TRADE PROMOTION FOR
GOODS AND SERVICES AND THE
WORLD TRADE ORGANIZATION
(WTO) AGREEMENTS

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TRADE PROMOTION OF GOODS AND SERVICES IN LIGHT OF WTO AGREEMENTS

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Mr. Morris Harf, Foreign Trade Minister of Colombia; Ms. Claudia Fadul, Secretary General of the Cartagena Mayor’s Office; Mr. Lázaro Mejía Arango, Director General of Proexport Colombia, ladies and gentlemen:

Coming from Switzerland, it would perhaps prove relevant to quote writer Alexander Pope, who said that neither peoples opinions nor watches work in synchronized fashion; that each person thinks his own opinions or watch are accurate. Two years ago, in Marrakesh, the opinions of around 120 governments coincided in the agreement to found the World Trade Organization (WTO). On behalf of WTO president, Mr. Renato Ruyero, and WTO vice-president, Mr. Jesús Seade, it is a pleasure for me to transmit their greetings and thanks for the invitation that you extended to the WTO to participate in this important event, which gathers the most representative organizations interested in streamlining accession to the international market of goods and services, as well as other opportunities of international trade expansion stemming from the founding of the WTO.

Your role is essential. The WTO needs your support in future tasks. I will therefore expand on the ambitions of the first WTO ministerial meeting, to take place this December in Singapore.

In all our countries, the citizens, consumers, businessmen, workers and the young people are concerned with growth and employment prospects; problems such as structural readjustment in developed countries or in the process of development; marginalization of the less developed countries; the relation between regional and multilateral liberalization; internationalization of the trade system, currency

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exchange fluctuations; extra-territorial application of local legislations; environment protection; climatic disturbances; biotechnology and genetic manipulation. These are today's challenges that we cannot afford to contemplate in an indifferent or speculative manner.

For instance, some relevant questions are: How will natural fats and oils compete with similar products that are not assimilated by the human organism and that are useful in diets? How can one be sure that the repercussions of European encephalitis will not affect other producers and consumers of beef and by-products?

I will begin with the present situation, regarding application of the WTO agreement, in its multilateral aspects. Economists of the WTO and other governmental and non-governmental organizations, such as ECLA, UNCTAD, FAO, the World Bank, OECD, CELAM, and universities, have been analyzing WTO performance from the viewpoint of a computable overall equilibrium theory. The business world is constantly making its own assessment on the basis of increased company benefits. Labour closely follows the evolution of job opportunities in production and export sectors. Many economists have reached the conclusion that there is a very close link between the level of national liberalization and benefits resulting from economic growth.

It is worth mentioning that, in regard to market access, the WTO goal was to reduce tariffs by an average of 36% for developed countries and 24% for countries in the process of development. As a result of the Uruguay Round, tariffs are decreasing and, after five years of this regime, the average tariff levels of developed countries will be below 5% - 10% in the case of Australia and New Zealand except in the textile and garment sector, where the average will be between 10% and 60%. In the textile and garment sector, there is a transition period of ten years to abolish taxes in three gradual phases.

Quantitative restrictions in other sectors are also being defined. In the agricultural sector, non-tariff measures were established, with a 36% tariff abatement for developed countries and 24% for countries in the process of development. Budget expenses in export subsidies must decrease by 21% and 14% for developed countries and countries in the process of development, respectively. Overall average of aid to local production incentive will drop 20% and 13%, respectively. An initial minimal surplus of 3% of local consumption has been established, which
should rise to 5% at the end of the determined period, six years for developed countries and ten years for countries in the process of development.

One can, thus, figure that agricultural agreement will represent profits of around US$72 billion. This could eventually mean 10% of the total Uruguay Round benefits. Otherwise, it proves hard to evaluate the results of liberalization in the service sector, or the commercial impact of the ASPIC agreement on trade-related intellectual property rights.

One of the main characteristics of the WTO is the principle of single commitment, by virtue of which all members participate in all multilateral trade agreements, with the exclusion of public sector purchases, commercial airlines, beef and milk products. Due to substantial reduction of tariffs and gradual elimination of non-tariff measures, some member countries, many of them in the process of development, have frequently resorted to agreement provisions on anti-dumping procedures and on compensatory subsidies and rules, in order to counteract unfair trade practices undermining trade relations. Several countries in the area have made statements on the subject.

Something similar is occurring with the agreement on safeguards. One of the new factors in international trade, the effects of which still cannot be analyzed, is the so-called phenomenon of relocation, meaning transferral of industries or services outside national frontiers, in order to benefit from lower costs, expansion opportunities, expectations of higher demand, more favourable tax systems, specialized labour. This is observed notably in the textile-garment and automotive sectors and several technological or computer services. Obviously, investors follow closely the evolution of all policies in order to optimize profits.

But the WTO goes beyond trade liberalization through tariff reductions and elimination of non-tariff measures. It has negotiated codes of conduct or uniform rules of application in other sectors, such as technical norms for trade, import licence procedures, inspection previous to dispatching, investment measures related to trade, customs appraisal, sanitary and phytosanitary measures, and it is trying to harmonize other sectors such as regulations of origin, chemical products, steel and by-products.
One of the ways to guarantee all WTO members that there will be no interruptions, deviations or setbacks in the fulfilment of obligations, is transparency of trade policy measures and legislation, administrative and judicial rules and decisions. There are around two hundred obligations to notify legislations or measures, either all at once or in ad hoc form, established at the WTO. Notifications are presented in official fashion and deposited in their entirety at the WTO Secretariat, which periodically distributes summary charts. The different WTO boards and committees periodically examine notifications and present reports to higher WTO echelons. For instance, the committees administrating agreements on anti-dumping measures and compensatory subsidies and rights, meet in joint manner and have revised, among other things, legislation of European countries, which have answered in writing the countless questions made by members, in regard to the concept of damage, to the definition of national industry, price commitments, expectations, among others.

In the field of agreements on intellectual property rights related to trade, one of the most comprehensive notifications comes from Switzerland. It allows to determine uniformity between the federal and cantonal legislation, with positive dispositions of the ASPIC agreement.

As for rules of origin, the United States gave the WTO 179 diskettes containing information on the subject. In order to be able to use this enormous bulk of information, a central registry of notifications has been established, and is now being computerized. Shortly, WTO member countries will have electronic access to it.

There is also an agency of trade policy revision, which will periodically examine trade policies of all member countries and voice conclusions either favourable or critical. The four major trade entities are audited every two years; the twenty following ones every four years and the others every six years.

In Article 16 of the WTO agreement, all members have pledged to assure uniformity between their laws, regulations and administrative procedures, with obligations entailed by related agreements. This commitment, and other commitments and obligations, are mandatory, as the WTO depends on an understanding on norms and procedures to settle differences and on an agency for the same purpose. Towards such an understanding, highly specific dispositions have been taken,
with determined and relatively brief deadlines, to examine differences or trade litigations between member countries. There is an automatic procedure of decision-taking and an appeal agency, as well as a retort, or civilized retaliation, mechanism.

The mechanism to resolve differences plays a predictable central role. It is used by countries in the process of development, as well as by large and small industrialized countries. To date, there have been around fifty initial requests for consultation. There are presently six cases submitted to special groups, and another two groups have concluded their tasks. Recently, the agency responsible for resolving differences has received a first report from the appeal agency, concerning a conflict between a country in the process of development and a developed country, over standards applied to cracked gasoline. There are other litigations underway, concerning certain policies of European countries on bananas. Nevertheless, one must stress that ten litigations in the consultation phase have been resolved, without the need to resort to special groups or panels. This bears witness to the systems credibility and persuasive effect.

Trade policy is not only a technical matter but also a subject of great political importance. With the WTO, the world has at its disposal a permanent forum to discuss trade policies and a more efficient system to negotiate commitments and adopt and enforce trade norms. Trade and trade policies have again returned to the forefront of international concern. Thanks to founding of the WTO and achievement of broad agreements of cooperation at all levels, with the World Bank and the International Monetary Fund, international structure of trade, finance and development has been completed and actualized in order to contribute to worldwide employment, stability and prosperity in the coming century.

Governments have entrusted to the WTO to seek a greater coherence in the formulation of international economic policies. The WTO’s main activity today is to prepare the First Ministerial Conference, to take place in Singapore in 1996. The meeting will include a ministerial declaration on the following themes:

- Application of the conclusions of the Uruguay Round.
- WTO work programme for the remaining years of this century and for the 21st century.
Broader political concerns pertaining to the WTO.

The Ministerial Conference will afford the opportunity to evaluate achievements during these two years, but will also suggest more ambitious goals for the WTO work programme. With such elements, we must achieve a substantial, balanced and realistic work programme. The WTO work programme implies a commitment to begin new negotiations in important fields such as services and agriculture, before the end of the century, in order to achieve greater trade liberalization in goods and services. However, some member countries prefer to stick to 1999 or 2000 as the negotiation year.

Present debates on trade liberalization in the field of information technology, tend to further open up the telecommunication service sector; but there are other important themes to consider. With respect to investments, globalization of the world economy leads to think that multilateral norms are required in the investment sector. The Uruguay Round negotiated the agreement on trade-related investment measures, but we must consider whether other arrangements should be added with respect to investments.

On the other hand, negotiations on the service trade originated substantial commitments on investments in various sectors. Such commitments concern the right to establish and perform commercial activities. Preferred nation treatment was conferred to all service sectors, with some exceptions. The WTO requires a more horizontal and sweeping approach to investments, especially in the commodities field, based on WTO principles of dealing country by country and on its clause of most favoured nation, to establish a guideline giving support and protection to foreign investment. If there is no solid international framework, there is the risk of a proliferation of systems that could prove incompatible with, and even discriminatory towards, foreign investment. There are presently over 900 bilateral agreements on investments, and, if all countries in the world participate in such agreements, around 20,000 bilateral agreements would be necessary. It would be difficult to find a solution to this problem, without the WTO.

The agreement on trade-related investments also provides for considerations on the need to adopt norms on competition policy. As governments have liberalized their trade policies, attention has centred on trade barriers maintained by companies. Barriers
pertaining to the market structure, ways of impeding the abuse of dominant positions on the market, the consequences of company mergers, are matters that do not depend on any official policy.

In the first place, it is necessary to determine to what extent such barriers are deep-rooted and what problems they entail. Secondly, we must ask if they should be handled on a local level or if they require international legislation to guarantee the adequate functioning of markets with or without considerable norms of competition. Some member countries have suggested inclusion in the WTO work programme of a controversial issue: What are internationally-acknowledged trade forms, social rights or labour standards? One will have to determine the relationship between such rights and trade and the court of justice responsible for examining how to enforce respect of union rights, and the abolition of forced and child labour.

Proposals also embrace the problem of corruption in international trade, related to the need to examine the public contracts issue and the possibility of conferring a multilateral character to the agreement on public sector buying, keeping in mind that the agreement taking effect on January 1, 1996, which is multilateral, meaning non-obligatory, multiplied tenfold public contracts open to international competition.

Other issues are related to regionalism and adaptation of trade regulations to the world economy, impact of basic product prices, types of currency exchange, debt situation and export revenues of developing countries, and extraterritorial enforcement of trade legislation. The relation between trade and environment is being analyzed by a special committee.

WTO member countries are working actively on elaboration of a work programme on trade issues for the 21st century, established on a consensus basis. The trade systems configuration in the next century demands an answer to certain fundamental problems. The first consists in keeping the population, consumers and producers convinced of the benefits of trade freedom and liberalization. Governments, private sector, universities must reassert that freedom of trade in the multilateral system framework is the key to growth and the hope for more prosperity and stability. The second consists in respecting and strengthening the commitment of all countries to keep their markets open and carry on the
process of liberalization and integration. In this respect, the creation of institutional and personal capacity is necessary, in order to benefit from new opportunities, especially through cooperation between organizations providing technical assistance. The WTO has devised an integrated plan of technical cooperation with UNCTAD and the International Trade Centre.

The third challenge is universality, meaning the need to include countries such as China, Russia, Ukraine, Saudi Arabia, autonomous territories like Taiwan, and other countries that still do not belong to the WTO. This inclusion demands fundamental progress in respective negotiations, in order to achieve an equilibrium between aspirations of candidate members and interests of actual members.

The fourth challenge has to do with the relation existing between regionalism and the multilateral trade system. Presently, almost all WTO member countries form part of one or more regional trade agreements. There is the European Community, the North American Free Trade Agreement, Mercosur, the Andean Pact, the Central American Common Market, the European Free Trade Association, among others. The Asia-Pacific Economic Community (APEC) involves a new initiative representing free trade throughout Asian and Pacific countries. The impact of regional liberalization can contribute to the development of multilateral rules and agreements and represent a starting point for the integration of less developed countries into the world economy.

Regional and multilateral initiatives must promote liberalization, providing each other with mutual support and strength. Regional patterns must not function as a centrifugal force disrupting the multilateral system, but instead must tend towards open regionalism through methods compatible with the multilateral systems juridical prerequisites. In the assumption of a gradual elimination of trade barriers within a regional association, these would apply with the same rhythm and timetable to the reduction of barriers to non-members. This alternative would aim at gradual concurrence of regionalism and multilateralism, on the basis of shared goals and principles, especially with respect to the principle of most favoured nation. The question is: How does one include this issue in future trade negotiations? It would prove excessively optimistic to allow
admittance to a regional agreement of another country ready to accept the same obligations as other members.

On the other hand, the WTO promotes an expanding programme of technical training and cooperation with member countries requesting it, and particularly with developing countries. To this effect, it sponsors technical courses, workshops, seminars and commissions, in local capitals as well as at headquarters. But the funds presently available to the WTO are not sufficient to meet demand, and all requests can not be attended with the desired promptitude. All the more so if one adds requests for assistance from governments negotiating their membership.

Regarding trade promotion, the WTO maintains its sponsorship of the International Trade Centre; through its activities and programmes, it stimulates the growth and diversification of the imports of countries in the process of development and their increased productivity and competitiveness.

To conclude, the questions are: In what kind of world do we wish to live? Do we desire a pluralistic and democratic world where the progress of global economic integration is accompanied by a planetary framework of shared trade rules, that would ensure liberalization and stimulate growth with stability? Or else, do we aspire to a system based on a trial of strength between competing blocs, with economic and political tensions?

The multilateral trade system must be animated by a positive and stimulating perspective, to remain dynamic and maintain its purpose. In order to meet growing needs in a likewise growing population, the multilateral trade system must be ambitious, pragmatic, tough and efficient. It is with the greatest interest that the WTO Secretariat awaits the conclusions to be reached during this event, and has taken note of the Colombian minister’s suggestion as to periodic meetings of trade promotion institutions throughout the world, and I can assure you that these will be communicated without delay to the president of the WTO.

I wish to express my gratitude for the hospitality of our hosts, especially Proexport, the Colombian government and the Cartagena Mayor’s Office for our presence in this beautiful city.