Address by Paul-Henri Ravier
Deputy Director-General
World Trade Organization

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1) World trade has contracted sharply in 2001 following a very strong year in 2000. A moderate recovery is projected for 2002.

a) Following a very strong year in 2000

- With +12% in volume, it was the sharpest in the decade 1990/2000 for merchandise; propelling ratio of world trade (goods + services) to GDP to 29%, an increase of 10% point in 10 years.
- The pattern of this growth was quite balanced on the import side while Asia and the transition economies recorded both high import and export growth.
- World exports of commercial services rose by 6%.
- The share of developing countries continued to rise, reaching a 50 years high of 30% for merchandise, representing 27% of manufacturing.

b) Difficult to find more contrast with 2001

- World exports dipped 1% in volume and 4% in value to US$ 6 trillion largest since 1982. Agriculture, mining products, manufactures equally touched.
- Commercial services slipped by 1% to US$ 1.4 trillion first decline since 1983.
- Main cause: weakness in overall economical growth and specifically steep fall in inventory levels in OECD countries depressing demand for imports, the bursting of the Information Technology (IT) bubble, the weakness of household demand in Western economies.
- East Asia specially affected by export decline of IT products (Singapore/Chinese Taipei).
- Developing countries merchandise exports decreased by 6%, steeper decline than world average.
- LDCs stagnated both in terms of exports and imports.

c) Prospects for 2002 are based on a moderate recovery to say the least

- An average growth of 1% is projected mainly driven by the rebuilding of inventories. For the second year in a row, growth in world trade will lag behind the expansion of global output.
- This trend is likely to continue for a while, and this is largely due to the fall in the IT sector which has a larger share in international trade than in output. Therefore, the traditional relation where trade pulls output may not work as much. This is
compounded by the higher transaction costs – a fall out of the events of September 11.

2) The recent past months have seen a mix of events which can alter positively a negatively world trading context

a) The success of Doha is impressive

- a round of multilateral trading negotiations has been launched. It covers:
  - on-going negotiations: agriculture, services
  - old subjects which need a serious updating: implementation of the Uruguay Round agreements, textiles, non-agricultural tariffs, anti-dumping, e-commerce, trade facilitation
  - new subjects like investment, competition, relationship between trade and environment (MEAs)
  - special treatment for developing countries, including technical assistance/capacity building which becomes fully part of the final outcome.

- China has become a Member of the WTO: it is now the 4th trader in the world (counting EU as a single trader and combining exports and imports of merchandise and services).
- a central problem of the civil society has been addressed through the declaration on access to medicines.

b) Since Doha, substantial progress has been achieved:

- choice of next ministerial (place and date)
- the framework of the negotiations had been set up (TNC).
- TRTA is now in full gear:
  - planned activities have been set up.
  - human and financial resources greatly expanded.
  - training component increased.
c) but some more ominous events have also taken place

- transatlantic trade difficulties: FSC.
- steel dispute:
  - started as a transatlantic dispute but now much wider
  - the threat of retaliation by the EU/China/Russia/Korea/Japan
- agriculture: the last US Farm Bill raises lots of concern among trade partners of the US.
- anti-dumping is rising very steeply: during the second half of 2001, 19 WTO Members initiated 186 AD initiatives against 55 WTO Members: during the corresponding period of 2000, the figures were 18 Members, 187 AD initiatives; but during the first half of 2001, 134 AD initiatives "only" (88/46) which makes a total of 320 for the year 2001. In terms of initiatives: India, USA and Argentina have been the main countries concerned. In terms of targets: China, Brazil, Chinese Taipei, Thailand and the USA.

On the whole, a slight majority of the initiatives (167 vs. 153) belong to developing countries which remain indeed the main target (with transition economies). Iron, steel, aluminium, chemicals and plastics are the most frequent products.

Those different events lead some observers to underline that protectionism is on the rise again, which is precisely not the right thing to do when economic recovery remains fragile, to say the least.

3) The future can be constructive provided there is a strong consensus on the following basics:

a) trade liberalization works as a development instrument – not the only one, but an essential one. Even opponents to globalization recognize that even if far too many people in the world still leave in an abject poverty, trade has been an important tool in lifting people out of this poverty: during the last 30 years, the percentage of people in the developing world who are starving has fallen to about 18% (far too many) from 30%, those who have access to clean water has climbed from 30 to 80%.
b) **what needs to be done is more trade liberalization, not less**

- cutting barriers to trade in agriculture/manufacturing/services by a third would boost the world economy by $613 bn. Size of Canada.
- in development terms, the elimination of all tariffs/non-tariffs barriers could result in gains for developing countries of $182 bn. in services, 162 in manufacturing, 32 in agriculture.
- it is not true that most tariff barriers have been eliminated: peaks remain, old industries are protected in rich countries to the detriment of the poor of the rich countries and the poor of the poor countries alike.
- Mongolia/Norway pay the same amount of duties to the USA, whereas their export ratio is 1 to 40!!
- it is not true that the services negotiation is harmful to the interest of developing countries: no offers are made on water, health, education and, even so, what is better: no public water or private water?

c) **there are many opportunities (as well as challenges) in future trade liberalization for Asia**

In spite of the USA recovery that is underway, there are still lots of challenges in the region:

**Japan**, long the powerhouse of the region, continues to struggle with economic reform and returning to a path of sustained growth. Asia needs Japan as a source of trade investment, technology.

**China** has created a vibrant economy and lifted many millions out of poverty: the ongoing challenge to China is to sustain its high rate of growth in order to create the million jobs it needs: China must continue to reform and liberalize its economy while ensuring that the resulting adjustments do not create unmanageable stresses.

**India** too is going through an important stage of economic transformation: like China, the only way it could continue with economic growth is through further liberalization.
South East Asia is still recovering from the financial crisis of 1997-1998 and seeking to rebuild its economy in a way that creates a foundation for rapid but sustained growth. Again, further trade liberalization has a role to play in bringing this about.

Again, more trade liberalization would make a massive reduction in poverty, raising 180 million people above the poverty line (US$2/day) according to the World Bank report 2002.

4) What can be Asia’s negotiating strategies to maximize the benefits from the new round?
Six main subjects are to be put into light:

a) Textiles/clothing: 5.1%/6.4% of the region export of manufactured goods. Much larger percentage for China, India, Pakistan, Indonesia: → acceleration of textiles/clothing liberalization.

b) Agriculture: 6.5% exports (9.4% imports) but great provider of employment/income. Trade liberalization in OECD countries will benefit net exporters in Asia, specially those who are already highly open to trade according to a World Bank paper. But, Asia is also a net food importer: it should also be ready to reduce Tariffs and Non-Tariffs Barriers in this sector.

c) Non-agricultural market access or industrial tariffs: tariff peaks, tariff escalation: exist mainly in OECD countries, but also within Asian countries. Their reduction would be a boon to intra-regional trade, as well as extra-regional trade.

d) Anti-dumping: see above. Of the 1640 cases recorded by the WTO since 1995, 47% against Asia, i.e. 4% points higher than its share in world exports (43%), 19% initiated by Asia, i.e. 19% points below its share in world imports (38%). Asia would benefit from improved disciplines in anti-dumping which is precisely on the agenda of the round launched at Doha.

e) Services: - Asia would benefit from OECD countries liberalizing the movement of natural persons: so far limited progress.
   - Productivity of services in Asia still lagging behind OECD: the region obvious strength in manufacturing needs to be complemented by improvement in services, specifically in banking and finance,
telecommunications, transport. Increased liberalization means increased competition, but also means increased efficiency.

f) **Investment/Competition**: the share of Asia in Foreign Direct Investment (FDI) has been declining between the first and the second half of the last decade: from 19% (excluding Japan) to 11%. Taking China (3rd recipient) out of the picture it becomes 8%.

It is an important issue for Asia because FDI remains catalyst of growth: in this context, a stable, predictable and transparent rules-based investment regime is crucial for attracting FDI: the competition between counties can lead to an excessive use of subsidies and tax breaks. Abuses may be detrimental to smaller economies with less financial resources. Nobody pretends to revive the fateful OECD/MIA, but the work going on in the Working Group on Trade and Investment in the WTO has been very positive so far and it is much in the interest of Asia to be an active participant.

**Conclusion:** What lies ahead of us is a collective undertaking. OECD countries have their share of the burden to carry, be it in agriculture, textiles, or implementation of the Uruguay Round Agreements. But, Asian countries have also a great role to play by opening up their markets further, by promoting intra-regional trade provided it remains compatible with WTO rules. And above all, China is and will be an essential player, which will have to comply with the obligations it has undertaken in becoming Member of the WTO, and to propose new and constructive solutions to the different subjects covered by the Doha Development Agenda.