

# WORLD TRADE ORGANIZATION

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## ORGANIZATION FOR ECONOMIC COOPERATION AND DEVELOPMENT

Statement by Mr. Herwig Schlögl  
Deputy Secretary-General

*(Speaking as an Observer)*

This Ministerial Conference takes place at a critical juncture, not only for the multilateral trading system, but also for the global economy. We have the opportunity to take a step toward strengthening the system through the launching of a new round of negotiations. This is important for our economies. It is important for security, as well; interdependence, cross-border exchange of goods, services, capital and know-how discourages international conflict.

The launching of a round can yield substantial benefits by contributing to a restoration of confidence. Its impact on confidence will help in combating the current weakness of the global economy. It sends a signal of our determination in the face of adversity and the recent pernicious assaults on the lives of innocent people. And, by extension, these were assaults on the way of life of citizens in all our countries going about their daily business of creating, managing and sharing the wealth of their nations.

What is at stake here in Doha? First of all, the current multilateral system is at risk if we fail to take the initiative at this point. But there are also significant potential gains from trade, especially for developing countries, if we launch a new round. I see two major areas of concern:

- increasing regionalism and other systemic frictions; and
- lack of benefits for developing countries.

### **Increasing regionalism**

The increasing role of preferential trade agreements in world trade presents a potential danger for the multilateral trading system. The share of world trade accounted for by regional trade agreements will grow from 43 per cent to 55 per cent by 2005, if all currently expected agreements are realized.

The Ministerial Conference at the OECD earlier this year concluded that WTO-consistent preferential trade agreements can complement – but cannot substitute for – coherent multilateral rules and progressive multilateral liberalization. Without continued progress at the global level, the dangers inherent in preferential arrangements are well known:

- trade diversion;

- systemic friction; and
- increased transaction costs to business.

Let us not underestimate the danger of systemic frictions. Renewed emphasis on the multilateral trading system will ultimately deliver a more effective, coherent, global marketplace.

### **Lack of benefits for developing countries**

One of the main concerns of developing countries remains "market access" to the OECD world. Improved access to major markets for products of particular export interest to developing countries should be a major agenda item. The poorest countries still face high tariffs on major export products such as textiles, apparel, leather goods and agricultural products. An OECD review of the average post-Uruguay Round trade-weighted tariff rates in OECD countries on industrial products (excluding petroleum products) found that for textiles the average tariffs in OECD are almost three times above the overall tariff average in OECD (4 per cent). The recently released OECD *Agricultural Outlook* indicates an average agricultural tariff amounting to about 60 per cent in the year 2000.

In light of this situation, it is not surprising that one OECD study estimated that full tariff liberalization by 2010 could yield gains to developing countries amounting to nearly 5 per cent of their aggregate GDP.

A new round can be used to improve provisions for special and differential treatment for countries most in need of such assistance. There are legitimate developing country concerns about implementation. For example, less-advanced countries might be granted greater flexibility in applying the WTO commitments in areas that require large investments such as customs valuation, TRIPS and sanitary and phytosanitary measures. And a new round can strengthen the arrangements for providing technical assistance to less-advanced countries.

### **What is needed for a successful process?**

I would like to highlight four inter-related issues of particular importance for success:

First, we must communicate better within governments, between developed and developing countries, between governments and citizens, the benefits of trade liberalization and enhancement of the rules-based multilateral trading system. We must allay concerns, particularly those of developing countries and civil society. For example, as a recent OECD analysis shows, liberalization of trade in services – vital for economic welfare – does not infringe upon government's sovereign right to regulate in critical areas like health and education.

Secondly, we must build bridges in areas that are becoming particularly contentious – like "trade and environment". This will require dialogue with the various stakeholders. We hope that the meeting will provide an opportunity to bridge differences in such areas as anti-dumping and TRIPS. We at the OECD are ready to contribute to consensus-building in these and other areas of interest.

Thirdly, we must encourage sound policies dealing with the social dimensions of globalization through education and life-long learning, health and labour market policies in order to support the adjustment process which goes hand in hand with open trade and investment.

Fourthly, we must push ahead with effective cooperation to help less-advanced countries to build the capacity to benefit from trade and from their participation in the multilateral trading system.

The OECD is active on all of these fronts; through peer reviews of our Member countries' policies, dialogue with non-Member countries and representatives of civil society, and through our work on development and development cooperation. A key lesson from this OECD work is that effective trade policy must be part of a coherent and integrated policy framework. The benefits of the rules-based multilateral trading system cannot be divorced from the wider community of global interests and values, and it is our collective responsibility to uphold these values and interests. In this sense let us work together to build a rule- and value-based multilateral system.

## Conclusions

Against this background, policy-makers can facilitate the process by delivering a simple yet powerful set of core messages to the public at large:

- Liberalization of trade and investment is a means of taking advantage of the benefits of closer economic integration, while broader policies have to provide societies and individuals with the means to cope with change.
- A sustained commitment to international economic cooperation is a necessary pillar for a peaceful world. Therefore, we wholeheartedly welcome the growing WTO membership and especially the accession of China and Chinese Taipei which are on the agenda of this Conference.
- Trade and investment are a *sine qua non* of development. It is difficult to find a contemporary case of a country that has experienced rapid and sustained economic development without being relatively open to trade and investment.

The Doha meeting provides the Members of the World Trade Organization with the historic opportunity to restore momentum to international economic cooperation.

After the events of 11 September, this WTO meeting can do a lot to restore confidence. Just as the international community has resolved to cooperate in the fight against terrorism, let us be as determined to strengthen the WTO as a strong pillar for a more peaceful world.

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