance of the Round can be seen in terms of the boost it gives to job creation; to development; to investment; to economic reform; to the rule of law - and in many other ways besides. All of these benefits are real and important. But the true value of the whole is much, much more than the sum of these parts.

Put simply, governments came to the conclusion that the notion of a new world order was not merely attractive but absolutely vital; that the reality of the global market - whatever ambitions some of them may retain for regional integration - required a level of multilateral cooperation never before attempted.

We have created a revolutionary framework for economic, legal and political cooperation. Economic, because the results of the Round should provide substantial and continuing worldwide economic stimulus through more-open markets and higher levels of investment. And that means that governments will have a much greater opportunity to lead an effective attack on poverty and unemployment.

Legal, because we have for the first time a coherent set of rules which cover every aspect of world trade and which should ensure multilateral market access commitments are properly and efficiently

enforced. Political, because economic cooperation is going to be right at the centre of national foreign policy-making. It should be the key to the promotion and reinforcement of democracy and democratic institutions in the decades to come.

One caveat, however, should be expressed. We have indeed the framework - but we must now build upon it. It must also be said that while some governments have accepted the Uruguay Round agreements, their actions and their rhetoric sometimes suggest less than a wholehearted commitment to multilateral co-operation. Protectionism remains seductive, and those who seek to avail themselves of it often appear to have a louder voice than those who would resist.

But let me now turn to the immediate results of the Round. Seeing them as a profit and loss account or a scorecard of winners and losers is to see them in static terms, as one-off conclusions with finite effects. This misses the point completely. For a start, I do not accept that there are any losers. Every nation now needs an effective trading system, but especially so the small and poor. They have it. Everyone will also gain from the huge package of market access results even if they did not get every concession they were seeking from trading partners - it is the biggest market access deal ever negotiated.

However, the essence of the Uruguay Round's achievements is that they are dynamic. The new agreements, the new rules and structures it sets up - all mean a commitment to a continuing process of co-operation and reform of which the agreement in December was only the beginning.

Take the example of trade in services - over 20 per cent of world trade and 60 per cent of world production - now to be brought into the multilateral system for the first time. Since this was one of the most controversial sectors of the negotiation right up to the end and compromises had of necessity to be made, it has been portrayed by some as disappointing. Yet the agreement on services as it stands encompasses every sector - none are excluded - and far exceeds what was thought possible when the Round began. The new rules of the General Agreement on Trade in Services are joined by firm commitments to begin opening market access or to negotiate further. It is as unrealistic to expect wholesale liberalization to be achieved overnight in services trade as it would have been in merchandise trade when GATT was founded.

The same is true in other areas of the agreement. Transatlantic wrangles over the fine-tuning of export subsidy reductions in agriculture, for example, will soon be forgotten - what counts for the future is that this sector has now been brought into the GATT mainstream and set on a continuing path of reform.

Maintaining the liberalizing momentum, even with these commitments, will call for continuing effort and vigilance by participating countries. But now their energy can be focused through the Round's greatest innovation; the new World Trade Organization. In place of the improvised basis on which the GATT has operated for 45 years, trade will now have a permanent forum appropriate to its importance in the world economy.

Technically speaking, the WTO will oversee the implementation of the Round's results, administer all the agreements in goods, services and intellectual property, and manage the unified dispute settlement system. But beyond these administrative functions, it will raise the political profile of trade - a profile which has already been lifted greatly by the Uruguay Round. The WTO will have regular - instead of occasional - direct Ministerial involvement. It will have a clear mandate to act as a forum for further trade negotiations. Most of all it will complete the transition from a trading system which largely restricted itself to policies at the border to one which also covers most aspects of domestic policy-making affecting international competition in goods and services, as well as investment.

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Through the WTO, the Uruguay Round will change the way the world economy is shaped.

But it is not the final victory over protectionism and unilateralism. Any premature rejoicing would have quickly been cut short by the evidence since 15 December that major economic powers are still ready to take the unilateral approach to trade problems. We have clearly not heard the last of "managed trade", an idea which is the antithesis of an open multilateral system. Arguments for protectionism based on the alleged threat of low-cost competition to production and jobs will not just fade away because the Round is a success. The seductive appeal of "beggar-thy-neighbour" policies is highlighted by the seemingly greater vigour of the lobbies for protectionism than the advocates of open markets.

These dangers - and the speed with which they have resurfaced - make the achievement of the Uruguay Round all the more important, and its successful implementation all the more urgent. Implementation requires more than mutual backslapping about what we have achieved. It requires now that the US, EU and Japan, in particular, rapidly obtain final authority to ratify and also take a lead in providing the WTO with the means to fulfil its mandate.

The success of the Round has come at a time when it is even more vitally needed than anyone could have guessed when it was launched in 1986. Old structures and alignments have been turned inside out in trade as in every other area of international relations. We face a world of change and challenge, in which the reinforced trading system will be a primary source of stability and security.

The changes and the challenges especially apparent in the participation of developing countries in world trade. In the same way as the old East-West divide crumbled with the Berlin Wall, the always-questionable notion of a North-South division between developing and developed countries has eroded with changing policies and perceptions among developing countries themselves.

The developing countries have become enthusiastic supporters of the multilateral trading system and the Uruguay Round - even if all their demands were not met by industrial countries. The reasons lie in the changing economic policies of many developing countries and the clearer appreciation of the value of the GATT system that has grown along with these changes. The period of the Uruguay Round has been a period of economic and political opening-up across much of the globe, an opening-up which has been encouraged by the negotiating process and strengthened by the prospect of its success.

This is a period which has seen Latin American countries begin to approach South-East Asian growth rates. Countries like these - and the most populated developing countries, India and China - have turned away from the economic orthodoxies of forty years, away from import substitution and state control, because they just don't work. China, for example, has a firm commitment to resuming full contracting party status in the GATT and to resolving the numerous problems that still remain in this regard. The wider interest must surely lie in this huge and dynamic economy becoming fully integrated in the global multilateral system sooner rather than later.

Unilateral liberalization has been shown to make economic sense. But politically it can be a lonely and a risky path, and there is always the danger that, if the political heat becomes too intense, the process may be thrown into reverse. This is one reason why so many developing countries - and others - undertaking economic reforms came to place so much importance on the success of the multilateral liberalization effort of the Uruguay Round.

Before leaving this point, I would like to underline that the economic problems of Africa are a particular concern. This concern is shared throughout the GATT, though of course it involves far

MORE

more than trade policy alone. The world clearly has to do more to ensure that the least-developed countries in Africa and elsewhere are enabled to break out of the cycle of poverty and dependence. The results of the Uruguay Round will help, not hinder, that effort.

Most of what I have said about developing countries also holds true for another priority on the world economic agenda; assisting the process of reform in Central and Eastern Europe and the successor states of the former USSR.

For Central and Eastern Europe, where the reform process has been underway for some time, the results of the Uruguay Round include a substantial and broadly-based deepening of market access opportunities in OECD countries for agricultural and industrial products. In addition, the potential contribution of the Round to enhancing growth in Western Europe will be of key importance since the EU and EFTA markets are so large for neighbouring states.

Many of the successor states of the former USSR have requested accession to GATT. For them, the renewed credibility of the trading system will provide a more stable external economic and political environment which will strengthen the internal credibility of the reform process. Diversifying sources of export earnings away from recession-affected countries within the region will provide much-needed foreign exchange to modernize agricultural and industrial production and so reinforce the effects of the reform process.

And for these countries, too, the establishment of the WTO - and the strengthening of the institutional basis of international trade and economic co-operation that it represents - is of prime importance. It will be a key element in redefining their place in the world in terms of democratic and free-market principles.

These regional trade and economic challenges are joined on the world's agenda by concerns which cut across regions. The challenge of new issues in world trade will be a major one for the WTO. Already the changing priorities of some Uruguay Round participants have shown up in proposals that the new organization consider issues such as the links between trade and the environment, international competition policy, trade and investment, and trade and labour standards.

I want to say a few words about trade and the environment since it is one area in which GATT member countries have committed themselves already to a comprehensive new work programme. They decided on 15 December, in conjunction with the adoption of the results of the Uruguay Round negotiations, to draw up a work programme on trade and environment by the time of the Ministerial meeting in Marrakesh. Environmental policy-making is one of the most rapidly evolving areas of national and international policy-making, and it is entirely appropriate that emphasis should be placed now in GATT/WTO on ensuring better policy coordination and multilateral cooperation over the linkages between trade and environment.

Concluding the Uruguay Round was the single most important contribution that governments could make through GATT to improving the policy options for protection of the environment and promotion of sustainable development. Keeping markets open and competitive, and maintaining a secure, non-discriminatory trading system, were recognized by the Earth Summit in Rio in 1992 as being key elements of the overall international effort to combat poverty (which is the primary cause of environmental degradation in developing countries) and protect the environment. That observation needs to be kept firmly in sight during the future work programme too. There is no inherent contradiction between safeguarding the open, multilateral trading system and protecting the environment better; where policy conflicts occur, they must be resolved in a way that does not undermine the achievements of the Uruguay Round.

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To help in ensuring that the new GATT/WTO work on trade and the environment is effective, I would like to propose some principles that I think could usefully be kept in mind:

- first, keep markets open and competitive;
- second, price environmental resources properly (something which is rarely attained through restricting trade).
- third, respect the fact that different countries have different environmental priorities and different environmental endowments, and they do not, and should not, be expected to all meet the same environmental standards;
- fourth, resolve international environmental problems through cooperative multilateral efforts, not through unilateralism.

The Uruguay Round may well be the last of its kind, but this in no way means the end of multilateral trade negotiations. On the contrary, it means they become a permanent event. Ad hoc negotiating rounds were necessary mainly because the GATT lacked the mandate or the institutional basis to operate the multilateral system to the full on a continuous basis. Between rounds the GATT has tended to lose momentum, often at the very times when it was essential to make the most of the liberalizing impulse. This has allowed protectionism and unilateralism to recover and regroup and meant that each round has to start by regaining lost ground.

Governments must take full advantage of the chance offered by the establishment of the WTO to pursue the liberalization and the expansion of trade without a break, and to keep the trade agenda constantly relevant to changing global needs.

We must also ensure that this agenda is built on consensus. One of the achievements of the WTO will be to lessen greatly the scope for unilateralism. The treatment of any new issues will have to fit in with this reality. It can only improve the chances of effective and lasting results on issues such as trade and environment if they are the product of genuine international agreement rather than unilateral arm-twisting.

Ladies and Gentlemen, the positive results of the Uruguay Round will redefine much more than assumptions about trade. If they are exploited with the same determination, courage and commitment that went into concluding the Round, they should mean nothing less than a new start for sustainable growth and a new system of collective economic security for the world.

But if the trading system is now up to the job of supporting multilateral cooperation on such a wide scale, do the other structures of economic cooperation still meet the bill? The establishment of the WTO will put trade and investment on a par - perhaps rather in advance - of cooperation in monetary and financial areas. The WTO will stand alongside its original Bretton Woods sisters, the IMF and the World Bank. The three institutions must learn to work together even more effectively and closely. For example, rather than each body conducting separate reviews of country policies, is there not a case to be made for a more integrated approach on country reviews? But that does not, on its own, add up to effective multilateral economic cooperation. The question really has to be asked seriously: are the G7, the OECD, the regional groupings adequate to provide that co-operation?

For instance, the G7 self-evidently excludes most of the world's population and a large number of the world's substantial and fast-growing economies. And in saying that I do not want to sound so churlish as not to recognize the big contribution made by several G7 leaders to the final conclusion

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of the Round. Indeed their collective deliberations in Tokyo last July provided a specific impetus in this regard. But you understand my point - and the OECD has a very similar problem. This is not to ignore the contribution of various informal groupings - but they lack the institutional underpinning that is necessary to put improved co-operation on a firm footing. The fact is that the countries which will increasingly provide our best hope for economic growth and new markets are simply not represented where it most counts. And, at the same time, the Uruguay Round has taught us very clearly that economies are now too mutually interdependent to reach their full potential in isolation or at cross purposes.

We badly need some new structures of cooperation - structures which can deal, in a practical sense, with global economic issues and give further direction to the global economic institutions. Why should the problems of Russia, for instance, be discussed simultaneously but in comparative isolation from each other in the G7, the OECD, GATT, the World Bank, the IMF, the BERD and so on? And all this for one, albeit important country, while the problems of some of the world's poorest and most populated countries are less obviously in focus. It might be reasonable if it were particularly effective - but, especially on the trade side, I do not think these discussions have done much to answer even Russia's problems. "Trade not aid" may make an appealing soundbite, but many economies in transition or in an early stage of development have justified concerns about the reality as opposed to the rhetoric. To call on others to implement economic reform has a rather hollow ring to it if at the same time you maintain régimes of "managed trade" or retain restrictions in key sectors of interest to both developing countries and economies in transition. The Uruguay Round provided some concrete signs of change but more are needed.

If world leaders were able to show the foresight to establish the WTO and to create a new multilateral trading system then it is reasonable to suggest they follow the logic of that foresight and seek to put new cooperative structures in place which will recognize the realities of the 21st Century. We cannot continue with a majority of the world's people excluded from participation in global economic management.

It is evident that the three Bretton Woods institutions - the World Bank, the IMF and the WTO - have a vital supporting rôle to play in any initiative to strengthen world economic co-operation. Each institution has a clear mandate, but they are also clearly interdependent. 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 rôle of guiding macro-economic and monetary policy is a crucial one. And the new WTO will - over and above all its other specific tasks - provide a much-needed means of gauging the appropriateness and effectiveness of micro-economic policies through their impact on trade and consistency with the multilateral rules. The next step is to build for the future on this integrated base.

I have a specific proposal to make - the setting-up of a new high-level framework for communication and co-operation on economic matters. Its composition would be drawn from the developing countries and the economies in transition as well as the OECD countries. It would meet regularly at Prime Minister and Trade and Finance Minister level. The necessary institutional support would come from the three Bretton Woods institutions - the World Bank, the IMF and the WTO - working together.

Setting up such a forum is the logical next step in the development of global economic co-operation for which the success of the Uruguay Round has done so much. It is the next challenge of international economic leadership - the challenge of translating the common interest in global growth into a practical and effective mechanism for solving our common economic problems together. So,

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when Ministers go to Marrakesh in April to take part in an historic event which will establish the World Trade Organization and put in place the new multilateral trading system, they will be making not an end, but a beginning.

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