

# WORLD TRADE ORGANIZATION

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## WORLD BANK

### Statement by Mr. James D. Wolfensohn President

*(Speaking as an Observer)*

I would like to thank Mike Moore for asking me to join you today. I share his conviction that this must be "one family, where everyone has a seat at the table". Today I want to speak for those family members who are not always the first to be heard at this table – the poor countries and peoples of the world.

#### **Four underlying principles ...**

Let me begin with the principles that I believe must underlie our discussions.

First, to speak for the poor today is to speak for the peace and stability of our global future. Half the world's six billion people today live under \$2 a day. Half of a far larger world population may well be living in poverty twenty-five years from now. We must act now to help the world's poor become full partners in the potential gains from world trade. This is not just a moral imperative. It is intensely practical.

Second, the trade agenda cannot be debated in isolation. We must look at the options for trade expansion in the wider context of a holistic approach like the Comprehensive Development Framework that I have outlined elsewhere. We must recognize the interconnections of national and international policy initiatives, including trade initiatives. We must recognize trade as an integral part of a broader strategic effort, as part of a broader set of partnerships – partnerships for building a better future for our world's children.

Third, this new "Development Round" must move beyond the narrow negotiation of mutual concessions. We must seize the day, and work flexibly and creatively towards a world trading system that really makes a difference for developing countries. It makes no sense to urge poor countries to reform their economies, to urge them to compete and "pay their way in the world", while denying them the means to compete. But this is what we do in practice, by restricting their market access in areas like agriculture, construction and textiles. It is precisely these areas where developing countries have a comparative advantage. Granting access may be temporarily tough for protected industries in developed countries, but in the long run it will benefit us all. It will contribute to the peace and security we surely all seek. It is time we took those tough steps.

Fourth, we need to make special efforts to ensure that we build a genuinely inclusive system. A number of developing countries have been very successful in competing in world markets. But they are a small minority. We cannot afford to compound the old division of rich versus poor countries with a new division between the successful few and the marginalized many of the developing world. We live in an increasingly interconnected global economic and geopolitical

environment. In such an environment, the welfare – or lack of it – of the poorest can destabilize the prospects of the wealthier. Inclusion matters for us all.

**... and five areas for action**

Based on these principles, let me now suggest five areas for priority action if the Development Round is to fulfil its promise.

**First, we must expand market access for all exports from developing countries.** Manufactures from these countries to the industrialized world face barriers four times higher than those from other industrialized countries. And barriers are even higher for manufactures flowing between developing countries. These barriers hurt both North – South and South – South trade. They stunt the growth of competitive manufacturing exporters in the developing world. They deny millions of people the benefits of freer trade. They cannot stand. A first step would be to endorse Mike Moore's call for completely liberalized access for the exports of the 48 least-developed countries. And we should add to that group all the Heavily Indebted Poor Countries (HIPC). Voices may be raised against this idea. But it would surely send a signal of our commitment of greater fairness towards the most vulnerable.

**Second, we must quickly reduce agricultural protectionism in high-income countries.** Trade expansion in agriculture has lagged far behind that in manufactured goods – growing at a rate of under 2 per cent a year between the mid-1980s and the mid-1990s, compared to nearly 6 per cent for manufactured goods. OECD agricultural protection – even after the reforms of the Uruguay Round – causes annual income losses for developing countries of nearly \$20 billion a year. This not only penalizes the two thirds of the poor in developing countries who work in agriculture: it also penalizes consumers in developed countries.

**Third, we must work collaboratively to support the capacity of the poorest countries to participate in international trade negotiations.** Not just to be at the table but to have a voice, and to be heard. Some developing countries are well equipped to take part, but many are not. Too many lack even representation at Geneva. Many more lack the full range of domestic expertise needed to be effective partners in the debate. The Bank is working in this area through the WTO 2000 project and I want to thank a number of developed countries, notably the Netherlands and the United Kingdom, for their support. The Integrated Framework for the Least-Developed Countries - a cooperative effort involving the WTO, the IMF, UNCTAD, the ITC, UNDP and the Bank - is also playing a valuable role. But let's imagine even greater collaboration. Let us find ways that the high-income countries and the better-equipped developing countries can help provide more technical support to the negotiating efforts of the poorest.

**Fourth, we must anchor trade liberalization firmly within the wider context of the global development effort.** This means taking coordinated action on the part of the development community as a whole, the members of the "Coalitions for Change" I have referred to elsewhere: action to structure comprehensive assistance programmes that get maximum results for developing countries wishing to take advantage of the world trading system; creating programmes that go far beyond support for trade expansion, programmes that support institutional reform, regulatory reform, and the development of physical and social infrastructure. Programmes that work with trade expansion to deliver better lives to people.

**Fifth, we must make trade liberalization work most effectively for the poor.** The state of our knowledge about the practical impact of different patterns of trade liberalization on poverty is still far too limited. To make the Development Round work, we need to know more; we need to sharpen our focus on the links between poverty and trade. This is an area where the Bank would be happy to work with the WTO, the IMF and other partners to increase our knowledge. Knowing more would allow us to do more and to do it better.

## Conclusion

If we "seize the day" in this Development Round, we have the power to open up world trade in new and dramatically beneficial ways. We have a great opportunity now. Making the most of it will demand collaboration, creativity and flexibility. I pledge to you today that we in the World Bank will do everything we can to help ensure a successful outcome. And I look forward to further deepening our partnerships with the IMF, the WTO, the UN and other multilateral and bilateral agencies. To deepening our partnerships with the private sector and civil society. We must come together to help all countries share more fully in the international trading system.

All this we must do. But we must never lose sight of the fact that whatever we do here is a means towards a wider set of ends. Towards broadening the opportunities for all peoples to share in the potential for global prosperity. Towards helping to eradicate the human, social and economic degradation of poverty. And towards building a world that holds out the promise of peace and security for future generations. These must be our underlying goals. These must be our unifying sources of inspiration when the negotiations get tough. And these must form the frame of reference that guides our work, and by which we judge our efforts, today, tomorrow, and as we go forward into a new millennium.

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