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Statement by the IMF Managing Director, Mr Horst Köhler
Presented on His Behalf by
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(Speaking as an Observer)

This fourth Ministerial Conference of the WTO is an historic opportunity to help build a better world, one where the benefits of economic integration lift all nations and all peoples.

Much has changed since the launching of the Uruguay Round more than 15 years ago. Globalization has accelerated, expanding opportunities and bringing prosperity to many parts of the globe, while sharpening the challenge and concern about those that have not benefited from this process.

The terrible events of 11 September, and the further weakening of global economic prospects since then, have heightened concerns and underscored the interdependence of nations. The fight against poverty, or the strengthening of our economies, or the prevention of crises in the global financial system – none of these can be achieved by nations acting alone. More than ever, there is a need for effective international cooperation to guide and shape the process of globalization, and for institutions that help to foster that cooperation.

The creation of the WTO in 1995 completed the vision of our founders at Bretton Woods. It put in place the third pillar of international economic cooperation, alongside the IMF and the World Bank. The system is strong only when these pillars are strong – together promoting sound economic policies, a generous flow of development assistance, and the rule of increasingly free and open trade.

The importance of a strong and resilient trading system was amply demonstrated during the Asian crisis, when open markets hastened economic recovery. But now that we face a deepening global economic slowdown, it is even more urgent that open markets, and the boost to global confidence that a new trade round would bring, join forces with the macroeconomic and financial policies aimed at restoring economic growth. And beyond these medium-term needs, further liberalization and stronger, updated trade rules, are indispensable to building a robust global economic system for the future.

All nations have the opportunity to join forces here to make globalization work for all, particularly the poor and the marginalized. This is the greatest challenge facing the international community today.

These opportunities are threefold. First, to **reaffirm** open trade, as a proven way to raise living standards in rich and poor countries alike. Second, to **renew** and strengthen the rules-based trading system, which is an essential element of a more stable and predictable world economy. And

third, to **rebalance** the trading system, to ensure that all countries fully participate in the global expansion of trade and investment and harvest its fruits.

Let me elaborate briefly.

First, **reaffirmation**: We must not be timid about proclaiming the contribution that the expansion of multilateral trade has made to global prosperity. Alongside advances in technology, the lowering of barriers to trade, and to payments and investment, has underpinned the extraordinary growth of the global economy since World War II. I will not elaborate on industrial countries, but with respect to developing countries:

- It is clear that those that have combined outward-looking strategies with good policies have prospered; they have become successful participants in the global trading system and have attracted the bulk of foreign direct investment going to developing countries;
- but progress has been disappointing for many others – and the poorest countries have seen their share in world trade decline markedly. This reflects many factors, internal and external, but failure to integrate into the global trading system has been all too common. Contrary to what some suggest, experience shows that these countries would benefit from *more* integration and engagement in trade, not less. In order to succeed, they need to strengthen their own policies and institutional capacity, alongside greater assistance from the international community and renewed growth in the global economy.

The second dimension of opportunity for you is **renewal**. To remain effective, institutions and economic systems must constantly renew themselves to respond to new realities. That is what we at the Fund are doing: refocusing our efforts in response to the globalization of capital flows and the different pressing needs of all our Members. This means better crisis prevention and resolution, improving and functioning of financial markets, and helping developing countries fight poverty and make the most of the opportunities of the global economy. But cooperative efforts in these areas need to be underpinned by an open and up-to-date trading system – one that meets the needs of an increasingly integrated world.

This brings me to the third key challenge that you face, which I have called the need for **rebalancing the system**. If the benefits of open trade are to be enjoyed by all, a new round must address the issues of concern to developing countries. A vibrant, fast-growing trade sector is vital for growth, development, and poverty reduction. The boost to global growth and world trade that a successful round would bring is essential for the international community to achieve the development targets it has set for itself. The new round should not only include ambitious goals for eliminating the trade barriers developing countries face, but also further develop the rules-based trading system in ways that best serve their needs. In turn, if this is to happen, developing countries must be able to participate fully in the deliberations of the round.

Developing and developed countries alike stand to gain substantially from liberalizing trade in those areas of importance to poorer developing countries – not just traditional sectors like agriculture, textiles and clothing, but also manufactures and services. But just as it is necessary to improve developing countries' access to industrial markets, they themselves gain significantly from greater openness to competition, and the flow of new ideas, new technologies, and best practices in business and institutional reform that such openness brings.

Together with the World Bank, we in the Fund stand ready to assist our Members in this process wherever needed, through financial support, technical assistance, and policy advice. It is

essential, in particular, that we all help the poorest countries reduce poverty and begin to advance their productive potential through open trade. And I will close by stressing, as we long have done, that these countries need duty – and quota-free access for their exports alongside debt relief and a more generous flow of aid.

There is no better time than now, here in Doha, to move forward with courage and conviction; to launch this negotiation with generosity of spirit, vision, and understanding of the needs of your economies today. That will make a lasting difference to the world in which we live and to future generations. Working together we can succeed, indeed we must succeed, in this endeavour.
