

PRESS/43
22 February 1996

**RUGGIERO CALLS FOR TRADING SYSTEM TO BE KEPT
IN LINE WITH GLOBALIZATION PROCESS**

The Director-General of the WTO, Renato Ruggiero, today called for governments to ensure the multilateral trading system continues to respond to the needs of the global market. In a speech in Brisbane, he reviewed the implementation of the Uruguay Round results, progress with the existing negotiating agenda, and new issues which may become the object of further work in the WTO.

Mr Ruggiero was speaking at the Conference on Future Directions for the Multilateral Trading System, organized by the Australian Government. The full text of his speech is attached.

ooOoo

Calling on the Director-General of the WTO to make a speech on "Why the World Needs a Strong and Effective WTO" is not unlike asking a cardinal to provide a sermon on the benefits of virtue: there is a long version and a short version - but neither leaves much room for doubt or argument. Today, you will be happy to hear, I am going to give you the short version.

Before I start on it, let me congratulate Bob McMullan and his colleagues for their initiative in bringing us to Brisbane. It is entirely appropriate - and indeed almost to be expected - that Australia would take such a leading role in the preparation for Singapore and the consideration of the WTO's future agenda. Australia has always been a strong supporter of an open multilateral trading system based on agreed and enforceable rules - and, I think it is fair to say, a major beneficiary of that system. Australia was one of the 23 founding members of the GATT. It was also one of the first countries to ratify the WTO Agreement and join the new organization. Australians chaired important Uruguay Round negotiating groups and Australian Ambassadors have consistently played a major role in the life of the GATT and the WTO. This conference is a further sign of Australia's commitment to the WTO, and I can assure Senator McMullan that it is very much appreciated.

I suspect that for most of us in this room there is no serious doubt about the need for a strong and effective WTO. We recognise the extraordinary success of the GATT over its forty-eight years of life and we have confidence that the WTO has the potential to inspire economic growth, development and an overall improvement in social well being over the coming decades. In part our confidence is born of one single perception which overwhelms all others in the way we now view the conduct of trade; a factor which points exclusively towards the multilateral trading system as the most coherent vehicle for driving sustainable economic growth. That perception, that reality, is globalization.

The fact that we have continually been able to report much higher growth rates for world trade than for world production from the fifties and onwards, demonstrates eloquently how fast and how consistently the process of what was once called interdependence, but which we now know as globalization, has proceeded over the past five decades. The fact that we can now talk about a global market - albeit an incomplete and imperfect one - means only that the process has reached the point where people are more conscious of trade and investment on the global scale and less conscious of national or regional limits.

That consciousness brings with it great hopes and expectations. Many developing countries - even, I am glad to say, more and more in Africa - are opening up to the global market. And if we can help them succeed in opening up their economies and provide opportunities for them to market their products abroad, then they, in their turn, will become vigorous, demanding new markets for the exports of the industrial and advanced developing economies. That is the way the global market is supposed to operate.

How should we respond in the WTO? First, we need to work hard to ensure full and faithful implementation of the Uruguay Round commitments. Properly enacted, those commitments are quite capable of supporting and promoting trade and investment growth in

MORE

the coming years. We have given ourselves a very modern system; the only issue is whether we are going to use it effectively and energetically.

At the end of the WTO's first year I was able to report a generally favourable situation with respect to implementation. In the area of dispute settlement, the picture is especially encouraging. A considerable number of countries - small as well as large - are making frequent and varied use of the procedures and they are very often succeeding in resolving disputes at the consultation stage rather than engaging the full weight of the panel and appeal processes. We have yet to see the later stages of the procedure tested; nevertheless, I have no reason to believe that governments will not continue to take their obligations as well as their rights very seriously in this context.

At the same time, it would be a surprise if implementation were to proceed without any hitch. Clearly that is not going to be the case - we have asked much of governments and their parliaments, and it would be an illusion to believe that complete implementation of the Uruguay Round results is easy or straightforward anywhere. But the effort has to be made. Without that effort, the many benefits we saw stemming from the Round will be reduced or will simply fail to materialize. For the present, I see no danger of that eventuality. But we will need to be vigilant and we will need to educate and inform public opinion as to why the changes required by WTO membership are both valuable and unavoidable.

A second response to the pressing needs of the global market must be to succeed with our existing negotiating agenda. This concerns principally, but not exclusively, trade and investment in services. We have a mandate to negotiate a number of "horizontal" disciplines which are currently absent in the GATS - on subsidies, public procurement, safeguards, standards, for instance. We are negotiating on professional services, particularly with respect to the accountancy sector. By the end of June, we are due to wrap up negotiations on maritime transport. But, pre-eminent among all these mandates, for the very good reason that it is inextricably tied to the process of globalization, is the basic telecommunications negotiation. Success here, will be a crucial signal of the willingness of governments to follow the logic of a global market in their approach to the multilateral trading system. We have until the end of April. We are getting close to the final bargaining. As of now, we need more participants, more offers and better offers. I call on you all to ensure these are forthcoming.

A third response is to take up again some of the biggest liberalization exercises in the Uruguay Round. The tariff cutting results were impressive but, at some stage and perhaps sooner rather than later, we will have to consider whether we can go further or implement faster. And by the end of the century we are committed to substantial new negotiations on both agriculture and across-the-board in services. These are serious and major commitments which are not far down the road and which should be kept very much in mind when governments consider their trade negotiating agendas for the coming years.

Fourthly, if the system is to remain fully relevant to the global market, its agenda must be in constant evolution. Of course, one comparatively new issue - Trade and the Environment - has already been included in the WTO's agenda. The Committee on Trade and the Environment is making good progress towards defining some agreed parameters in this complex and sometimes controversial relationship. I think it will have an encouraging report to make

MORE

at Singapore, one which I hope will underline that open trade policies and environmental concerns can and should be mutually supportive.

As we prepare for Singapore we need to also think about how we approach the other "new" issues which various WTO members have indicated they would like to see taken up.

Take trade and investment: that they were ever regarded as separate or alternatives was more an historical and political aberration than a practical reality. They are closely intertwined and all the more so in the context of globalization. Businesses trade to invest and invest to trade. Developing countries and economies in transition cannot diversify their exports on any important scale unless they attract investment which becomes all the more important as aid budgets come under pressure. Nor, without inward investment, are they likely to develop service sectors which will adequately support manufacturing activity and be services exporters in their own right.

The GATS was largely founded on the notion that services suppliers need to invest and establish themselves within markets in order to supply those markets. Much of the TRIPS agreement is about creating secure legal conditions for investment and, in particular, the transfer of technology. And, of course, we have a WTO agreement outlawing certain trade distorting investment measures. In short, investment is hardly a new issue for the WTO.

The problem is how we go further, and where. Inward investment has traditionally been promoted and protected by bilateral investment treaties: some 60 per cent of the 900 such treaties have been negotiated in the past 10 years. Added to those are the investment conditions included in recent regional agreements. All together this hardly suggests a very coherent or predictable climate for investment worldwide. In fact the present situation is the very antithesis of what the global economy would argue for.

Current efforts to rationalize the situation are welcome but are still fragmentary: many countries are left out and the terms ultimately agreed may be far from acceptable to the excluded majority. Moreover, it is very important that attempts to secure international rules on investment do not run counter either to existing WTO commitments or to the WTO's work programme - as I mentioned earlier, for instance, a new round of negotiations on services will start in just a few years. There are many arguments which weigh in favour of a genuinely multilateral initiative in this area.

Another consequence of globalization is the increasing attention being given to private practices which may restrict or distort international trade and competition. Hitherto the GATT and now the WTO have mainly concerned themselves with the elimination or reduction of governmental measures that have these effects.

There is, however, nothing new about the need to address competition policy matters in international trade agreements.

- It is interesting to note that, back in the second half of the 1940s when the GATT was born, the need to integrate questions of trade, competition policy and investment was already recognized in the stillborn Havana Charter.

MORE

- In various regional agreements, reflecting more advanced states of economic integration, these subjects have also been dealt with in a coherent and unified way.
- Some WTO agreements, notably on services and intellectual property, already contain competition-related provisions.
- In the current negotiations on telecommunications, the need for adequate safeguards to prevent the abuse of positions of market dominance is a key issue.

You are all aware of recent trade disputes that have revolved around differences of conception of the role of competition policy and of its enforcement in providing trading opportunities. In fact, it is inevitable that the WTO will become increasingly involved with questions of competition policy, whether or not this matter is formally put on the agenda at Singapore. The question is whether the WTO should only deal with competition policy-related issues in an *ad hoc* manner in the context of specific trade policy questions, or whether an overall examination of the links between trade and competition should be initiated with a view to developing coherent multilateral vision of how trade and competition policy can be mutually supportive.

Some WTO members would like to see the new agenda include the subject of trade and labour standards. I am certainly well aware of the sensitivities on both sides of the issue. But here too, I think it should be possible at least to discuss the question - even in an informal way - in order to avoid confrontation. In my view the possibilities for such a discussion are greatly enhanced if it is clearly accepted that protectionism is no answer to concerns about labour standards. On the other hand, I believe it should be equally accepted that countries should not improve their competitive position through deliberately exploiting vulnerable sectors of the labour force. It is necessary to clarify whether this is a concern for human rights or competitiveness. If, as I am sure most people think, it is a human rights issue, the question is then which categories of rights are involved. The most basic relevant ones - concerning child labour, forced labour or trade union rights - are already accepted more or less globally, in the Universal Declaration on Human Rights. The problem is how best to implement them, and where they should be discussed. For the WTO, the immediate challenge is to build a consensus in order to avoid this becoming a divisive issue at Singapore or elsewhere.

The issue of corruption in international trade has also been raised. In the WTO context any work in this area would presumably focus first on government procurement. The new Agreement, which came into force on 1 January extends the amount of government procurement opened up to international competition by ten times compared to the earlier agreement. However, it remains only a plurilateral agreement with limited membership. Extending its coverage would help improve the transparency which is the enemy of corrupt practices.

The fifth response to the globalization challenge must be for the WTO to become truly global in its membership. With 29 current accession negotiations and many other countries considering an application for membership, we have a vast job on our hands if we are to ensure that the integration of these new economies is to lead to concrete benefits and economic growth for them as well as for their trading partners. If the right terms can be agreed, upwards

MORE

of 1½ billion new consumers and workers could enter the system in the coming years. That should be seen as an opportunity for all of us, not a potential problem of new competition.

The final response must be to make sense of the relationship between regional economic integration and the multilateral system.

There is no natural contradiction here. This has been the shared assessment of the great majority of the international trade community. But the relationship between regionalism and a multilateral system based on the MFN principle is nonetheless a complex one, and it is becoming more complex as the number and the scope of regional initiatives increase.

Regional trade initiatives can be the basis for breaking down old hostilities, as they were in Europe and, we hope, they may be in the Middle East. And for the least-developed countries, like many in Africa, they are an essential step on the way to full integration into the world economy. They also help focus and strengthen the political commitment to open economies and trade régimes which it is essential to maintain.

Nonetheless, no-one credibly presents regionalism as an **alternative** to the multilateral system. A global economy calls for a global system of trade rules, a global forum for continuing negotiation and a global platform for building the new trade agenda. This is what the WTO system uniquely provides, and this is why it is the essential and irreplaceable framework for the growth of regional initiatives.

How to ensure that the two grow together - and not apart - is perhaps the most urgent question facing trade policy makers. I want to suggest three possible elements towards a response.

- Firstly, improving the WTO's institutional capacity to deal with regional initiatives. Application of the existing rules designed to ensure they develop in an open way has been less than effective. The recent establishment of a unified Committee on Regional Trading Arrangements, replacing 25 separate Working Parties, should considerably improve this situation. In case this sounds like just a bureaucratic reshuffle, let me emphasize that the new Committee's mandate includes the systemic implications of the relationship between regional agreements and the multilateral system.
- Secondly, ensuring that the level of ambition and rate of progress in multilateral - or global - trade liberalization is at least equal to that of regional efforts. What countries are willing to do regionally, they should also be willing to do multilaterally. In practice this means pressing on vigorously with the WTO's built-in agenda and even accelerating it as much as possible; it also means keeping the WTO at the forefront of the new trade agenda.
- Thirdly, enhancing the political dimension of the WTO. APEC countries meet annually at Head of Government level and more frequently at Ministerial level. The same is true for other regional groups. On the other hand, WTO Ministers are so far scheduled to meet only every two years. Yet the multilateral system

MORE

is becoming more and more a political issue. This is happening because its evolution increasingly concerns national regulatory policies rather than cross-border obstacles which means that the challenges to the system are increasingly political as much as technical. Logic suggests that the active involvement of political leaders should become as regular a feature of the WTO as it is of many regional groupings.

Let me sum up like this. The world needs a strong WTO simply because the WTO reflects and represents the global economy as it really is. It is more in tune with economic reality and practical business than any other similar economic institution or legal framework. But it cannot stand still - it must go on developing and keeping pace with events and change. The future agenda is largely pre-ordained or simply the product of logic and common-sense. Singapore is only a stage - albeit an important stage - in bringing that agenda to maturity and, where there is consensus, towards a new phase of negotiation. The signals that come from Singapore will tell us whether governments are prepared to follow the logic of the global economy and maximize the benefits through a strong, vibrant, up-to-date multilateral trading system.

END