

WORLD TRADE ORGANIZATION

WT/MIN(99)/ST/136
30 November 1999

(99-5376)

MINISTERIAL CONFERENCE
Third Session
Seattle, 30 November - 3 December 1999

Original: English

UNITED NATIONS CONFERENCE ON TRADE AND DEVELOPMENT

Statement by Mr. Rubens Ricupero Secretary-General

(Speaking as an Observer)

On the way to Seattle we have heard much talk about making these new trade negotiations into a Development Round. Our central objective must be to change that rhetoric into substance – in the agreements themselves. This is the way to give practical effect to the efforts by developing countries to become full-fledged – not shadow – members of the system.

UNCTAD is doing precisely this: encouraging developing countries to take a pro-active attitude in redressing the imbalances and shaping a better system through the "Positive Agenda Programme" whose impact can already be measured in the fact that half of the 250 proposals in the preparatory process came from those countries.

The developing countries in the past have been likened to the "free-riders" in the system. This was never true, and by their actions, the developing countries have shown how wrong is this view. They have liberalized faster and further than any other countries. And in the preparatory process for Seattle, they have submitted more than 110 detailed and concrete proposals for dealing with the specific problems, which they have identified as impeding their ability to participate fully, and effectively in the multilateral trading system.

This is not only the best, but the only way to deal with the problem of legitimacy, which stands now at the very heart of the trade debate as anyone can see by just glancing through press editorials or watching street demonstrations.

At the root of the problem lies globalization and its disruptive effects: job security, increasing inequality among nations and inside them, the pervasive that people are losing control over their own lives. The backlash against globalization finds expression in shifting targets. First, it was the Nafta, then the investment negotiations in OECD. Now WTO's turn has come. In this sense, it is suggestive and perhaps ironic that the home town of Microsoft, the symbol of the globalized economy, should become the stage for the manifestations against global trade, even if most participants come from elsewhere. It would be a serious mistake to brush away the significance of these demonstrations. They have to be taken seriously.

For any international organization, legitimacy depends on three main components: universal membership, participatory and effective decision-making, fair sharing in the benefits of the system.

WTO's universality has just received a big boost from the breakthrough relative to China's accession which will hopefully soon put an end to the long wait of one fifth of mankind.

We are still a long way, however, from ensuring that the accession process will become fairer and quicker. This requires agreeing to a "fast-track" for those 19 least-developed countries who remain in the waiting room. It also means not making demands on acceding countries, beyond those requirements already imposed on the current Members. Now that the US and China have agreed upon terms for China's accession, there is no more reason for a geostrategic game which has had serious knock-on effects on many acceding countries.

But as the organization grows more universal, it also gains in size, complexity, heterogeneity. The club-like decision-making process of the old GATT served well an entity of a few like-minded countries but it can no longer fit one with 140 nations, China among them, with different interests and development levels. As a former participant in the green-room system of the Uruguay Round, I have to admit that it was less than fair or transparent to the many excluded contracting parties. Since the end of that Round and because of the way it ended, complaints have been accumulating against lack of participation and transparency in decisions. There has been a clear pattern of complaints leading to disappointment and this in its turn generating a feeling of a "legitimacy deficit" for the whole system in the public eye. The net result has been a growing perception that the system could become more and more difficult to manage as suggested by a series of painful episodes culminating in the inconclusive pre-Seattle preparatory process in Geneva.

A sure way of making things even worse would be to produce an artificial consensus on the basis of texts negotiated by a few key players. In due course, this will only turn disappointment into disaffection. In effect, it is not size that makes the process cumbersome but the one-sided promotion of the interests of just one group of countries and the persistent refusal to acknowledge the legitimate interests and well-founded concerns of developing nations. This is precisely what we have been seeing in relation to the genuine difficulties these countries have been facing with the implementation of some provisions in TRIPS and TRIMs, among others.

The implementation problem is but the last one in the long list of imbalances that have been distorting a system which was for a long time aimed at the reduction of industrial tariffs among advanced economies. It was perhaps understandable, in that light, that agriculture would be largely kept outside the disciplines of a system which had to accommodate the construction of European Common Market and its CAP, or Common Agriculture Policy. This was achieved, by the way, not through the official free trade philosophy of the multilateral system but very much against it. Massive subsidies and State intervention turned the market upside down, disproved all the predictions of the reputable economists of 80 years ago and made of Europe one of the largest agricultural exporters in the world. The first waiver in agriculture was granted to the US in the early 50s and the first "short term" Arrangement in the latter part of that decade. In one case, nearly half a century, in the other, more than 40 years ago. And the nations which after all those years say that they are not yet ready to fully liberalize agriculture or textiles trade are often the same that feel that it would be too much leniency to grant developing countries more than five years to adapt to the complex changes in intellectual protection.

In order to deserve to be called a "development round" future negotiations would have to redress those imbalances, as a bare minimum. More specifically they would have first to eliminate the most glaring example of imbalance, the freedom of developed countries to subsidize massively their exports of agricultural products, and to place their industrial subsidies in the non-actionable category. Secondly, they should accelerate the dismantling of the Multifibre Arrangement where only 6 per cent in value of restricted items have been liberalized so far. Thirdly, it is time to get rid of tariff peaks and tariff escalation in a large array of products where developing countries are competitive and to grant bounded free market access to LDC's exports.

There is no alternative to the multilateral trading system but this does not mean that we have to resign ourselves to its current imbalance. After the two decades of the Tokyo and Uruguay Rounds, the vast majority of developing countries have ended up with more trade deficits – 3 per cent

more than in the 70's – and less economic growth – 2 per cent less than before. This is in part the product of inadequate domestic policies although as I mentioned earlier most of those nations carried out serious adjustment programmes and can no longer be called "free riders" after the rapid opening of these markets. There are other reasons: the sluggish growth of the economies and import demand of advanced countries, the fall in commodities prices and consequent deterioration in terms of trade. But a significant cause of this worrying state is certainly the asymmetries in the balance of mutual rights and obligations, including market access, that must be finally rooted out.

There are only two options before us. The first is to persist on the mercantilist approach of pressuring developing countries to further open markets that will soon become non-existent as those nations will not be able to get through exports the resources they need to pay for their imports. The second is a "lift all boats strategy" that will allow developing economies to export their way out of poverty and underdevelopment, earning them the money to finance their imports of capital goods and technology from industrial countries, without increasing their debt. I hope that Seattle will choose the second road, the only one that can close the "legitimacy gap" and update the old UNCTAD slogan "trade, not aid" with two new formulae: "market access, not speculative capital and debt; trade not money".
