

PRESS RELEASE

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BROAD NEGOTIATIONS AGENDA NEEDED FOR WEAK WORLD ECONOMY — WTO CHIEF'S 2001 REPORT

Ministers attending the Fourth WTO Ministerial Conference in Doha, 9–13 November 2001, urgently need to initiate a broad agenda of negotiations, WTO Director-General Mike Moore says in his latest annual report on developments in the international trading environment.

The report notes that trade has slowed and confidence is weak. A broad negotiating agenda is essential for continuing policy reform and trade liberalization; it would do much to build confidence and ensure that the WTO's trading system plays its full part in promoting recovery and growth.

Merchandise output growth in 2000 at 4% and trade growth at 12% were "outstanding", the report says, the strongest in more than a decade. But "the contrast between the figures for 2000 and the available figures for the first half of 2001 could hardly be greater."

The report, which also contains summaries of activities in the WTO and actions member governments have taken in policy areas that come under the organization, describes how governments' good sense and WTO rules helped reduce the impact of the Southeast Asian financial crisis that began in 1997.

"Trade became part of the solution and was integral to a return of confidence and to recovery. Seldom have the gains from trade been so evident," the Director-General's report says. New negotiations would do the same for the current global economic slowdown, it concludes.

The annual report on major WTO activities and significant policy issues affecting the trading system is prepared for WTO member governments to discuss. Mr Moore has decided that this year's report should be publicly available as a WTO publication.

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This is the introduction and summary:

Introduction

The World Trade Organization provides an agreed set of rules for the orderly conduct of trade between its Members. These rules serve well. The recent financial crisis that originated in South-East Asia is a stark, telling example. Sixty years ago a financial crisis led inexorably to a great depression; there were many causes for this, not the least that in a knee-jerk reaction of economic nationalism countries moved to close their markets to protect domestic producers from “cheap” imports. Trade became part of the problem. In mid-1997 the difficulties of a South-East Asian bank sparked a severe regional downturn in output, and world markets trembled as confidence in the financial order was drawn into question. The good sense of governments and WTO rules kept markets open; excess production in the crisis economies, where hard decisions were taken, found a ready market in healthy economies. Trade became part of the solution and was integral to a return of confidence and to recovery. Seldom have the gains from trade been so evident.

Trade enhances consumer choice, raises national incomes, and gives signals for an appropriate allocation of resources, thus promoting employment, development, and growth. The multilateral trading system embodied in the WTO safeguards these gains. **Chapter I** of the Report shows clearly the turn to a global economic slowdown. Trade has slowed and confidence is weak. A continuation of the process of reform and liberalization of trade policies, particularly by initiating a broad agenda of negotiations at the Fourth Ministerial Conference, would do much to build confidence and to ensure that the system plays its full part in promoting recovery and growth.

The raison d'être of the WTO is to allow its Members to enhance and efficiently reap the gains from trade. It fulfils its role by Members' adherence to the fundamental principles, grounded in economic sense, of non-discrimination, stability and predictability, and transparency. These building blocks of the WTO serve to reduce costs and to promote certainty, thus enormously facilitating trade, allowing a freer flow of goods and services. **Chapter II** reports on the recent activities of Members in their ongoing work to maintain and strengthen the WTO. **Part A** of the Chapter reports in particular on the continuing mandated negotiations on agriculture and services, which have now successfully entered their second phase; on issues and concerns related to the implementation of WTO Agreements, an area of considerable weight to the Membership; on the preparations for the Fourth Ministerial Conference, for which the political momentum on the adoption of a broader negotiating agenda has been building throughout the year; and on other matters of vital concern to the system, including accessions to the WTO, trade-related capacity building, technical assistance, and the dispute settlement mechanism, which ensures that trade conflicts are settled in accordance with the rule of law, not power, and on a timely basis.

Part B of Chapter II of the Report provides information on trade policy trends in WTO Members. Importantly, it notes that fears that the failure of the Third Ministerial Conference in Seattle to agree on an agenda for a new round of multilateral trade negotiations could lead to a resurgence of protectionism have not, by and large, materialized; the trend towards more liberal trade policies has been maintained. Nevertheless, significant barriers to trade remain; there continues to be ample scope for a lowering of tariff protection, subsidies are still an issue — especially in agriculture — and the elimination of restrictions in textiles and clothing has been modest. The rising trend in the use of trade defence instruments, particularly anti-dumping, slowed in 2000 but the number of measures in force is still considerably higher than in 1997 and more Members are using them. The section also notes that there has been an acceleration in the pace of autonomous liberalization in services, a sector with an important bearing on economic performance and development; that, in view of the WTO Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS), many developing and transition economies have taken steps to adopt new intellectual property legislation, but that a number of

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Members face difficulties on implementation; and that the trend towards regional trade agreements continues apace.

Chapters III to VI of the Report deal with selected topics. **Chapter III**, on developing countries' participation in world trade and WTO activities, notes that the WTO has got a key role to play in promoting development prospects. But further action is needed to enhance the benefits developing countries can derive from the WTO. This will certainly require tackling persistent trade distortions, including the tariff peaks and escalation, in both developed and developing countries, that affect a number of the products of main export interest to developing countries. It is also important that emphasis continues to be placed on building capacity in developing countries and on supporting reform to mainstream trade policies into their overall development objectives.

Accessions to the WTO is the subject of **Chapter IV** of the Report. The Fourth Ministerial Conference will complete the accession procedures for China and Chinese Taipei, and 28 other governments are in the process of accession, a vivid reminder of the value countries attach to a rules-based multilateral trading system. Each accession to the WTO has a "win-win" quality for the system. The acceding Government operates a more predictable and transparent trade regime, opens its markets to its trading partners, and often locks in reforms aimed at fostering growth and development. The new Member gains similar rights and terms of access, and commitments are enforced — on both sides — by dispute settlement. Domestic reform and integration into the world economy thus go hand-in-hand to promote the growth prospects of the acceding Government and of the existing Members.

Two issues singled out by critics of the WTO are considered in **Chapter V** of the Report: access to essential drugs in low-income countries and the TRIPS Agreement; and the potential impact of the General Agreement on Trade in Services (GATS) on the quality and availability of health and education services. On the first issue, of prime importance to the health of people and to achieving sustained development, the Chapter is clear that the TRIPS Agreement provides — and Members have used — flexibility that can mitigate the exclusive rights of patent holders. The precise nature and extent of the flexibility provisions of the Agreement are under discussion and may lead to action by Members to ensure that the Agreement is implemented in a way that contributes to access to drugs, especially for the poorest. On the second issue, critics charge that GATS constrains the ability of governments to protect public health and education services and/or to apply necessary quality standards. It is also said that the ongoing services negotiations have got free trade in health and education services as their objective. This objective has not been endorsed by Members. Further, under GATS, governments have complete discretion to make commitments in covered services, including health and education. In fact, some developing countries have taken such commitments, in the hope of attracting investment into these sectors and with a view to improving the quality and availability of these vital services. The Chapter is clear that negotiations will not affect Members' rights to pursue the regulatory objectives they deem appropriate within their jurisdiction.

Non-discrimination is the cornerstone of the WTO. It is a principle embodied in the most-favoured-nation (MFN) provisions of the GATT, GATS, the TRIPS Agreement, and is fundamental to all WTO Agreements. At the same time, the WTO allows Members to conclude customs unions and free-trade areas, which by definition establish an element of preference in the trade between parties to the agreement vis-à-vis the rest of the world. Such regional trade agreements (RTAs) have become the most important exception to the MFN principle. The Secretariat has identified some 170 RTAs and estimates that their number could grow to 250 by 2005; about 43% of world trade is intra-RTA trade, and this could rise to over 50% by 2005. Chapter VI examines some of the issues that arise for the WTO as a result of RTAs.

The Chapter notes that the proliferation of RTAs poses systemic risk. This lies less in the potential for trade diversion in each RTA than in the collective impact of a large number of RTAs, each with its own mini-trade regime, on the smooth functioning of the rules-based multilateral trading system. This risk is smaller, and RTAs and the WTO are more likely to be mutually supportive, when the WTO is functioning well and is responding to the needs of the Membership. Options for the WTO to respond effectively include continued multilateral trade liberalization and a strengthening of relevant WTO rules and procedures. The Chapter warns that, given the recent and prospective growth in the number of RTAs, time may be short. This adds urgency to the importance of adopting a broad agenda of negotiations at the Fourth Ministerial Conference.

Overview of Developments in the International Trading Environment: Annual Report by the Director-General will be available from WTO Publications under "Free publications":
http://www.wto.org/english/res_e/res_e.htm

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