

The World Trade Organisation and the Millennium Development Goals: Global Cooperation at Work

Professor Pauwelyn,
Ladies and gentlemen,

In September the international community will gather in New York for the United Nations Millennium Development Goals Summit.

Ten years ago, world leaders adopted the Millennium Declaration and its eight Goals, committing themselves to an unprecedented effort to tackle global poverty in its many dimensions. This was a landmark achievement for the international community, and for the past decade, the eight MDGs with their 21 targets and 60 indicators have been the blueprint — both at the national and global level — for channelling global efforts to address the development needs of the world's poorest countries.

The 192 UN members will meet again at UN Headquarters in September this year to take stock of the progress achieved towards reaching the Goals, to identify the main gaps and challenges under each one of them and plan the next steps as we approach the 2015 deadline for achieving the MDGs.

Substantial efforts have been invested over the last 10 years. Cooperation, not only between national governments, but also between all international and regional organizations, as well as civil society engagement, have contributed to progress on individual Goals. But, there is no doubt much more needs to be done. We are still a long way from the main objective of reducing global poverty by half. Sure, significant progress has been made, especially in Asia, but the global financial and economic crisis has already negated some of this work, pushing more people below the poverty line, and casting a shadow over the achievements of the MDGs.

The Summit will also be an occasion for international organizations — including the WTO — to offer their support to countries in the achievement of specific MDGs. The WTO is firmly committed to them. Let me now briefly outline how the WTO's work is helping in their realisation.

By creating a stable multilateral trading system, the WTO is at the forefront of efforts to create an enabling environment for countries to grow and develop. In a very fundamental sense, the WTO helps create the conditions for trade to deliver economic growth. This is not just a theoretical proposition, but one where results can be seen in the growth patterns of countries that have adopted open-trade policies.

Economic growth is, of course, not the same thing as development, which is a multi-faceted process. But economic growth is an important pre-condition for development to take place. The market access opportunities that international trade can provide, when accompanied by matching domestic policies, can ensure that international trade

helps to create jobs, leads to enhanced levels of growth, improves living standards and helps countries achieve their social and developmental objectives.

It is not surprising, then, that international trade — and by extension the work of the WTO — features prominently in the MDGs.

WTO's core activities fall mainly within the targets set in MDG-8. These targets show that the international community recognizes global trade as an important engine for development. They also acknowledge that for the trading system to deliver real economic growth effectively, it needs to be “open, rule-based, predictable and non-discriminatory”. This forms the cornerstone of Target A of MDG-8 and it closely corresponds to WTO's core business of regulating international trade, reducing market access barriers, and ensuring a more level playing field for all its Members.

Furthermore, in keeping with Target B of MDG-8 — that is addressing the special needs of the least-developed countries — the WTO is committed to working towards enhancing the benefits that can accrue to the poorest of its Members.

In designing its rules, the WTO recognises the capacity constraints of these countries in taking on trade-related commitments. It has always endeavoured to provide appropriate carve-outs and exemptions to the least-developed countries which they can use as a policy space if they so wish. It is in this spirit that the WTO is working closely with the least-developed countries and with other international organizations to ensure a positive outcome from the United Nations Fourth Conference on LDCs which Turkey will host in 2011.

In addition, the WTO also has a work programme for the small island developing states and contributes regularly to the international efforts to address the needs of the landlocked developing countries — in keeping with Target C of MDG-8.

The WTO has also contributed to the attainment of Target E of MDG-8, which aims to improve access to affordable medicines. WTO Members have agreed to an amendment to WTO law that gives developing countries greater access to essential drugs.

But WTO's contribution to the achievement of the MDGs goes beyond MDG 8. In fact the MDGs cannot be seen in isolation: they are all interconnected. The WTO's activities also have an impact on MDG-7, which aims to ensure environmental sustainability and to protect biodiversity. The Agreement establishing the WTO recognizes that Members' economic relations should be conducted in a way that allows “for the optimal use of the world's resources in accordance with the objective of sustainable development”. WTO Members are also pursuing negotiations that explore the relationship between trade and the environment and negotiations that aim at reducing barriers to trade in environmental goods and services.

It is therefore clear that a lot of the work being done in the WTO is linked directly or indirectly to the MDGs. But it would be amiss on my part, if in this context, I did not mention two other very important components of the WTO's ongoing work which have important implications in helping countries achieve the MDGs — namely, an

early and development-oriented conclusion of the Doha Round of trade negotiations, and the complementary initiative of Aid for Trade.

The Doha Round was launched in November 2001. WTO Members recognize the central role that international trade can play in promoting economic growth and development, and accordingly they agreed to put development issues at the heart of the new round of negotiations. A fundamental aspect of the Doha negotiations is to address some of the imbalances in trade rules that have impacted the ability of developing countries to export.

I have no hesitation in saying that going by what is on the table of the negotiations so far, significant export opportunities will arise for developing countries.

In agriculture, there is an agreement to eliminate export subsidies, considered as the most damaging type of agricultural subsidies. On the table there is capping of the total amount of trade-distorting subsidies that developed countries can provide to farmers, as well as caps on specific products to avoid an excessive concentration of aid. On agricultural tariffs, developed countries would cut tariffs by no less than 52 per cent and emerging countries by no more than 36 per cent. Flexibilities exist for both to address specific sensitivities. Since it is often argued that developing countries have a comparative advantage in many agricultural products, increased opening up of the agricultural sector will be of great benefit to them.

Similarly, on industrial tariffs, on the table there is the cutting of tariffs on the basis of a formula according to which higher tariffs would be cut by a greater percentage. This would address tariff peaks and tariff escalation, both well known features of the legacy of economic colonialism. The formula would be applied without exceptions by developed countries, while developing countries would be given limited flexibilities. There is also an agreement to negotiate deeper cuts in specific sectors on a voluntary basis. The end result would be a mix of cuts in currently applied rates and a reduction in ceilings, thereby ensuring enhanced and more predictable market access.

The conclusion of the Doha Round would also realize a long-standing aspiration of LDCs: duty-free, quota-free market access for their exports. Most developed country Members of the WTO have already met the 97 per cent threshold of providing DFQF market access to products originating from LDCs and a successful conclusion of the Round would ensure that all developed countries provide this benefit to the LDCs.

Important market access opportunities will also be created through opening of trade in services which today constitutes a very important part of our economies. Furthermore, by working to improve the efficiency of transactions by expediting the movement, release and clearance of goods across borders, additional opportunities to increase developing countries' participation in world trade will arise.

In sum, if and when the Doha Round is concluded, the multilateral trading system will be more open — particularly for developing countries' exports — and will have a strengthened rule-making structure that will make it more balanced, especially towards developing-country interests and concerns. A successful conclusion of the Doha Round would therefore further help these countries in their quest for the achievement of the MDGs, in particular their fight to alleviate poverty.

But I must add that while the conclusion of the Doha Round would create market access opportunities, for these to translate into real gains, developing countries and, in particular the least developed amongst them, still need assistance to build their supply-side capacities and to improve their trade-related infrastructure.

This is the rationale behind the launch of the Aid-for-Trade initiative by the WTO in 2005. At its core, Aid for Trade is about providing financial and technical assistance to developing countries to enable them to “produce more and to trade better”. Through the Aid-for-Trade initiative, the WTO — in partnership with other international organizations — is playing an important role in helping developing countries increase their share of world trade and thereby come closer to fulfilling their development aspirations.

The positive results of Aid for Trade can be seen in the year-on-year increases in commitments. In 2007, Aid for Trade increased by about 20 per cent over the baseline period of 2002-05, with commitments reaching more than US\$30 billion — up from US\$25 billion. The increase in Aid-for-Trade commitments for 2008 has been even more impressive, with preliminary estimates showing an increase of 35 per cent to US\$42 billion. Very importantly, these increases in Aid-for-Trade commitments have been achieved without impacting on the global commitments in the social sectors which are key to the achievement of the MDGs.

The recent global financial and economic crisis has been the test bed for the WTO and its binding rules and commitments. We seem to be on the path to recovery, part of which can be attributed to the fact that WTO Members respected their WTO commitment and did not resort to widespread protectionism.

WTO rules and principles assisted governments in keeping markets open and these very rules now provide a platform from which trade can grow as the global economy improves. This is particularly important for developing countries whose economies are more dependent on international trade than richer countries.

I sincerely believe that a rapid conclusion of the Doha Round can go a long way in supporting countries in their quest to achieve the Goals set out in the Millennium Declaration. The further opening of markets and the further strengthening of global trade rules that will come about will contribute in a fundamentally important way to the long-term health of the global economy and to the development aspirations of developing countries. It is also critical that the level of Aid-for-Trade flows is sustained in the future, which is why the Toronto G20 commitment to “maintain momentum for Aid for Trade” is to be welcomed. G20 members thus recognize that the impact of the crisis on both developed and developing countries only reinforces the need for sustainable and predictable Aid-for-Trade commitments.

In conclusion, let me say that the WTO is focused and committed to a successful and outcome-oriented MDG Summit in September 2010 which, in my view, constitutes an important juncture for the international community to reflect on achievements so far and act upon the challenges ahead. The WTO’s main contribution will be in MDG-8, through a timely and successful conclusion of the DDA and in the further strengthening of the multilateral trading system. The WTO will, at the same time, also continue to work with other international organizations to push for the achievement of

all the other MDGs. A globally strong, harmonious and cooperative effort is needed if the Millennium Development Goals are to be achieved, and the WTO is deeply committed towards supporting these efforts.

Thank you for your attention.