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Statement Circulated by the Honourable Sanoresh Ravinora Karunanayake Minister of Commerce and Consumer Affairs

At the outset let me express my profound appreciation to the Government of Mexico for making splendid arrangements for hosting this Fifth WTO Ministerial Conference in Cancún and making our stay a comfortable and pleasant one.

I am also pleased to convey the good wishes from the Prime Minister, the Government and the people of Sri Lanka, who have high expectations of a successful Conference.

Today, in Sri Lanka we are fully engaged in trying to end a twenty year civil conflict that has stunted economic growth and left too many of our people in poverty. What does this have to do with our work here in Cancún? In Sri Lanka we see examples every day of the inextricable linkages between peace and economic performance and because of this, we are committed like never before to successfully implementing fundamental economic reforms. Trade reform lies at the centre of these efforts. Sri Lanka is a relatively small poor country and unless our people can effectively gain access to world markets, we cannot succeed in our efforts to improve economic welfare and it will be difficult to bring a lasting peace. Success here is indeed crucial. We cannot afford to leave Cancún without success.

We are meeting here in Cancún to take stock of progress in the negotiations, provide necessary political guidance, and take decisions as necessary on Doha Development Agenda (DDA). We launched the Doha Round of trade negotiations with the conviction that successful conclusion of the Round would generate benefits to all WTO Members from increased market opportunities. We were also convinced that the DDA would send a powerful signal of the international community's determination to tackle poverty to ensure that the benefits of globalization are more widely spread; we also placed the needs and interests of the developing countries at the heart of our work programme.

In 2002 the annual growth in world trade was barely 2 per cent, compared to an average of 7 per cent in the 1990s. The decisions we make in Cancun to achieve ambitious objectives to increase market access and strengthen the rule based trading system will no doubt give a boost to the world economy. It is also pertinent to mention that the World Bank has estimated that eliminating all barriers to trade in goods as envisaged in the Doha Round, would generate an increase of US\$250 to 620 billion in global income, with half of these benefits accruing to developing countries. This would lift as many as 300 million people out of poverty by the year 2015. However, for these benefits to be realized, gains must filter down to all developing countries, including small economies like Sri Lanka. This is why we cannot permit our work here to fail.

From Sri Lanka's perspective, the broad ambitious agenda set out in the DDA will ensure that developing countries secure a greater share in the growth of world trade, commensurate with

the needs of their economic development. To realize these ambitious objectives we made commitments in Doha to:

- (a) reduce trade barriers to agriculture and substantial improvements in market access;
- (b) provide greater market access to non-agriculture products;
- (c) liberalize service sectors;
- (d) put in place a balanced set of rules;
- (e) make special and differential treatment more effective and precise and addressing implementation issues; and
- (f) find an expeditious solution to implementation issue on TRIPS and public health for WTO Members with insufficient manufacturing capacity in pharmaceutical sector.

We are indeed pleased that after a long and complicated consultation process of nearly two years we have been able to find a solution to the Doha decision on TRIPS and public health. This historical decision has already sent a powerful signal to the world community that the world trading system is capable of providing solutions for highly sensitive humanitarian issues of this nature. The decision introduces a system that ensures access to affordable medicine for millions of people in developing countries.

At this mid-term review, here in Cancún, we must take decisions and give political guidance to realize these objectives. As the Managing Director of the IMF stated recently addressing the WTO, the Cancún Ministerial Conference must be the occasion to match rhetoric with action.

I have listened to many of my colleagues these last several days and I know that they share a strong commitment to succeed here. It is clear that much creativity and great courage will be required to reconcile the many different positions expressed here. However, I believe it is also clear that if the DDA is to become a truly development round, we must all strive for ambitious and comprehensive progress in all key areas: agriculture, manufactured goods and services. Liberalizing trade for only a few products or a single area will not be sufficient. Yes, achieving ambitious and comprehensive progress will require us all to take major steps - perhaps more than many of us might wish. But, we cannot permit our work here to fail.

Agriculture

The agricultural negotiations and the resultant market access is the single most important development issue in the DDA. It holds the key to the success of the Doha Round. According to the World Bank, 73 per cent of the world's poor live in rural areas and depend on agriculture for their livelihood. A genuine development round must have at its core significant broad-based improvements in market access for agriculture products and a significant reduction in trade-distorting measures.

Sri Lanka is a net food importing country, but we also depend heavily on our agricultural exports of tea, rubber and other commodities. And we also have many subsistence farmers struggling to escape from poverty. Their economic future depends upon what we do here. Sri Lanka's commitment to liberalization in agriculture is firm. The daunting challenge that we face is finding a path to do this that takes account of the interests of all of our people, especially the poor. In this context, we believe that the Ministerial Text provides a basis for us to move forward with the negotiations.

Like many developing countries, we will require the flexibility to designate special products and the establishment of a special safeguard mechanism (SSM) for developing countries. This will be important to countries like Sri Lanka, with low bound tariffs.

Non-agricultural market access

Non-agricultural market access negotiations are also a central element to achieve increased market access opportunities and to realize the ambition of the Doha Mandate. It is widely acknowledged that the proliferation of discriminatory preferential trading arrangements have increasingly marginalized countries like Sri Lanka and put them in a disadvantaged position in international markets. Therefore, tariff reductions on an MFN basis would mitigate the negative effects and provide a more level playing field for countries such as Sri Lanka. We recognize that reduction and simplification of tariff structures would contribute to the expansion of exports, as import duties are in fact tax on exports. The overall objective of negotiations should be to make countries with high tariff structures to bring down their tariffs to a harmonized lower level. Therefore, agreeing to a non-linear tariff cutting formula and a sectoral approach for reduction and elimination of tariff are central elements for the realization of the ambition of the Doha mandate.

In this context, specific problems faced by countries that have reduced their tariffs on an autonomous basis, to a lower level, and need to maintain a minimum level for revenue purposes should be recognized. At the same time, countries which have reduced their applied rates to a significantly lower level since the Uruguay Round should not be penalized for opening up their markets by asking to bind tariff at or below applied rates. Furthermore, a framework text to be agreed should also recognize high tariffs; tariff peaks and tariff escalation should be addressed in order to provide market access for products of export interest to developing countries.

We welcome paragraph 5 of Annex B of the Draft under which participants with bound coverage of non-agricultural tariff lines less than 35 per cent are expected to be exempted from tariff reduction commitments, because of their low applied rates to address revenue concerns. These groups of countries are expected, instead of tariff reduction, to undertake 100 per cent tariff bindings at the average level that does not exceed the overall average of bound tariffs for developing countries. We proposed that the binding coverage of these countries should also be the average binding coverage of developing countries. This proposal is objective and logical. We believe this will be incorporated into the framework.

Services

On services, we agree that services are the infrastructure to the 21st Century economy and it is a prerequisite for economic development. The liberalization of services, in particular infrastructural services such as telecom, energy, ports and financial services would make significant impact in enhancing economic efficiency by way of making goods sector more competitive. It is from this development perspective, and with a vision for Sri Lanka to emerge as a South Asian services hub that we approach services negotiation.

In this connection, my delegation wishes to state that in order to demonstrate our commitment to DDA and services negotiations, we submitted, three weeks ago our initial offers. Much must be done and we will go much further.

It is also our expectation that developed countries would undertake significant market access commitments in Mode 4, that is temporary movement of natural persons such as professionals and skilled workers between countries. It is estimated that reductions in restrictions by developed countries for skilled and unskilled labour equivalent to just 3 per cent of their labour force would increase global economic welfare by 1.5 times greater than the total gains from trade liberalization.

Providing greater market access under Mode 4 will be a win-win situation for both developed and developing countries.

Singapore Issues

Let me now turn to the Singapore Issues viz Trade and Investment, Competition, Transparency in Government Procurement and Trade Facilitation on which we must make important decisions at this meeting. On the Singapore Issues, our position has been and will continue to be that each issue should be treated on its own merit. We appreciate that the draft text provides two options either to agree to negotiations or to continue with clarification of the issues in the relevant working groups. Sri Lanka believes that a considerable amount of work has been undertaken in the areas on Trade and Investment, Trade Facilitation, Transparency in Government Procurement which are indeed related to development dimension and are important to developing countries.

On trade facilitation, recent studies have shown that the trade facilitation measures could bring enormous economic benefits, as the speedy clearance of goods and much simplified procedures would make the goods sector more competitive. Fully one third of the total potential estimated benefits of liberalization of US\$210 to 670 billion, which I referred to earlier, is attributable to improvements in trade facilitation.

Similarly, transparency in government procurement would lead to a more competitive economic environment as well as contributing to improved governance.

From our perspective, these are development-related issues. We believe the Cancún draft provides a good basis for us to agree on modalities for both of these issues.

As regards a possible multilateral agreement on trade and investment, a GATS type positive list approach would provide the necessary basis for flexibility to address development dimension of developing countries in that they can adopt differentiated approaches in opening sectors for foreign investors. A small economy like Sri Lanka, with insufficient domestic savings and limited domestic market, depends heavily on foreign investment to achieve her development objectives supports a multilateral agreement on investment. However, proposed modalities in the attachment do need further improvement and elaboration to meet our comfort level.

On interaction between trade and competition. It is a difficult and complex issue on which two options are given in the paragraph 14 of the text. Many aspects envisaged in the proposed modalities for a multilateral agreement have not been adequately clarified. Also considering the different needs of Member countries, some of which do not even have national laws to deal with their domestic competition policies, our position is that we could support the option for a soft agreement. This option is not available in the Draft. We therefore reserve our right to support the option for further clarification of issues to be undertaken in the working group.

S&D treatment

We decided in Doha to review S&D treatment provisions in WTO agreements to make them precise, effective and operational. We have made some progress in meeting these objectives with the adoption of 25 decisions in Annex C of the Draft. However, we believe that we have come to a point where we question whether 'one size fits all' approach to S&D any longer provide answers to many of the problems of all developing countries. We need to look seriously at the concept of "differentiated treatment" under S&D in all areas of negotiations under DDA. Furthermore, we need to explore how this concept could apply to different groups of developing countries at different levels of development with different problems.

Small economies

Under the Doha Work Programme, among other developmental issues, identifying trade-related problems of small economies and to frame responses to such problems remains important to us. We believe the work that will continue in the Committee on Trade and Development will lead to meaningful recommendations being made to the Sixth Ministerial Session.

E-commerce

On e-commerce, Sri Lanka recognizes enormous benefits that could accrue to developing countries from e-commerce as we ourselves have initiated a number of programmes in this area. We therefore support continuing the work programme on e-commerce, and re-affirm on the need to bridge the digital divide to gain from vast strides that are being made in the field of information technology.

Commodity issues

We are pleased that we will be instructing the Committee on Trade and Development to continue with its work on long-term declines and sharp fluctuations in prices of commodities on which many developing countries are dependent.

Technical cooperation and capacity-building

Technical cooperation and capacity-building runs through all elements of the Doha Development Agenda. We especially appreciate the commendable work undertaken by the Director-General to implement effective delivery of technical assistance since launching of the DDA. We support the continuation of demand-driven technical assistance programmes which would lead, not only to a deeper understanding of WTO agreements, but also enhancing policy analysis capacity and improving negotiating skills of negotiators from developing countries for their active participation in the Doha Round.

Accession

We wholeheartedly welcome Cambodia and Nepal which have completed their accession negotiations to join the WTO family. It is indeed a historic occasion as Cambodia and Nepal are the only two least-developed countries to join WTO since its establishment. We believe that the accession negotiations underway of those other 25 governments will greatly strengthen the multilateral trading system and will enable WTO to become a truly universal organization.

In conclusion, let me emphasize that Sri Lanka brings a somewhat different perspective to this crucial Ministerial Meeting. We are at a turning point, with a unique opportunity to bring peace and prosperity to our people, many of whom have known only war and poverty. The stakes could not be higher for us.

We cannot leave Cancún until we succeed. Together we can make a difference.
