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Plenary on Item 7:
Evolution of the international trading system
and its trends from a development perspective

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*Not checked against delivery **

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**UNCTAD: TRADE AND DEVELOPMENT BOARD
SPEAKING POINTS FOR THE DG
(23 SEPTEMBER 2013)**

- [You could start by commenting (in jest) about all of the new faces on the podium, and then go on to congratulate the new UNCTAD Secretary-General Mukhisa Kituyi, the new Executive Director of the ITC Arancha Gonzalez as, and the newly elected TDB president Ambassador Wibowo of Indonesia.]
- I would like to thank the Secretary General of UNCTAD for inviting me to share my thoughts with you today. Since this is my first address to UNCTAD as Director-General of the WTO, allow me to begin by expressing my appreciation for the cooperation between our two organisations. Development is the common link between the WTO and UNCTAD. We share the deep conviction that trade is a key tool for growth, poverty reduction, and improving living standards in developing and least developed countries.
- Building and strengthening Trade capacity is a cornerstone in this strategic partnership; our common actions in the Aid for Trade, the Enhanced Integrated Framework, and in the Cluster on productive capacity are all examples of this partnership. The most recent example of this co-operation, which I am certain will only grow in time to come, is last month's MoU on collecting and disseminating information about non-tariff measures.
- It is now widely accepted that trade and development are closely linked. Trade allows countries to concentrate on what they can do best, thus maximising productivity. In recent decades, developing countries have achieved rapid growth and dramatic poverty reduction by using the open global economy, both as a source of demand greater than that which comes from their small domestic markets, and as a source of knowledge, ideas, technology and investment.

- Growth in global trade, however, has been impacted negatively by what many have termed one of the worst financial and economic crises in decades, from which we are still to emerge fully. The post-crisis scenario is characterised by slow growth and, high unemployment rates leading to internal political tensions in many countries.
- This situation creates an environment in which there is a tendency to adopt increasingly sophisticated protectionist measures, mostly related with internal regulations. These pressures may manifest themselves differently in different countries: while developing economies tend to resort to straightforward – and thus plainly visible – measures such as tariff increases, developed countries are better equipped, institutionally, to tweak regulatory frameworks so as to impede sensitive imports. The latter are harder to identify and unwind.
- Projections for trade growth also present a mixed picture. Currently, trade growth remains well below the average for the past two decades. We recently had to revise projected trade growth for this year downwards, from 3.3 to only 2.5%. This should improve to 4.5% in 2014 – but even this figure is lower than the initial estimate of 5%. On the other hand, developing and transition countries' imports and exports are projected to grow considerably faster than those of developed nations. This will contribute both to these economies' development and to global growth.
- In this context it is also important to note the changing patterns of global trade. Export competitiveness now depends more than ever on access to imported inputs, as part of global value chains. However, integration into global value chains is not automatic. While several developing countries have benefitted, many have not. Clearly, more work is needed to identify how developing countries can integrate and benefit from global value chains. It seems clear, though, that important decisions in terms of public policy will have to be made if developing countries want to fully benefit from this trade and investment dynamics. Building productive capacities in local firms and skills in the local workforce are just a couple of examples.

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- In my inaugural address at the WTO last week, I reminded Members that the world economy still faces a difficult moment. Post-crisis recovery is inching along, against the backdrop of a changing global economic landscape. In this time of flux, the role of WTO – the watchdog of multilateral trade rules – is more important than ever.
- In this changing world, the multilateral trading system remains the strongest force for recovery, growth and development as well as the best insurance policy against protectionism. And, as the world economy becomes more multipolar, the importance of effective multilateral institutions will only increase. It is therefore critical that the multilateral trading system be reinforced; its rules, updated. And this is why it is important that we seize upon the opportunity presented by the Bali Ministerial Conference to deliver positive results.
- While a comprehensive Doha accord remains out of sight at the current juncture, the Bali Ministerial meeting to be held in December 2013, gives us a chance to reassess our priorities and take political decisions on what we want to do to move the WTO negotiating agenda forward, and harvest deals in three areas, namely Trade Facilitation, some aspects of Agriculture, and Development issues. Each of these areas carries the potential for significant dividends for developing countries.
- An agreement on Trade Facilitation would reduce border delays, red tape and transit expenses associated with international trade. The cost of moving goods around the globe adds up each year to about \$1.8 trillion -- about a tenth of the value of the merchandise being traded. Reducing these trading costs would yield disproportionate benefits to developing countries, especially to the landlocked ones that depend on predictable, affordable transit through their neighbours in order to access world markets. A novel aspect of the trade facilitation negotiations is that developing countries' implementation of future obligations is linked to the provision of technical assistance.

- However, in spite of the potential benefits the going has not been easy. Countries are struggling to find a way to provide a multilateral umbrella which would ensure co-operation amongst their custom authorities. Some issues related to customs brokers, pre-shipment inspection, and consularization fees have also yet to be resolved. As is the issue of finding a balance and ensuring a sequenced complementarity between the use of flexibilities and the provision of technical and financial assistance.
- On Agriculture, governments are working to find a compromise on a proposal from the G-33 group seeking to modify WTO farm subsidy rules to better accommodate food stock accumulation by developing countries for food security purposes. Specifically, they are exploring the possibility of a 'peace clause' that would have them refrain from launching disputes while they work on a longer-term solution to the proponents' desire to stockpile without breaching their existing commitments on domestic support. They are also discussing a proposal on export competition. A third proposal Members are discussing seeks to ensure that existing import quotas do not go systematically under-filled.
- A third area where a Bali deliverable is possible is on special and differential treatment for developing countries, and especially for LDCs. Members have made progress towards an agreement on a Monitoring Mechanism which would periodically review and evaluate the functioning of the many provisions in WTO rules that accord special and differential treatment to developing countries. They are also working to determine how to proceed on the so called Cancún 28 proposals that seek to strengthen some of the existing S&D provisions in specific WTO agreements.
- Finally, Members are working on an LDC package that includes steps forward on duty-free quota-free market access for LDC exports, rules of origin associated with trade preference schemes, cotton, and the LDC services waiver. While not all of these elements have the same degree of maturity at this point in time, I am hopeful that constructive engagement can deliver a package at Bali that would further the integration of LDCs

in the multilateral trading system. A positive development last week was the revised submission from the LDCs on preferential rules of origin. ✓

- With barely ten weeks left until Bali, time is not on our side. With backing from Members, I recently launched a rolling set of intensive consultations involving Ambassadors and senior officials with the objective of finalizing the contours of a Bali package in the coming weeks.
- Success at Bali would boost trade at a critical juncture for the global economy. It would deliver concrete improvements to many people's lives. Of equal significance, it would demonstrate that multilateralism can work to deliver negotiated agreements, proof that would be a shot in the arm for the WTO's work in the future.
- Let me assure you that Members fully understand that the consequences of failure could be highly damaging for the multilateral trading system, and, in the longer run, for the global economy. The world will not wait indefinitely for the WTO. A failure in Bali would only amplify the negative, if not entirely well-founded, public perceptions surrounding the WTO. It would push governments further in the direction of second-best solutions, which will leave many big challenges unaddressed, and leave many countries marginalised.
- Success at Bali would represent an all-too-rare sign that the international community is willing and able to cooperate to govern the world economy. It would be a boost to our work, our credibility and our confidence that we can deliver – multilaterally – in the future.
- I thank you.

