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MAURITIUS

Statement Circulated by the Honourable Jaya Krishna Cuttaree Minister of Industry and International Trade

May I take this opportunity to join my colleagues who have taken the floor before me to congratulate you, Mr Chairman, on your election as Chair of the Fifth WTO Ministerial Conference. Let me also take this opportunity on behalf of my delegation to thank the Government and people of Mexico for the warm welcome and hospitality that they have extended to us since our arrival in this beautiful City of Cancún.

Two years ago, in Doha, we adopted an agenda which came to be commonly referred to as the Doha Development Agenda. It took into account the socio-economic concerns of the developing countries and put back development at the centre of the negotiations. We have since relentlessly been working both in Geneva and in capitals in this direction. However, we have to confess that we did not make much inroad in the negotiations. Nonetheless we remain confident that with the required goodwill on the part of each and every delegation we should be able to overcome the difficulties.

On a positive note, I should like to say that we cannot but rejoice at the recent agreement reached a few days ago on TRIPS and Public Health. It is a positive move that will save many lives in the world, particularly in Africa. Better late than never! If we can take the lead from this state of cooperation among Members, we can safely say that there is light at the end of the tunnel. Therefore, I urge Members to devote themselves at this Conference in such a dedicated manner that in the years to come, we should not say that Cancún was a missed opportunity. The missed deadlines at Geneva are behind us. However, we have to see to it that the main development issues, needs and situations of Member countries are taken care of and that bold steps are taken to cater for specific needs in the various situations and sectors.

We agreed in Doha "*to ensure benefits to all participants and to achieve an overall balance in the outcome of the negotiations*". How can there be an equitable balance in the outcome of negotiations when a uniform system of rules is applied to the largely divergent set of countries that constitute the WTO Membership?

Seven years after the coming into force of the Uruguay Round Agreements, the case has been amply made in respect of the need to cater for specific situations. It is indeed our view that, unless we acknowledge the diversity of situations that prevail and unless we take into account the specific concerns arising out of these situations, including the regime under which countries have been trading historically, it would be impossible for all the WTO Member States to participate effectively in the negotiations.

Let me recall some of the salient features of Mauritius and of Mauritian society so that Members can better understand our concerns and stance. Some of the features are shared by numerous small and vulnerable countries.

The positive economic development of Mauritius during the past three decades has been mainly due to a combination of factors, including a stable and democratic political system, good governance but above all due to the preferential market access that we have been enjoying on the EU and the United States markets both for agricultural and non-agricultural products. This access is absolutely essential to countries like mine which do not have the capacity to compete with larger, more resource-based countries.

This preferential access has been instrumental in ensuring the economic development of Mauritius. From an underdeveloped, poverty-ridden economy, with a huge mass of unemployed, Mauritius managed to ensure a smooth economic transition through the development of export oriented enterprises as a result of the preferential access. For instance, preferences in the textiles and clothing sector have contributed to job creation from 15,000 in 1978 to 80,000 in 2002. The number of textile plants grew from 51 to 288 during the same period, contributed 10.6 per cent to GDP and generated nearly US\$1 billion in foreign exchange. Exports under preferences both in the Agricultural and Industrial sectors account for 90 per cent of net merchandise exports.

From the Mauritian experience, it can be safely assumed that through the extension of preferential access, even the most vulnerable of countries can pursue a successful development and export oriented policy. Indeed, the export sector has had a multiplier effect on the economy as a whole and has contributed significantly to improvements in the standard of living of the people, promoting the upliftment of the working class, social stability and women's emancipation. The sector has been a driving force to fight poverty and reduce social imbalances and to uplift the country from the shackles of poverty and marginalization.

Cognizant of the fact that globalization entails reform, we have, embarked on reform in all sectors of the economy, as well as in education and health with a view to adapting the country to the impending changes.

I am happy to state that all the major stakeholders, that is the Government, the public sector, the private sector and all segments of the civil society are fully on board in the reform process. There are however, genuine fears now in all quarters that the trade liberalization process which would unravel the system of trade preferences would, by extension, have devastating implications on the economy, with the possibility of de-industrialization, deceleration of economic growth, increasing the level of unemployment, particularly in view of the small size of the economy. Fears have also been expressed, that the WTO system could force a government to liberalize and by extension to privatize social services such as education, health and others which are traditional public sectors. Even if these fears are unfounded, they are indicative of the apprehension with which certain stakeholders view the reform process which trade liberalization inevitably entails.

Mauritius has, time and again, drawn attention to the specific challenges faced by small economies, in particular small island states. The vulnerability of small island economies is illustrated by exiguity of markets, location in the natural disaster belts, scarcity of raw materials, geographical isolation, the tyranny of distance, the constraints in terms of investment and capital flows, the high cost structures in such countries due to the above inherent actors and the total absence of economies of scale, which is vital to develop competitiveness to enable us to trade internationally. We would like to reaffirm the right of each country to determine and formulate its own policy options, more particularly in areas affecting the basic needs of its population.

It is therefore incumbent upon us to ensure that the Multilateral Trading System does not create a skewed development paradigm where there are winners and losers, with the inevitable zero sum game outcome. We therefore unambiguously reaffirm our commitment to exclude social services from the ambit of the WTO system. As recognized in the GATS, every government has the

sovereign right to regulate in accordance with its own developmental needs and national policy objectives.

We should always remain alive to the objectives we set in the Marrakesh Agreement which, I quote are "to raising standards of living, ensuring full employment and a large and steadily growing volume of real income". We also agreed that the objectives set should be consistent with the respective needs and concerns at different levels of economic development. In Doha, we agreed to secure a share in the growth of world trade for the developing countries commensurate with the needs of their economic development. It is against this background that we should view the current negotiations on the Doha Development Agenda; to assess whether the outcomes would effectively translate into concrete actions these objectives. We should, in the process, remain alert to the fact that unbalanced outcomes could jeopardize the development prospects in many developing countries, in particular in Africa, thus impacting on global stability and security.

Turning to some of the specific areas of negotiations, needless to say that market access in agriculture remains a key objective to be achieved. Indeed, agriculture is the life blood of the small and vulnerable countries and those where subsistence farming is widespread. It equally remains the primary source of foreign exchange earnings for these countries. Above all, agriculture is the sector upon which rests the vital function of ensuring food security and procurement and the development of rural areas. In this regard, preferential market access plays a pivotal role. It is essential, therefore, that all these key elements are meaningfully incorporated in not only the framework agreement but more importantly in modalities.

It is also vital that the international community be engaged in supporting the needy developing countries to address the acute problem of supply capacity, improving competitiveness and upgrading product standard to meet SPS and TBT requirements on the export markets. Market access, however generous it might be, will never deliver in the absence of the capacity to produce. In fact, in the prevailing conditions of development in many countries, especially in Africa, if markets are fully open, there is the real risk that only a handful of competitive suppliers, not from Africa, will benefit at the expense of the others. Addressing capacity constraints should also, therefore, remain a top priority.

Coming to the NAMA negotiations, let me emphasize at the outset that since the implementation of the Uruguay Round Agreements, small economies have been affected by a convergence of negative factors in the wake of trade liberalization, specifically the erosion of preferences and increasing competition from larger and more sizeable economies.

Small economies without a sizeable internal market have no viable economic option than to adopt an export oriented development strategy and to participate fully in international trade. However, the effective participation of these economies cannot be achieved on equal terms and conditions applicable to the other, better endowed economies.

I have already indicated that preferential agreements have played a determinant role in the development of small economies like Mauritius and have been instrumental in the establishment of an industrial base. The initial proposals on NAMA which aim to substantially reduce or eliminate tariffs on a selective list of products would not only seriously undermine the access conditions of countries like Mauritius, but will also jeopardize the socio-economic fabric of these countries. Most of the developing countries and all the LDCs will be severely constrained in their development efforts as a result of the erosion of trade preferences.

In these circumstances, arrangements such as the Cotonou Agreement, the Africa Growth and Opportunity Act, the Caribbean Basis, Initiative, the Everything But Arms initiative and other similar preferential arrangements which have been specifically designed to help the poor and vulnerable

countries integrate the world economy, will not only become empty shells and devoid of any substance, but also threaten the fragile industrial base in these countries.

Let me refer to the latest report of the World Bank on the Doha Development Agenda where it has been explicitly recognized that tariff dismantlement is not a panacea that would help poor countries move out from poverty. As I mentioned earlier, market access remains meaningless in the absence of the capacity to produce. In a market oriented system, it is not just a matter to produce but to be as competitive a producer as all the other players on the market. Only then will the field be levelled, otherwise the system will generate numerous casualties and loss of scarce resources.

In his paper "the two faces of globalization", Branko Milanovic of the World Bank very eloquently depicts the irony of tariff liberalization. In a sarcastic vein, he states, quote "the only thing that a country needs to do is to open up its borders, reduce tariffs, attract FDI and in a few generations if not less, the poor will become rich, the illiterate will learn how to read and write and inequality will vanish as the poor countries catch up with the rich" unquote. The reality as we all know is totally different. It simply begs the question whether resource poor countries with the structural constraints that characterize their economies would ever be able to compete with the technologically advanced, resource rich and highly competitive players in the world.

It is, therefore, important that in elaborating modalities for the negotiations, appropriate mechanisms are put in place to address effectively the erosion of trade preferences as well as the constraints of tariff revenue dependent countries. Indeed, preferences should remain predictable and commercially meaningful both in terms of access and earnings. We are confident that collectively we can find an acceptable solution to this vital issue.

It is from this perspective, that we should view the Work Programme on Small Economics. The content of the Work Programme should be meaningful and should provide the small economies with enough policy space and flexibility to enable them to elaborate and implement development strategies. The success of the Work Programme will be judged on the commercial value and effectiveness of the instruments eventually adopted.

We would welcome further substantive contributions from the WTO Member States to enrich the Work Programme. We look forward to the continued solidarity and support of the Members on this issue.

To conclude, I wish to reiterate my delegations' unfailing commitment to the Multilateral Trading System. However, we have to be constantly on our guard that the global trading system does not accelerate the marginalization of the poorer and vulnerable segments of the WTO constituency. Indeed, the credibility and success of the WTO will depend largely on its capacity to bring about a fair and equitable trading system which recognizes specificities and meets the needs, aspirations and developmental potential of the global community.

We need to have an all inclusive, fair and just system that caters to the need of everybody, where every country big or small, rich or poor, can have its say and participate fully in the decision making process and where all the stakeholders, be it from the Government, the private sector and the Civil Society at large have a role to play in building a better world for everyone.
