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PACIFIC ISLAND FORUM

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Secretary General

I am indeed honoured to issue this statement to this Fifth WTO Ministerial Conference, on behalf of the Pacific Island Countries that are members of the Pacific Islands Forum namely, the Cook Islands, Federated States of Micronesia, Fiji Islands, Kiribati, Nauru, Niue, Palau, Papua New Guinea, Republic of Marshall Islands, Samoa, Solomon Islands, Tonga, Tuvalu, and Vanuatu.

The WTO and its Agreements, since their coming into force in January 1995, have had far reaching effects on the global economy and on all countries irrespective of their size, location or whether they are WTO Members. These impacts had not yet been fully digested by many WTO Members when a new work programme covering a wide range of areas was mandated by the Fourth Ministerial Conference in Doha two years ago in November 2001.

The current negotiations under the Doha Development Agenda can be expected to add new commitments on a wide range of areas.

We now gather in Cancún to take stock of the negotiations and to obtain the required political guidance from Ministers in order to reach an outcome satisfactory to all Members, and to deal with the challenge posed by the very tight time-frame set out for the negotiations, which are scheduled to be completed by 1 January 2005. This mid-term review will send a critical signal on whether the WTO Members have the capacity and the resolve to complete the negotiations in time by tackling constructively the many difficult issues under negotiations. Difficult, because in the preparations for this Conference, many deadlines set out at Doha for achieving agreement on modalities have been missed. These reflected the wide differences in the positions of WTO Members, both developed and developing countries, in key areas namely, agriculture, non-agriculture market access, special and differential treatment, services, TRIPS, implementation issues and the Singapore Issues.

The text of the Draft Cancún Ministerial Declaration has not been agreed by the General Council but it is its Chairman's attempt to reconcile the widely different positions of the diverse WTO membership and to highlight the points that still remain to be resolved. As the text itself makes clear, it does not purport to be agreed in any part. WTO Members without representation in Geneva have not been able to participate in the final phase of negotiations on the Draft Declaration and it is therefore inevitable that their views are not fully reflected in the text. With the many differences that still exist amongst the WTO Members on the draft text, the challenge is to provide the final opportunity in Cancún for all Members to participate on an equal footing. This ensures that this Conference can reach an outcome that is balanced for all countries, big or small, rich or poor. Transparent democratic procedures must therefore be adopted and all Members must be prepared to make compromises on their positions. As Ministers take stock and try to balance the interests of its

Members, I would like to outline a number of concerns crucial to the Pacific Island Countries, who are some of the most vulnerable amongst the WTO Members.

First, from the progress of the negotiations under the Doha Development Agenda, one of the greatest disappointments of the developing countries including the Pacific Island Countries is the marginalization of the "development" dimension. This was clearly stated to be at the heart of the WTO work programme when it was launched at Doha and was the basis on which many developing countries agreed to participate in a new trade Round. This marginalization of development issues is evident from the lack of meaningful progress in the negotiations on such subjects as special and differential treatment, implementation issues, services, agriculture and non-agriculture market access. These issues affect all countries – developed as well as developing – and mutually acceptable progress on them is essential for the success of this Round.

A second concern is the need for fair multilateral trading rules. Critical to the economies of the Pacific Island Countries are trade preferences that they receive from a few of their major trading partners. These preferences have been the basis of their competitive advantage and their very survival given the high production costs in small remote islands economies. Special measures to preserve these preferences in the market access modalities for both agriculture and industrial goods are therefore vital as they undertake trade and economic reforms to improve their economic prospects. While the long-term goal for Pacific Island Countries is to become equal trading partners, it must be emphasized that special and differential treatment is required to reach it. A "one-size-fits-all" regime is not yet appropriate to developing countries.

The Pacific Island Countries are already taking steps to respond to the challenges brought about by WTO rules through regional integration, both within and outside the region. The Pacific Island Countries Trade Agreement (PICTA) is aimed at creating a larger regional market and enhancing the region's competitiveness. This is in line with their stepping stone approach to liberalization and integration into world economy.

A third concern and closely related to the above point, is the need for fair multilateral rules governing regional economic integration. The Pacific Island Countries are required to negotiate new WTO-compatible trade arrangements with their developed country trading partners. Negotiations with the European Union has already commenced and with Australia and New Zealand already foreseen in future. One of the serious difficulties with the existing WTO rules is that they are based on reciprocity and do not take into account the situation of the weaker partners in a regional trade agreement between economies of unequal strengths. It is therefore imperative that the current negotiations on GATT Article XXIV result in equitable roles that recognize these trade asymmetries and allow weaker countries to assume obligations commensurate with their level of development.

A fourth concern relates to agriculture – perhaps the most contentious issue in the negotiations. While the proposed modalities maintain some beneficial elements such as the designation of special products to be subjected to minimum cuts, the maintenance of *de minimis* provision for domestic support, and that the modality should take account of trade preferences, serious concerns remain including the conditionality requirements attached to special and differential measures. The choice of special products should not be limited to import sensitive products. In addition, the combination of two tariff reduction commitments is likely to quickly erode the trade preferences on which small vulnerable economies such as the Pacific Island Countries, rely, and effective measures to preserve trade preferences should actually be integrated into the modality. The trade distortion introduced by market restrictions and export subsidies is seriously impeding development. The lack of specific reduction targets on tariffs as well as on both domestic support and export subsidies remain critical to furthering the negotiations. Genuine progress on liberalization and market access for agricultural products is perhaps the most significant issue for developing countries.

Fifth, on the related contentious issue of TRIPS, while some agreement has been reached to provide flexibility for export of generic drugs, the conditions attached to these are likely to prevent access for the millions of people in developing countries that need these life-saving drugs.

Sixth, relates to the special concerns of small vulnerable economies. At Doha the Pacific Island Countries together with the Caribbean and the Indian Ocean Commission countries, supported in principle the launching of a new Round provided that their interests as developing and as small vulnerable economies were effectively accommodated. The inclusion of a specific mandate in the Doha Declaration for a work programme on small economies aimed at framing responses to the trade-related problems of small vulnerable economies was a welcome step towards embracing the difficulties these economies face in adjusting to multilateral trade rules. Whilst the work programme has not progressed sufficiently to our satisfaction. I commend the recommendations in the Ministerial Text that this work should continue in the dedicated sessions after Cancún to develop effective and meaningful solutions by 1 January 2005.

Finally, while the Doha Declaration foresaw the commencement of negotiations on the Singapore Issues after this Ministerial Conference, this process can only start on the basis of modalities to be agreed to by explicit consensus. The work in the four areas of the Singapore Issues has not advanced far enough to permit agreement to be reached. Work should therefore continue after Cancún to develop these modalities.

The Pacific Island Countries are present here in Cancún with the aim of ensuring that the decisions taken in this Conference will result in a balanced outcome for all countries and that effective solutions are found to their trade problems – problems relating to smallness, isolation and limited opportunities, which require understanding by the WTO Members.

A balanced outcome can only be reached by correcting the imbalances in the existing WTO rules through centralizing in the current negotiations, the developmental aspects that not only provide for longer transitional periods for implementation of WTO commitments but those measures that will effectively improve and not set back the economic prospects of their economies. Apart from the complexity and range of WTO rules that they have to implement, the modalities for further liberalization should take account of the limited export opportunities and resource constraints that exist in small isolated economies.

Beyond these outcomes, the multilateral system must also provide for effective technical cooperation and capacity-building that will both assist with implementation of WTO commitments that develop and enhance the export capacities of small economies. Only then, will they be able to take advantage of market access opportunities created by the multilateral rules.

Trade liberalization and globalization provide many opportunities for development but also have many downsides. The Pacific Islands Forum Secretariat will therefore continue to advocate recognition of the fact that nations have differing circumstances and that some are more vulnerable than others. If we are to have a genuine level playing field, the multilateral system must accord meaningful special and differential treatment to the smaller and the weaker of its Members if they are to have a chance to survive in a highly competitive environment and deliver tangible benefits to their people.

In this regard, the close collaboration between the multilateral institutions is vital to ensure a holistic approach to dealing with trade and economic problems of countries like the Pacific Island Countries, which require special assistance. I therefore welcome the recent joint statement of the IMF and the World Bank recommitting themselves to working with the WTO and in assisting WTO

Members with required adjustments to complement trade reforms through measures for dealing with indebtedness and trade financing.

To conclude, all Members look forward to this Ministerial Conference to provide a way forward in the critical areas that need to be further progressed in the negotiations so that the Doha objectives are achieved and that the ultimate outcomes reflect a balanced result for all. I have no doubt that Ministers will fulfil this expectation and restore the confidence of the global economy in the multilateral trading system.
