

WORLD TRADE ORGANIZATION

WT/MIN(98)/ST/37

18 May 1998

(98-1989)

MINISTERIAL CONFERENCE
Second Session
Geneva, 18 and 20 May 1998

Original: English

SINGAPORE

Statement Circulated by H.E. Mr. Lee Yock Suan,
Minister for Trade and Industry
(at the working session on implementation)

A. Introduction

1. The WTO's trade liberalizing rules and commitments bring a new dynamism and stability to international trade. They seek to improve trading opportunities and to reinvigorate the rule of law in multilateral trade. The primary benefit of such an approach is the stability and security of the market access it engenders. The success of the system and the realization of its benefits, however, hinge on the full and faithful implementation of negotiated commitments.

B. Implementation

Importance of implementation

2. The Uruguay Round was comprehensive. It encompassed areas that had been the subject of previous GATT rounds, introduced trade disciplines in areas which had long been resistant to reform (agriculture and textiles), and tackled new issues such as trade in services and trade-related intellectual property rights. All in all, the Round resulted in no less than 26,000 pages of written text, including 22,000 pages of schedules of market access commitments made by member nations.¹

3. Only effective compliance will ensure that the benefits of the Uruguay Round are reaped in full. Much is at stake. A 1993 OECD study predicted that tariff reductions in the goods area alone will, by the year 2002, result in a permanent increase in world GDP of US\$274 billion.² A more recent estimate by the WTO Secretariat suggests that the Uruguay Round will add US\$510 billion to world income over the next ten years.

4. More importantly, the very credibility of the multilateral trading system, and public confidence in it depend on implementation. Every WTO Member has an important stake in the continued vitality of the system.

¹John Croome, WTO 1995, *Reshaping the World Trading System*.

²Organization for Economic Cooperation and Development 1993. *Assessing the Effects of the Uruguay Round, Paris*.

Status of implementation

5. Four years after Marrakesh, implementation has been generally satisfactory. National capitals have been translating WTO commitments into practice, with the various bodies of the WTO providing a forum for information exchange, clarification and developing common approaches to implementation related issues. Important progress has also been made in respect of some of the so-called "unfinished" business of the Uruguay Round, such as the agreements on basic telecommunications and financial services.

6. However, much remains to be done. Problems have also arisen. A particular cause for concern is the growing discontent amongst certain countries that the system has failed to produce tangible economic benefits commensurate with the obligations it imposes.

7. Exports from developing countries continue to face significant market access impediments. Recent studies by UNCTAD and the FAO have confirmed that tariff peaks and tariff escalation still hamper developing country exports, and their attempts at export diversification.³ It is of concern that the problem of tariff peaks and escalation occur predominantly in those sectors of export interest to developing countries. For instance, the majority of the tariff peaks in developed markets are in the agricultural, fishery and food industry sectors.

8. Misgivings over the general trading conditions for developing countries have also surfaced. One example relates to the problems faced by developing countries in the area of textiles and clothing. The integration of these products into the GATT, under the Agreement on Textiles and Clothing, is heavily backloaded. Integration not only began with products that were of little export value to the developing countries, but it also led to an intensified use of transitional safeguard measures by importing countries. A second example would be the rising incidence of contingency protection measures against developing country exports. In 1995-1996, 147 anti-dumping actions were initiated by a number of developed countries and nearly 600 definite anti-dumping duties were in force in these countries at the end of 1996.⁴

Resolving implementation problems

9. It is important for the WTO to address this discontent. We need to find effective mechanisms to permit developing countries to address their concerns and thus secure their continued active participation in the system.

10. With this in mind, Singapore firmly supports the proposal for a focused attempt at resolving the problems of implementation. Given the cross-cutting nature of the issues involved, it is appropriate that this work be under the purview of the General Council, and that it be aimed at preparing a range of viable options on both implementation and future activities for our consideration at the next Ministerial Conference.

11. Singapore would, however, place two caveats in respect of this process. Firstly, in examining the problems of implementation, Members should not attempt to undermine either the level or the intent of existing commitments. These commitments, being the products of the single undertaking of the

³UNCTAD/WTO Joint Study *The Post-Uruguay Round Tariff Environment for Developing Country Exports*, 1997 Josten Lindland, FAO April 1997, *The impact of the Uruguay Round on Tariff Escalation in Industrial Products*.

⁴UNCTAD, ways and means for improving the opportunities for the expansion of exports of goods and services from developing countries, September 1997.

Uruguay Round, represent a careful balance between competing interests. We should not tamper with this balance lest we unravel all that the WTO has hitherto achieved. Secondly, the process cannot and should not attempt to achieve a "mutuality of benefits". The WTO is about opportunities of access - both in terms of the limits and the security of the access negotiated. It is up to individual Members to realise the benefits arising from these opportunities.

12. Against the backdrop of the financial crisis in Asia, this second Ministerial Conference provides a pertinent and timely occasion for Members to reaffirm their commitment to full and faithful implementation. It is also an opportune moment for Members to recognise the problems faced by a core constituency of the WTO, and to commit to working towards resolving them. To remain relevant and useful, the WTO must be responsive to the needs and concerns of all its Members.

C. Future Activities

Built-in agenda

13. A key starting point for the WTO's future activities will be its built-in agenda (BIA) and the work programmes agreed to in Marrakesh and Singapore. Together, they provide a significant platform for deepening of market access commitments, improvement of existing rules and the formulation of new rules to ensure the relevance and effective functioning of the multilateral trading system.

14. The BIA will launch negotiations in the two key sectors of agriculture and services by the year 2000. It will also entail major reviews of important Uruguay Round Agreements such as the Agreement on Trade-Related Intellectual Property Rights (TRIPS), the Agreement on Trade-Related Investment Measures and the WTO Dispute Settlement Understanding. The BIA extends to nearly all the WTO Agreements, including areas such as technical barriers to trade, subsidies, anti-dumping and the textiles and clothing sector.⁵

15. Thus, it is clear that the BIA and the work programmes would constitute a major proportion of the future activities of the WTO. Nonetheless, there are three important areas which the WTO would need to address adequately, in order to meet the challenges of market realities and the developmental needs of its Members.

Expanded work programme

16. Firstly, it will be vital for the WTO's future work agenda to adapt its rules to technological advances. A prime example is the emergence of new forms of trading activities such as electronic commerce. The latter's exciting potential to enhance trade has captured the imagination of governments, businesses and consumers alike. The value of electronic commerce transactions is projected to expand exponentially from US\$10 billion today to over US\$300 billion in the year 2002.

17. From the WTO perspective, electronic commerce has significant implications for the traditional notions of cross-border trade. As national borders disappear in cyberspace, the relevance of existing rules on cross-border trade comes into question. The WTO has to address such issues in order to keep abreast of the changes to the world trading system. Singapore therefore welcomes the recent proposals on electronic commerce mooted by some Members.

18. Secondly, the recent proliferation of Regional Trading Arrangements (RTAs), at a time when the multilateral trading system is thriving, is a cause of concern. Regional integration was not thought

⁵The WTO Secretariat has prepared an initial compilation of BIA issues in document WT/L/271 dated 7 May 1998.

of, either at the GATT's creation or even now, as necessarily antithetical to the GATT. Indeed, Article XXIV is seen as permitting a supplemental, practical route to universal free trade. However, the rising incidence of RTAs poses two systemic risks:

- (a) Preferential agreements between countries tied by geography, economic outlook etc. have obvious political and economic attractions. This may detract from the impetus for multilateral trade liberalization.
- (b) RTAs are increasingly significant in terms of the political weight they bear in international negotiations. Because of their trade and investment diverting effects, there is increasing risk of economic and political rifts between regional groups. This could fragment the world into regional trading blocs.

19. Thirdly, the BIA may not accord sufficient scope for developing countries to address some of their pressing market access problems. A recent UNCTAD study notes that, despite the Uruguay Round tariff cuts, tariff peaks remain a significant market access barrier to industrial exports from developing countries.⁶ Most peaks are concentrated in the leather, footwear, clothing and textiles sectors and range from 12 to 30 per cent. Tariffs as high as 320 per cent have also been recorded. Yet, the existing agenda of the WTO does not encompass a work programme to pursue the general goal of further liberalization of industrial tariffs.

20. It is for these reasons that Singapore is in favour of an expanded work programme for the WTO - a work programme that goes beyond the BIA.

Merits of a comprehensive approach

21. A comprehensive approach to our future activities has three significant merits:

- (a) It would allow Members to seek and secure advantages across a wide range of issues. Developing countries, in particular, would have a renewed opportunity to push for a balanced agenda and more equitable results.
- (b) Domestic reform in the politically sensitive areas is more likely to be tenable in the context of multilateral trade liberalization as it provides the possibility for trade-offs.
- (c) It would allow the WTO to build on the momentum of the Uruguay Round and to keep pace with the latest developments in world trade in goods and services.

Way forward

22. To derive maximum benefits from such a comprehensive approach, it would be important to define its parameters clearly, in particular, its agenda, modalities and timing. Singapore, therefore, supports the proposal for a preparatory process to be set up by this Ministerial Conference to consider these issues. The General Council should be tasked with preparing comprehensive options for decision by the third Ministerial Conference.

⁶UNCTAD/WTO Joint Study. *The Post-Uruguay Round Tariff Environment for Developing Country Exports* 1997.

Conclusion

23. To sustain world economic growth and security, there must be a continued strong commitment to multilateral trade liberalization. This, however, raises two concomitant responsibilities on the part of trading nations. Firstly, national governments should be prepared to put into place the necessary domestic regulatory framework and infrastructure to maximise the benefits from trade liberalization. Secondly, it requires all WTO Members to be willing to collectively address problems that inhibit the trading system.

24. Singapore believes that this Ministerial Conference should lay the groundwork for a comprehensive work programme. It will provide an overall balance to and address the interests and concerns of all WTO Members. It will help to sustain world economic growth and stability in these uncertain times.
