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"Trading towards Peace"

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The full text of Mr. Ruggiero's speech, given at the MENA III Conference, Cairo, on 12 November 1996 is attached.

I

This conference can make no greater contribution to improving security and peace in the region than by encouraging strong trade links and investor confidence, which can lay the foundation for durable economic growth throughout the region. Without economic progress, it will prove immeasurably more difficult to achieve lasting political stability in the Middle East. Economic progress encourages interdependence and the shared respect for the rule of law which is the basis of stability. Certainly no lasting peace has ever been built on the shaky foundations of economic insecurity, inequality and isolation.

The reason why trade has such a vital part to play in building peace is because it means lowering barriers - not only to goods and services but among nations and peoples. The elimination of barriers creates interdependence and interdependence creates solidarity. The history of the last fifty years has shown us all the undeniable benefits of lowering trade barriers and opening economies. The most striking example has been in the process of European construction, where historic enemies have been transformed into inseparable partners.

Clearly every region has its own characteristics, and it would be wrong to imagine that the same blueprint can apply everywhere and in the same way. But my message here today is that *this* region which was for thousands of years at the crossroads of world trade should regain its place in the centre, because doing so will help build peace as well as prosperity. This is why the numerous applications for accession to the WTO from countries in this region are so significant. Currently, its level of participation in the WTO is relatively low. Signs that this is in the process of changing are most welcome.

II

I would like to expand a little on what it means to talk of the region regaining its place in the centre of international trade. There are essentially two tracks back to the centre, and experience suggests that they are not mutually exclusive but rather strongly complementary, especially at a certain stage of development.

The first is through *regionalism*. I know that there are several efforts at regional trade and economic initiatives among Middle Eastern and North African countries, and I hope that such initiatives will be encouraged to produce positive results.

Regional initiatives are important because they can help countries at a comparable level of development to move relatively quickly in opening their economies and in deepening their interdependence.

Regionalism is important as a means of facilitating the integration of the economies concerned into the mainstream of the global economy. This is the role that future negotiations between the EU and Mediterranean countries aimed at establishing a free trade area in the next 15 years should play. Regionalism can also encourage a common approach to issues in international debate or negotiation. But above all, regional trade initiatives are a powerful instrument to decrease or eliminate tensions.

However, the rapid advance of global economic integration means that while regional initiatives remain important, they are not sufficient by themselves to address successfully the new perspectives of the international economy. That is why we need a second track, which is the rule-based multilateral

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system. And that is why the multilateral system is of fundamental importance to the economic prosperity of this region.

III

Globalization is an irreversible process. Its momentum comes from the advance of technology, of communications, and of access to information, as well as from the international flow of goods and finance. To stop this autonomous process or to slow it down is almost impossible - even if we would restore high protectionist walls around each nation or each group of trading nations. It would be in any case a tragedy not just for economic progress but also for security and peace. The only sensible way is to make globalization work for all of us.

That this is entirely possible is shown by the fact that a third of the world's twenty-five leading exporters are now developing countries. Developing countries now account for a quarter of world trade, compared to less than 20 per cent a decade ago. If current trends continue, this figure could reach 40 per cent by the year 2010 and over half by 2020.

These statistics also describe the huge diffusion of technology and economic power that is currently underway. This is nothing less than a fundamental shift in the economic equilibrium of the world. It shows up in the fact that developing countries who open their economy and adjust to the unprecedented opportunities of globalization are in many cases now the locomotives of growth, for industrialized economies as well. At the beginning of this decade, industrialized countries in Europe and North America have emerged from recession mainly because of the increased import demand from developing countries.

This shows the growing economic weight and leverage of developing countries. You have economic power, and the potential of much more. There is thus no need for defensive attitudes. And the rule-based multilateral trading system gives you the level playing field you seek - it is yours to play on as hard as you can.

New technologies are changing the trading system as globalization expands towards an even greater human dimension. What this means is that the lines representing our different worlds - developed, developing, least-developed - are becoming blurred. In linking together our economies through satellites and fibre optics we have also linked together our futures. This region has to share all the benefits of this new scenario.

When WTO ministers meet in Singapore next month there will I hope be, firstly, an encouraging review of what has been achieved in the first two years, especially the positive experience of the dispute settlement procedures, the heart of our system. Secondly, ministers will be able to take note of a new and powerful movement in trade liberalization which truly sees us trading into the future: the aim of eliminating tariffs on information technology products by the year 2000 on an M.F.N basis. These products account for more than US \$400 billion in annual global trade value - as much as agricultural trade. This will be an achievement of great value for all of us - we all need the same technology.

As the first major international institution to be created in the post-Cold War era, the WTO offers a promise of the kind of global economic architecture we all need in the coming decades. Its culture is firmly rooted in the tradition of consensus-building and cooperation among sovereign countries. And the WTO embodies rights and obligations negotiated by consensus, approved and ratified by each government and each Parliament, and they are enforceable, not through the crude exercise of economic power, but through the rule of law. The alternative would be a power-based system - who would want to chose this option?

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But most importantly, the WTO is an organization which brings all countries -- from all corners of the world and from all levels of development -- together as equals. There is no weighted voting, no exclusive clubs, no inner and outer circles. Developing countries representing 80% of our constituency sit as equals with industrialized countries to write the rules of a shared trading system. This is why 28 candidates, including many major partners like China and Russia, and countries of this region, consider membership of the WTO a high priority. Even the smallest country can challenge the most powerful in defense of its trade interests -- and not on the basis of economic power but on the basis of common and enforceable rules. This is not a legal abstraction nor is it wishful thinking - these are the realities of the new system we have created together. In a very real sense, the WTO is the visible embodiment of the most profound development of our time -- the deep interdependence of all peoples and all nations.

IV

This new unity of developing and developed countries inside a single system will be credited as the greatest achievement of the multilateral system. But this unity is still fragile: we cannot allow it to be broken: This is why, in preparing the agenda of the first Ministerial meeting in Singapore, we have recognized the particularly difficult task facing developing countries in implementing the Uruguay Round commitments. We have also acknowledged the challenges they face in contemplating the necessary work programme.

However no one here, in this Conference held under the theme "Building for the future: creating an investor-friendly environment" would be surprised to know that one of the main issues of our work programme to be discussed by Ministers in Singapore is just what kind of contribution the multilateral system could give to the promotion of investment, taking into account the strong interrelation with trade and the enormous number of bilateral agreements.

Up to June 1996 1160 bilateral investment treaties have been concluded (two-thirds in the 1990's). These treaties involve 158 countries. This means that policy coherence in investment is a critical consideration. Governments face a choice between continuing to deal with FDI issues bilaterally or in small groups, or exploring options for a comprehensive framework designed to ensure that investment and trade rules are compatible and mutually supportive. There is little doubt that investors have a strong preference for the second option. This should be a message which also comes out clearly from this conference.

A lack of rule and policy coherence poses a danger to security and predictability, which are basic goals of trade and investment agreements. Furthermore, only a comprehensive and global framework can recognize the close linkages between trade and investment, assure the compatibility of investment and trade rules, and - most of all - take into account in a balanced way the interests of all members of the trading system, developed, developing and least-developed alike. And only a multilateral negotiation in the WTO - when appropriate - can provide such a framework.

This region received last year only 1.2 per cent of global foreign direct investment, and only 3.7 per cent of the total investment inflows to developing countries. This underlines the great importance of investment for the future of this region, and the urgency of a renewed effort. In the light of this situation, I think you would find it surprising if I did not underline the importance of beginning to study the problem in the WTO.

A clarification is needed: no one is suggesting in Geneva that there should be a negotiation now, before an educational effort has been undertaken, nor that limits to the rights of host countries

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should be established or privileges granted to the rights of investors. The only issue under discussion is whether an educational effort in UNCTAD should be accompanied by a complementary one in the WTO. In my responsibility as Director- General I am convinced that it would be in the real interest of all developing countries, and of this region, if Ministers in Singapore would launch an initiative in the field of investment in the WTO as well.

V

The integration of developing countries as equal partners in the multilateral system is one of the most important challenges in shaping the economic order of the 21st century. This is a shared responsibility of developed and developing countries alike. There is no rational alternative to this objective. The evolution of the global economy makes that clear. Without unity among industrialized and developing countries the paths that we united at the end of the Uruguay Round will inevitably begin to divide again. The industrialized world would try to build its own rules to harness globalization and the developing world would be split. Many developing countries would follow the path of the industrialized, and the others would be left on the margins. I do not think this is a scenario anyone would willingly choose.

Instead, we need to work together as equal partners to ensure the full integration of countries in this region, and all other developing and transition economies, into the global economy and the rule-based multilateral trading system. In conjunction with this we need to encourage, notably in this region, the growth of regional economic cooperation. The alternative is a vicious circle where economic isolation feeds greater political instability which in turn leads to greater economic isolation. The road to a lasting peace in the Middle East begins, not ends, with economic integration and interdependence. Taking this message to heart will help build a future where it is goods, services, and investment that cross borders - not missiles and soldiers.

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