

Keynote Address by Hon. Madan Dooloo, Minister of Foreign Affairs, International trade and Cooperation at the Fair Trade Symposium in Hong Kong on Thursday 15 December, 2005

Mr Chairman,

In this brief statement that I am going to make I would like to concur that trade should be an engine of growth and sustainable development. However, we see that in practice this is rather far from reality for a large number of small and vulnerable economies. While a limited number of countries are among the traditional winners of the multilateral trading system, the large majority of what I have described as small weak and vulnerable are losers with adverse effect on our war on poverty. Growth in trade of the few winners contrast with an outright process of de-industrialisation in the large number of WTO member countries. Why is it so? Is it because the few are more competitive, and more productive than the rest? Or is it because the rest are not so? We can safely say that both cases are true. The question then is what is being done or what should be done to ensure that these marginalized members are fully integrated into the system? The moment we speak about making the system more inclusive and balanced, we are talking about issues of fairness and equity.

It becomes clear that the multilateral trading system is far from being a fair system which is supposed to provide a fair trade and growth; an equitable sharing of world trade through an increase in trade of developing countries. Mauritius is one such country which has witnessed the direct effects of how unfair the system can be. I am here referring to the unilateral reform of the EU sugar regime, under which trade was bound by a Sugar Protocol. EU has invoked the necessity to switch to a more liberalizing regime. Indeed, the recent decision of the EU to cut sugar prices by 36% will affect Mauritius and 17 other countries in terms of their livelihood concerns, food security and rural development. This EU decision triggered by developments in the multilateral

trading system places a disproportionate burden of the reform of the EU's sugar regime on the sugar-supplying states.

The competitiveness of the few has continued to grow to the point of creating a concentration of resources and gains. Available statistics to-day suggests that over a quarter of the world's production of goods and services come from 200 or so global corporations and these continue to capture steady increases of shares in the global markets. On the other hand, the story is not much different in relation to the distribution of FDI among developing countries. More than 70% of the global FDI that go into the developing countries find their way in just 10 major emerging markets in Asia and in the western hemisphere. This leaves us with the fact that all the weak and vulnerable economies are forced into trading only in few commodities which are subject to the uncertainties and unpredictability of generally bearish world prices. This is just unfair.

The free market which the conventional economists are backing will never lift them from the vicious circle of poverty and their lack of competitiveness. The maximization of their global competitiveness will remain a myth if the trading system does not bring more fairness and balance. The level playing field that is so often referred to does not in fact exist and will never be there unless corrective action is immediately taken.

This round was named a development round in Doha. It is in recognition of this iniquitous situation that the WTO membership laid emphasis on the development dimension of this Round. It was not an accident. The history of the WTO system over the last 50 years has shown that the growth of world trade has benefited only a few countries, while the original mission of the WTO was to ensure a fair and balanced trading system. The developmental dimensions were made part of the rule-based system, thus permitting positive differentiation, S&D, longer transition periods, preferences and their corresponding waivers.

This developmental round has to build on the acquis of the system, which is further re-affirmed in the July package. So, Mr. Chairman, when we have decided to have a development round,

we have also decided to have a new negotiating paradigm. In this regard, I cannot but echo the message that the distinguished Mrs. Mary Robinson has been recently sending to the effect that one does not negotiate a development round like any other trade round. Trading partners from both developed and developing countries must understand this truism. We have a chance of making this conference a historic milestone on the road to the conclusion of the development round whose at long last the concerns and development objectives of the developing and small and vulnerable members of the WTO are given one consideration. This is the time to give this dynamic orientation to the negotiation so that trade is made generally fair and development-friendly.

Hilary French in his book "Costly Trade off: Reconciling Trade and Environment" says that - I quote- : "Trade is neither inherently good nor bad. But how it is conducted is a matter of concern and an unprecedented opportunity. Trade can either contribute to the process of sustainable development or undermine it".

The choice is clear. We have to give this round its chance to make trade good and fair and more importantly a potent and meaningful engine of development.

Some benevolent people around the globe have been spending their time putting into practice some of the effective ways to make trade fair and good for the poor, weak, small and the vulnerable countries. Fair trade organizations and initiatives, such as the Max Havellar concept have been operating to give a preference and premium to the products emanating from these countries. Such trade, which is now growing, is still only a tiny percentage of the world trade. While these efforts are commendable, the multilateral trading system itself has a responsibility in creating the necessary enabling conditions for fair trade to become a reality. This must be within its own purview of raising the standard of living of people around the globe and making trade work for the poor and the vulnerable.

Accordingly, the multilateral trading system should, inter- alia,

- (1) recognize that a “one-size-fits-all” approach is not the best option as it can only increase the number of marginalized and worsen their plight;
- (2) Strengthen the instruments that have been used for lending crucial support to these countries because of their inherent constraints and their vulnerability. In this regard, the issue of the long-standing preferences should be resolved through a lasting solution that brings predictability and legal certainty, which is what the WTO is all about;
- (3) Provide adequate and necessary flanking measures to support the costs of adjustments until these economies achieve resilience in a sustainable manner. These economies themselves recognize that such carve-outs are not necessarily of a permanent nature.
- (4) Devise trade-related solutions to be agreed in the WTO in this round, keeping in view the mandate on international policy coherence;
- (5) Take necessary steps to increase the flows of technology to these countries as the system recognizes the relevance of the relationship between trade and transfer of technology in building the competitiveness of the industrial and services base of these countries;
- (6) Resolve the trade-related aspects of their debts, including through their coherence mandate, recognizing that the linkage between trade, debt and finance is at the heart of the development concern of these economies;
- (7) Provide technical assistance and capacity-building and also financial and technological support for supply-side capacity and institution-building so essential to ensure the capture of market and trade development.