

Check Against Delivery

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"MULTILATERALISM AT THE CROSSROADS"

BY THE

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Mr. Chairman

I wish at the outset to publicly thank you and through you, the WTO as an institution for this invitation. I am pleased to note that in keeping with the WTO's stated policy of inclusion the voice of a small country has been added. The opportunity is appreciated whether it will be heard or not, which of course, is another matter that does not depend solely on the strength of my voice.

Mr. Chairman, the challenge that I will be addressing today focuses on the issue of Multilateralism. I am referring to a multilateralism that is so often tainted as the growth of mega-trading blocs dominated by large developed countries. It inevitably serves to discriminate against those countries that are not in a position to negotiate the type of preferential access that they need to survive and which equally inevitably become marginalized in a world where power overrides rules and fair play. For many developing countries therefore multilateralism equals discrimination equals marginalization. It is perhaps the most serious challenge facing us all today in our hopefully collective quest for ordered global development.

As a representative of small Caribbean developing countries I am very concerned with trends that will subject rules to the dictates of power with the end result being that the poor and weak will be the natural losers. This vision is indeed scary as it means that these countries will be forced to accept rules not in conformity with their development and which in many instances serve to hinder such development. This we already see with some of the extreme demands for labour and environmental standards. Many developing countries believe their development agenda in the WTO is being bypassed in favor of rules that would benefit the rich and the powerful. Many indeed question why should Singapore issues of investment, competition policy, trade facilitation and government procurement be given priority over the Doha development issues.

The WTO is in the throes of this debate with some of our members becoming fatalistic and subscribing to the view that there is little the WTO can do to circumscribe the growth of the power of the rich particularly when

this is being accumulated at the expense of the less powerful and the less developed. These are the “so called realists” who see the underlying matrix of world power as heavily skewed and cast against genuine multilateralism.

I however, do not share this view in its absolute sense. One very positive aspect of Cancun, is that it opened our eyes to alternatives to global development. The G20 in collaboration with the G90 emerged as a voice to be heard. Their capacity for unity was certainly underestimated, but this development, this capacity for unity threw up in my view a world pregnant with new possibilities for poor developing countries and for the future of multilateralism.

For developing countries, Cancun represented another chapter in their struggle to support the multilateral trading system through their active participation in it as equal partners. Their positions before, during, and after Cancun reflect their long-standing vision and affirmation of what global trade multilateralism should be in order to promote development, rather than a simple acquiescence to an extension of existing multilateral trading relations and conditions that hamper such development.

Developing countries continue to be strong supporters of the imperative for a strong multilateral trading system, one in which rules are applied fairly and equitably, in which all participants have an equal voice, and in which the costs and benefits are equitably shared. The multilateralism in which the rules of the game were determined, and the benefits received equitably, by only a few players, mainly the developed countries – should now be on the wane. Indeed we must ensure, that it becomes an historical anecdote to this

misshaped and unfashioned global development order with a vibrant WTO at its apex.

The WTO now needs to recognize that a new “multilateralism” is necessary for the legitimacy of the global trading system – one in which more and more developing countries can assert with confidence their common interests, work with each other, and speak with united voices within the WTO in pursuit of their common development objectives, and one in which the contributions by all players – both developed and developing – are given weight and importance commensurate with their impact on achieving global development goals.

The fundamental issue currently facing the WTO therefore, really comes down to whether multilateralism can effectively temper the negative effects of power politics, and in so doing, adequately accommodate the poor and the weak in a new dispensation?

I believe it can. I do not interpret the failures in Seattle or the setbacks in Cancun as a reflection of lost hope for multilateralism. On the contrary I believe that we are witnessing the emergence of a new multilateralism albeit with difficult birth pangs and it is in this sense I speak of a multilateralism at crossroads today. The challenge of successfully integrating the developing countries into the multilateral system is without doubt very demanding and fraught with risks. Controlling unfettered unilateralism, and in so doing promoting new multilateral rules is at the heart of this challenge.

The “multilateralism” of the past, with only one package or set of economic policy prescriptions for the global trading system consistent with the Washington Consensus, has not managed for the most part in lifting most developing countries’ economic status. What such “multilateralism” has done has been to widen the wealth gap between developed and most developing countries, and contributed to a continuing decline in the long-term development prospects of the latter.

The “multilateralism” of the future, the one that developing countries believe in and strongly support, should be one in which the WTO helps create an enabling environment in which developing countries will be able to flexibly assess and adopt various policy models, approaches, and policy mixes in support of their development goals. It is one in which the open policy space of developing countries to adopt and implement policies for the management of their economies and the increase in the standards of living of their peoples is preserved and maintained.

Mr. Chairman, leadership with a vision of a fair, balanced and equitable order is indeed a critical factor in this endeavour. It is emerging slowly as the new geopolitical and economic realities force us all to see the common interests in harnessing the benefits of globalization. Today, effective multilateralism depends on the beneficial interaction of key developed and developing countries. They alone can provide the constructive leadership in a new and pragmatic ‘coalition of the willing’. This is the imperative that came out of Cancun that really responds to the new dynamic. It will bridge the current North-South divide and unleash forces with stronger interests in multilateralism.

It is not wishful thinking to view these possibilities. Events in the wider world, such as the war on terrorism, the war in Iraq and generally the problems of managing the global commons, all seem to point to the advantages of multilateralism over unilateralism.

We can no longer continue to dress up the current form of globalization with palliatives and short sighted policies. As President Fox of Mexico pointed out in Cancun, "The existence of divided and inequitable societies requires us all to show justice, goodwill and interest in others. If we all focus on this, the new trade round launched in Doha could yield immense benefits."

Since Cancun, we are all more conscious today that if the Doha Round does not deliver, the new regionalism and bilateralism in trading arrangements and related issues will spread even faster and wider. The desire for FTA partnerships with major powers will become the norm, even though it is second best. There will be a scramble to seek benefits this way and those with less bargaining power to negotiate good terms will be placed in jeopardy.

Mr. Chairman,

The scenario that is generally offered is a world dominated by three large blocks. An East Asian trade block revolving around China will most likely emerge more rapidly, taking its place alongside US-led and EU-led blocks. These three mega-blocks will all be interlinked by a plethora of cross-

regional bilateral and plurilateral FTAs. One can just imagine the discriminating and protectionist tendencies that such a world would secrete.

I dread therefore, to contemplate the implications of a WTO-failure for the world. As a region comprising largely small economies heavily dependent on trade and investment from the rest of the world, the Caribbean has a long-term stake in a WTO that delivers stability and predictability to freer trade. Free trade agreements (FTA) are simply not enough.

Small economies including many small island developing countries (SIDS) would have difficulty surviving in a world of bilateralism. Like many LDCs, they also cannot meet the full obligations being demanded of them in this current round. This is why they welcome the new initiatives in the Lamy/Fischler letter that would reduce the burden on them.

The Doha Development Agenda is crucial for bolstering international economic growth, and assisting developing countries to integrate into the global economy. So it is important that we succeed, and this is why all countries have worked hard for a substantive resumption of WTO talks and are pushing hard for progress on the outstanding issues.

But all of these efforts still do not guarantee that Doha would produce significant gains especially for the developing countries that did not benefit proportionately from the results of the Uruguay round. A fair amount of work is still needed to ensure that the right overall balance is struck in market access and S&D issues in agriculture, industrial tariff negotiations, services and global rule-making.

The WTO, Mr. Chairman cannot continue to have residual importance, for its future as a vehicle for trade liberalization will be surely numbered. Regional and bilateral trade policy agendas must therefore be placed under a well-functioning multilateral rules-based trading system.

There is also a challenge for wider global governance. We cannot exclusively focus on the WTO in view of the linkages that exist. Imbalances between developed and developing countries in the system can only be treated if the broader picture is examined in an integrated manner.

Currently, there is some effort to do this especially for the least developed. The problem however, is more widespread since as a result of preference erosion and declining terms of trade a large number of small, weak and vulnerable developing countries have also been put at risk. The system needs to be more creative in dealing with their plight and special needs. It must address the interlinkages that exist, for instance between trade, finance, debt, technology transfer and development questions.

These deficiencies have contributed to undermining both the effectiveness and the legitimacy of many of these institutions. The major Bretton Woods players have now to accept this development challenge and offer them a package that will provide the security for them to move forward.

A significant amount of work is needed to strengthen and rebalance the various pillars of global governance and to promote coherence between them. Citizens must be made to perceive these global institutions as

working in the interests of developing countries and NGOs must be given their right place in the role of these institutions. It is evident therefore, that the future of the WTO depends largely also on what happens in these other areas of global governance.

Cancun was not a failure, as some may call it. Rather, it marked another step in the increasing maturity of the multilateral trading system and its hopeful evolution in the future into a viable and sustainable system that will provide equitable and much needed developmental benefits for poorer participants through increased participation in rule-making, increased trade benefits, and the preservation of policy space.

Over the long haul, Cancun can therefore be seen as a defining moment. It has clarified the options that face us and has added urgency and importance to a more relevant trade agenda. It has also presented an opportunity for policymakers to identify a more feasible and balanced set of negotiating modalities and outcomes.

Finally, in that strange dialectical way, Cancun has allowed many of us to remain optimistic that the multilateral system can deliver in the medium to long term. We have no alternative.

I thank you, Ladies and Gentlemen.