



## ICA GENERAL ASSEMBLY

"Co-operation and Peace in the Era of Globalisation"

15 - 17 October, Seoul - Korea

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### Keynote Speech

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**16 October 2001**

*Dr Supachai will succeed Michael Moore as director-general of the WTO for a term of three years beginning September 2002. From 1997 to March 2001 he served as Deputy Prime Minister and Minister of Commerce of Thailand and has been actively involved in international trade, playing an instrumental role in the drafting of Thailand's major economic policies. Dr Supachai also has experience in the private sector, as president of the Thai Military Bank and chairman of Nava Finance and Securities.*

As an economist, I have not been asked to address the all-important issue of peace very often. Although I fully conceive that peace lies at the heart of the state of economic well-being, economists in the past tended to pay more attention to the expenditures and costs of the lack of peace. Using cost-benefit analysis terms, the economic costs of warfares are more visible while the true benefits of peace are very much taken for granted. One branch of economic analysis, which is linear-programming, apparently originated from the maximization of shooting powers of battleships. The analysis of peace, particularly the process of achieving and maintaining it, has been much less actively discussed. With the end of the Cold War, we have probably jumped to a hasty conclusion that we are witnessing the end of history in aiming at an economic model and an international order that is most acceptable on a worldwide basis. Lest we may slip back into dangerous complacency we may have to recall what Arnold Toynbee, the great historian, used to say more than half a century before. Observing the emergence of civilization's universal state, Toynbee warned that the people of such civilization might become blinded by what he called "the mirage of immortality" and convinced that there is the final form of human society. The lesson is arguably that societies that assume that their history has ended, are usually societies whose history is about to decline. [Samuel Huntington, *The Clash of Civilizations and the Remaking of World Order*]

The world has been deeply mesmerized by the naked terror of the terrorist attacks in New York and Washington on September 11. The Cold War apparently had ended but we cannot safely say that peace is now well-established. The significance of September 11 attacks lies beyond the hostility against American establishment or the clash of civilizations. That human lives have become irrelevant for some groups of people should mean that for them there is nothing to live for any more. The loss of the meaning of life can be caused by various social and economic factors for all of which I don't consider myself knowledgeable enough to comment upon. It is, however, incumbent upon me to advocate the principle that if we want to win not only the war but also the peace, economic welfare of the global population must be made the explicit aim of the new international economic order. That wealth has been so unevenly distributed among rich and poor countries and that this inequalities is being deepened and not lessened as some societies rapidly achieve economic progress are untenable and can only breed fiercer resistance against any global system.

Wider inequalities certainly cannot contribute towards any peace progress. They can only accumulate resentments against global economy and sharpen the hostile feelings of the poor against the rich. Evidences of widening inequalities have been graphically examined in UNCTAD's Trade and Development Report since 1997. It shows that since the early 1980s the world economy has been characterized by rising inequalities, and North-South income gaps have

continued to widen. In 1965, the average per capita income of the Group of Seven (G7) leading industrial countries was 20 times that of the world's poorest seven countries. By 1995, it was 39 times as much. Polarization among countries has also been accompanied by increasing income inequalities within countries. The income share of the richest 20 percent has risen almost everywhere since the early 1980s while those at the bottom have failed to achieve real gains in living standards and the share of the middle class has also fallen. Another graphic example of this looming threat is the 1992 Human Development Report of the United Nations Development Programme (UNDP) which indicated that the 20 percent of the world's population in the developed countries receive 82.7 percent of total world income, while the 20 percent of people within poorest countries receive only 1.4 percent. The increasing inequality is noted in more or less successful developing countries alike, and in all regions, including East Asia, Latin America and Africa. And finally, and I am not trying to sound overpessimistic, a more recent report on Tackling the Diseases of Poverty released in May 2001 by the --- Government explicitly states that 1.2 billion people - a fifth of the world's population - live in extreme poverty, surviving on less than 1 USD a day. They lack opportunities and services. They feel isolated and powerless and are often excluded by ethnicity, caste, geography, gender or disability. They also lack health information, access to health and education facilities, and to productive assets or to the market for their good or labor.

As the world moves on with the process of globalization supported by the so-called digital economy, tackling poverty becomes a more, not less, complicated task. First of all, policy-makers around the world are still debating the pros and cons of globalization and some even question the unclear definition of the process. When Anthony Giddens describe this lack of clarity that we are living in a "runaway world", it becomes quite alarming that we are dealing with a rudderless process.

Secondly, if we view the process of globalization as all-encompassing, radically modifying the economic, social and cultural landscape, then the new order becomes even more threatening. Growing economic interdependence provides national governments and economies with mounting challenges, but dilution of cultural identity could only lead to violations of acceptable traditional norms and can result in more conflicts. Thirdly, as globalization grows along with the strength of the multinational firms and the international organizations, countries sometimes have the uneasy feeling of a perceived loss of sovereignty over their own policy-making process. The financial crisis in Asia from 1997 to 1998 has not actually enamored globalization to policy-makers. Fourthly, developing countries have been somewhat disappointed with the results of the Uruguay Round and some even venture to question the benefits of multilateral trade negotiations. The UNCTAD has produced some evidences showing the unbalanced allocation of benefits from the last trade round which the World Bank has figures demonstrating the substantial financial burdens for the developing countries in implementing the regime of intellectual property rights protection. All in all, while we have to stem the growing tide of poverty, the degree of uneasiness with globalization is also rising, making the task of maintaining peace through the multilateral process a highly challenging one.

Before we go on to discuss the future role and challenges of the multilateral trading system, let us take a cursory look at the recent agreements, particularly the Agreement on Agriculture which should have a direct bearing on the developing countries. The WTO Agreement as part of the Uruguay Round entered into force on January 1, 1995. In the first three years of the Agreement we saw a stronger world agricultural exports than in the pre-WTO phase, namely an annual increase of 6.8 percent for 1994-97 compared with 5.2 percent for 1990-94. Since 1994, the developing countries recorded in each year a stronger export growth than the developed countries. Above average growth in the 1994-97 period was recorded for Latin America and the Caribbean and Africa, while the growth of agricultural exports from developing Asia, particularly China and the Middle East lagged behind. Overall, the share of developing countries in world agricultural exports has consistently increased from 35.8 percent in 1990 to 36.5 percent in 1994 and reached 38 percent in 1998. Although developed countries tend to import more from the least-developed countries during the post-WTO period(1994-98), the year-to-year variation remained strong. The

limited product diversification of agricultural exports from the LDCs and the substantial price fluctuations for their major products such as coffee and cotton, and important factors behind these annual fluctuations.

In this regard, it might be worthy of note that the markets of the developing countries themselves are becoming increasingly important for their own agricultural exports. In 1998, trade among the developing countries accounted for 39.6 percent, sharply up from 30.5 percent in 1990.

I derived all these figures and conclusion from an excellent recent report by the WTO titled "Market Access: Unfinished Business, Post-Uruguay Round Inventory and Issue (2001)". This report goes on to draw this conclusion that it is evident that these trade flows do not permit firm conclusions about the success of the agricultural package of the UR in terms of the stimulation of trade, and economic growth and employment. This is due to the following factors.

First, implementation of the reduction commitments in the areas of market access, domestic support and export subsidies is still going on, until 2004 for developing country members.

Second, trade flows are determined by several factors including the vagaries of the weather and autonomous agricultural reforms such as the EU's Agenda 2000.

Third, economic changes beyond the agricultural sector, for instance, financial crises, also have an impact agricultural trade flows.

While definite evaluation of the Agreement on Agriculture is not as yet possible, trade developments since 1994 shed some light on two important aspects of the impact of trade liberalization in agriculture.

First, the trade data as I alluded to indicate that developing countries have more actively participated in the expansion of world agricultural trade since the conclusion of the UR. Second, the sharp decline in the prices of internationally traded bulk food commodities, following the price hike in 1996, should alleviate the concerns expressed by many net-food importing countries that reduced export subsidies would trigger off sustained price increases. In 1998 and 1999, food prices remained below the level prevailing in 1994.

WTO members have agreed to continue the reform process of trade in agricultural production undertaken in the UR. Under Article 20 of the Agreement on Agriculture it is provided that due account should be taken of the experience derived from the implementation of the UR commitments; of the effects of UR reduction on world trade in agriculture; as well as of non-trade concerns; special and differential treatment to developing countries and the overall objective of establishing a fair and market-oriented agricultural trading system.

The negotiations on the continuation of the WTO reform process for trade in agriculture are being conducted in special sessions of the Committee on Agriculture, the body which regularly oversees the implementation of the UR agricultural commitments. These difficult negotiations are being conducted under the background of continuing decline in world farm prices. Although we need to carry on with this so-called built-in agenda from the UR, the process of negotiations has been bogged down by the stance of the major trading nations wishing to link these negotiations into a new round of multilateral trade negotiations.

As I am confident that cooperatives, in particular agricultural cooperatives, can and should play an active role in this process of trade reform, I should like to bring to your attention some of the salient points of this ongoing process.

First, with regard to market access, member countries will have to determine whether further tariff reductions are to be accomplished through a comprehensive formula approach, as was the case in the UR, or through sectoral and product-by product negotiation methods. Simplification of tariff structures and elimination of tariff peaks and tariff escalations are high on the agenda proposed by developing countries.

Second, the exemption of domestic support through the so-called Green Box may be subject to further elaboration. On the one hand, those members with non-trade concerns would like to see Green Box taking up a wider coverage including environmental and natural resource protection, rural development, poverty alleviation, and protection of animal welfare. On the other hand, a number of developing country proposals call for Green Box exemptions which are more responsive to the specific needs and special situations of developing countries, especially with respect to food security. One proposal calls for the creation of a "Development Box" to enable developing countries greater scope to protect and enhance, through domestic support and other measures, their food production capacity, particularly in basic staples.

Now that we are talking about boxes, let me add to your conclusion by referring to another box, the so-called Blue Box. This Box contains direct payments under production-limiting programmes which have been permitted as being less trade-distorting than market price support measures. There are now calls from the developing countries for the elimination of the Blue Box as these payments do not fully fulfill the non-trade-distorting criteria.

Third, several of the developing country proposals call for the immediate elimination of export subsidies, as well as for the continuation of special and differential provisions under which developing countries are able to use certain marketing and transportation subsidies in order to assist them in the development of their exports. In this particular area of export competition negotiations should revolve around this issue of elimination of export subsidies over an agreed period or a further programme of progressive reductions.

8. I have taken you through this somewhat lengthy process of trade negotiations, particularly in agriculture, to give a set of example to encourage further elaboration by the cooperatives. It boils down to the need to map out a global agenda for trade reform and liberalization, especially in the area that could really create sustainable benefits for the developing countries. Agriculture has been cited as the example as my intention is to stress the need for progress to be made in this important and at the same time controversial sector. Past negotiations have been known to have foundered on this particular hurdle. And I have found out that there are generally three reasons why trade liberalization efforts fail:

First, we have not made ourselves ready for more competition. Competitiveness policy should be an integral part of any rational policy that would make beneficial use of the globalization process. Cooperatives can easily contribute to the policy by making use of appropriate scale of production, joint investment in research and development, and dissemination of technology and market information to the members. Only those who are prepared for the intensification of global competition can enjoy the consequences of trade reform.

Second, we have not spent adequate effort in informing the society and community of the trade benefits in terms of consumers' welfare that will be derived from more cooperation through the multilateral trade system. Consumer cooperatives may have to be more involved in supporting governments' moves towards further trade liberalization that would increase more freedom for choice.

Third, we have not put up enough support for those countries that may suffer from the consequences of more open trade, in particular food-deficit countries. Although I have alluded to earlier in my remark that agricultural trade liberalization has not always led to higher prices for food, a certain system of food security should be in place to connive the global community of our readiness to fight any unforeseen calamities. The Marrakech Agreement in 1994 has provisions for a food security system that would call for international financing and therefore never established. It is for such a purpose that has been a compelling reason for me to be calling for a policy coherence at the regional and international level. In this regard, trade and finance would have to be coordinated in a way that they become mutually supportive.

Before I conclude my address, let me quote from the opening address made by president Kim Dae-jung at the APEC Forum on shared Prosperity and Harmony which was organized by the Korean

government last year. Although this statement is meant for the Asia Pacific Economic Corporation countries, it does have some bearing on what we are discussing today. I quote:

"In the onset of the new millennium, I believe there are three common tasks that the APEC member economies should collectively address for a brighter future in the Asia-Pacific region.

First, we must further our efforts in structural reforms and trade and investment liberalization in order to achieve sustained prosperity in the region.

Second, we must devise a diverse range of cooperation measures for preventing the recurrence of financial crises.

Third, we must explore specific action plans for regional cooperation in order to alleviate the social and economic disparities among member countries and further to achieve shared prosperity in the Asia-Pacific region."

Although President Kim Dae-jung was making a specific reference to the APEC economies, the points made are equally valid for the global economy and global cooperation for shared prosperity. Only when prosperity can be equally shared, shall we be able to maintain peace on a sustainable basis.