

THE WTO SYSTEM AND THE PROMOTION OF PEACE

In a world as uncertain as ours, we need to continually build a climate for peace. WTO's contribution is best seen in creating a rules-based system to help trade flow smoothly and a constructive and fair process for countries dealing with trade related disputes. The architects of the post second war system have firmly believed that the more countries trade, the less likely they are to war with each other. This vision has proven to be correct. Today there are "trade wars", but these conflicts are fought out in the meeting rooms of WTO. The Doha Development Agenda which is about providing the world's poorest countries a hospitable economic climate is an opportunity for the entire world. What is at stake in Doha is beyond trade. It is about working to build a stronger global economy, reducing instability and uncertainty.

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A new round of multilateral trade negotiations

Last November in the Gulf state of Qatar, Member governments of the World Trade Organization (WTO) agreed to launch a round of trade negotiations unlike any that had preceded it in 50 years of multilateral trade talks. For the first time, WTO Members have agreed to put development issues at the center of their negotiating agenda.

Today, 2.8 billion people live on \$2 a day or less. The World Bank estimates that paring back barriers to developing country exports could have a profoundly positive effect on poverty alleviation efforts. The case for opening markets to products from the world's poor nations is strong. According to the Bank, reducing these barriers could spark higher exports, boost income in poor countries by \$1.5 trillion and help governments in the developing world to lift some 600 million people out of poverty by 2015. Developing countries can also help by looking at their own trade policies and practices. In many developing countries, high tariffs increase the cost of doing business and a low level of tariff bindings creates unpredictability and commercial risk.

Governments have committed themselves to conclude the Doha Development Agenda by January 1, 2005. This will provide the world's poorest countries with a far more hospitable economic climate in which to tackle poverty.

Developed countries also stand to benefit. The Doha negotiations cover a large number of issues including agriculture, services, trade rules, tariff cuts for industrial products and possibly negotiations on investment, competition, transparency in government procurement and trade facilitation. This represents something for everyone. Developed countries, just like developing countries, need trade to act as a motor for economic growth. According to a University of Michigan study, reducing barriers to trade in goods by only a third would generate \$613 billion in additional annual output around the world. Lifting barriers to trade does not mean just improved access to other markets but also means lower prices for domestic producers and consumers, and more competitive and efficient economies. If for no other reason, apart from self interest, freer trade makes good sense.

Beyond the economics of trade

Less obvious, perhaps, than the economic rationale for trade, but just as important, are the political and security benefits of a stable multilateral trading system. In a world as uncertain as ours, we need to continually build a climate for peace. Many factors contribute to creating such a climate. WTO's contribution is best seen in terms of two of its fundamental objectives: a rules-based system to help trade flow smoothly and a constructive and fair process for countries dealing with trade-related disputes.

History, which is replete with examples of trade disputes turned to war, gives many examples of how important these objectives are for promoting peaceful relations. One compelling example is the trade wars of the 1930s, when countries competed against one another by raising trade barriers in order to protect domestic producers and as retaliation against each others' barriers. This tit-for-tat action worsened the Great Depression and eventually played a part in the outbreak of World War II. The General Agreement on Tariffs and Trade (GATT), the forerunner to WTO, was born out of that painful lesson and became an integral part of the vision to promote international peace and security through greater prosperity, friendly trade relations and the rule of law. The architects of the post-Second World War system firmly believed that the more countries trade, the less likely they are to go

to war with each other. The fact that we no longer need to remind ourselves of this lesson demonstrates how successful this vision has been.

Today, there are "trade wars", but these conflicts are fought out in the meeting rooms of the WTO. International trade tension is reduced because countries can turn to the WTO to settle their trade disputes and to negotiate new rules or tighten existing disciplines. Sometimes, disputes between Members can be acrimonious, but they always aim to conform to the agreements that they themselves negotiated. Since 1995, the number of requests for dispute settlement has grown significantly to 261, as of mid-2002. This relatively high number is a reflection of many different factors. On the one hand, it reflects closer economic ties throughout the world - more trade means increased risks for disputes to arise. It also suggests that since these disputes are brought to the WTO, Members have faith in the multilateral system to resolve their disputes peacefully and constructively. However, it also raises important questions about the efficient functioning of the rules-based trading system, and some of these questions are being considered in the current negotiations regarding improvements and clarifications of the WTO Dispute Settlement Understanding. Conclusion of these negotiations should give Members further confidence in WTO dispute settlement. Ultimately, confidence is key to international cooperation, which is so vital to maintaining peace, and the WTO system plays a vital role in creating and reinforcing that confidence.

Complementing the systemic benefits of a rules-based multilateral trading system are the direct benefits of smoothly-flowing trade. If trade flows smoothly and countries enjoy a healthy commercial relationship, not only is political conflict less likely, but opportunities for economic growth and development are also greater. It is a well-known fact that the desperation caused by poverty can easily precipitate strife and conflict. Better standards of living and economic progress are key to ensuring that peace prevails. In this regard, trade, while not the only factor, is a vital ingredient in the cocktail of policies needed to move countries on to the path of sustained economic development. We have seen this happen time and again, most spectacularly in China over the last few years. The conclusion is simple, a more prosperous world is likely to be a more secure world, and open markets can help generate this prosperity.

Why concluding the Doha Development Agenda matters ?

The Doha Development Agenda, which was launched in the terrible aftermath of September 11, was an important reaffirmation of multilateral cooperation at a moment of great fragility in the international system.

The world economy, already weak when the Doha negotiations were launched, has not improved and may, if anything, have worsened. If we look beyond the economic sphere, we see that security and geopolitical concerns continue to escalate. In this climate of economic and political uncertainty, multilateral cooperation has to be strongly supported, and the Doha Development Agenda is a key element of multilateral cooperation that has the potential to stimulate economic growth, bring greater stability into international economic relations and help developing countries grow their way out of poverty. If the launch of the Doha round of negotiations arose out of a felt urgent need (and it did), then it is now even more urgent to conclude it successfully.

In less than nine months - at their Ministerial Meeting in Cancún, Mexico - WTO Members will be asked to make a concerted effort to conclude the latest round of global trade negotiations by 1 January 2005. Success is not guaranteed. Uncertainty in the world economy, combined with growing international tension, may have overshadowed the new

round and weakened the cause of multilateral cooperation. Yet, this is precisely why the WTO's success is so vital. If that seems somehow insufficient, take a moment to consider the costs of failure.

The fact remains that the multilateral trading system – for all its imperfections - is indispensable to managing the global economy. It gives even the smallest and poorest countries greater leverage and security than they would ever have outside the system. It is a system which replaces the role of ‘power’ in international trade relations with the rule of ‘law’. Together with an expanding web of other global institutions and agreements, the WTO reflects the emergence of a new, but still fragile, international order. From trade to the environment, human rights to war crimes, the world is moving towards rules, not power, persuasion, not coercion – a world of mutual respect, rights, and freedoms.

What is at stake in the Doha Development Agenda ? It goes beyond trade. It is about working to build a stronger global economy, reducing instability and uncertainty. It is about bringing societies, as well as economies, closer together, and integrating billions in the developing world into a system whose core purpose - from its inception in the aftermath of Second World War - was the avoidance of conflict and the promotion of peace. The key to success is a willingness on the part of governments to find common cause through international rules and shared interests. Peace through rules, peace through international cooperation, and peace through widening circles of prosperity. The future is unpredictable but what is certain is that failure to make progress in the Doha Development Agenda will leave the world a more insecure and uncertain place.

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