

**H.E. Thomas Aquino, Senior Undersecretary, Department of Trade and Industry, Philippines, and Chairman on the Conference on Delivering on the WTO Round: A High-Level Government-Business Dialogue for Development**

**Draft Chairman's Statement**

**Highlights on Issues of Common Concern and Interest to the Asia-Pacific Region**

The Conference on Delivering on the WTO Round: A High-level Government-Business Dialogue for Development (HLD) is the first policy dialogue between governments and business leaders organized in this region prior to the 6<sup>th</sup> WTO Ministerial Conference in Hong Kong (December 2005). HLD was organized as a joint partnership between UNESCAP and ITC with the aim of furthering the dialogue between government and business so that business perspectives can more effectively be integrated into policy positions as countries prepare for the WTO Hong Kong Ministerial Conference. The conference was hosted by the Government of Macao, SAR, China. H.E. Chief Executive Edmund Ho Hau Wah in his opening statement stressed that his Government would continue to assume its responsibilities as a member of the international community by maintaining a transparent and open trade policy as the right way forward to creating a level playing field for local and foreign businesses. Mr Kim Hak-Su, Executive Secretary of UNESCAP in his opening statement underlined the need for the primacy of the multilateral trading system to be reestablished, so that the region could continue to integrate and evolve into an outward oriented dynamic trading building block of the multilateral trading system. The Hong Kong WTO Ministerial Conference might be the last opportunity to achieve this. Mr Ramamurti Badrinath, Director, Trade Support Services Division, ITC, stressed that any trade agreement that could not be converted into a business opportunity would be neither beneficial, durable, nor enforceable in the long run. Realizing business opportunities was thus inextricably linked to the development dimension of the Doha Development Agenda.

The HLD attracted over 140 participants. Twenty five ESCAP members and associate members participated of which, seven were represented at ministerial level, while 31 leading business organizations of the region, fourteen research institutions from the ESCAP initiated research network, ARTNET, multilateral organizations such as WTO, IMF, World Bank, UNCTAD and national level entities such as IDRC Canada also participated. The conference was conducted in a highly interactive manner, whereby representatives from the Government and the business community teamed up by country and shared views on each topic, with the objective of increasing common understanding across the region.

The following are the highlights of the issues discussed:

- 1) Primacy of multilateralism. There was clear commitment towards the multilateral trading system and the need to reestablish its primacy as a first best trade policy option, and as a centerpiece of the trade and development linkage. Nevertheless, the complexities involved could not be underestimated. It was agreed that technical work related to the negotiations had been exhausted and that political will was the key to a successful outcome for the Ministerial Conference. A reasonable benchmark by which to measure success at the Hong Kong Ministerial Conference would be a two thirds completion of the round.
- 2) Agriculture. Liberalization of agricultural trade, in particular its market access pillar, continued to be a pivotal issue around which progress in all areas of the negotiations, especially NAMA, was intrinsically linked. Some of the Hong Kong MC deliverables highlighted were:
  - a. A date by which export subsidies will be eliminated

- b. A clearer understanding of magnitude of reduction commitments on domestic support including definition and clarification of the content of the modified blue box
  - c. A liberalization formula that is sufficiently ambitious to deliver opening of markets to those who for years have been seeking greater access
  - d. Special products that had implications on rural livelihoods and food security, as well as special safeguard mechanisms were integral elements of S&D treatment for developing countries.
  - e. The cotton initiative remained relevant and the Hong Kong Ministerial Conference was expected to further articulate a deliverable on the matter
- 3) NAMA. Consensus appears to be converging on a Swiss type formula with options on coefficients and built in flexibilities for developing countries still to be worked out. Small developing economies have a special interest in the NAMA negotiations as the improvement of market accession conditions was of decisive importance for the implementation of their export led economic growth strategies. A view was expressed that the participation of developing countries in the sectoral tariff reduction initiatives should be optional. A further negative aspect of the sectoral 0 % tariff proposals was that they focused only on finished products, disregarding the tariff situation of raw materials and semi-finished products. Attention was drawn to the importance of reducing tariffs and non tariff barriers in respects of handicraft products exported by LDCs.

Non-tariff measures constituted an increasing problem to exporters, and negotiations on the reduction/elimination of these measures in the Doha Round should be intensified.

The positive role of tariff reduction in the context of South-South trade was stressed.

The issue of how unbound tariffs should be worked into the formula remains a task for the MC in Hong Kong

The textiles and clothing sector was a key export sector for the region, that encompasses many aspects under the DDA, including NAMA negotiations, the cotton aspect under agricultural negotiations and regionalization issues. Therefore, there was a lot at stake with regard to textiles and clothing. It was stressed that preferential market access was the most important component in determining competitiveness, especially for Asian LDCs and small vulnerable countries. However, Asia in general and Asian LDCs in particular were granted less favourable preferences. As one way out, the importance of South-South trade development was underlined in an Asian regional context. The July 2004 package made special reference to this possibility. This included market penetration into fast growing Asian emerging markets, improvements of rules of origin regulations in developed markets to encourage South-South trade of intermediary products such as fabrics and trims. Finally, technical cooperation among Asian countries was emphasized as an important factor to secure future export success of all Asian countries, including land-locked countries and LDCs. Large Asian countries expressed their willingness to help smaller vulnerable countries, sharing their experience

and expertise with them so as to improve the business environment and build on regional competitiveness.

- 4) Services. Liberalization of services trade continued to hold potential for making a direct contribution to improve efficiencies of economies in the region. Yet the still evolving regulatory regimes in developing countries continued to be an issue of concern that had weakened the ability of countries to take on more ambitious liberalization commitments. Progress achieved to date in services negotiation was disappointing with few and low quality offers having been made. There was a general consensus that that the contribution of business to services negotiations was key in moving the process forward. Nevertheless, smaller service providers had difficulties in understanding the specific language used by the GATS.
  
- 5) Trade adjustment finance. The economic case for further trade liberalization between developed as well as high-and middle-income developing countries was well-established. However, it required approaches that went beyond the exchange of concessions (even as corrected through S&D treatment commitments). More effective multilateral redistributive mechanisms that took into account the implementation burden and adjustment costs both across countries and between different groups of people within countries would be needed. It was agreed that the discussion on trade adjustment financing could not have been timelier. The issue of aid for trade, including adjustment financing, featured prominently in the participants' discussions as it was particularly important for countries that had severe domestic policy and supply side constraints. While there were short-term adjustment costs related to greater trade openness such as reduced export revenues, increased import

bills or other shortfalls in external balance of payments which required international assistance, trade liberalization was typically linked to medium- and long-term adjustments and thus required longer term financing assistance and better consistency among various financing schemes.

Concern was expressed with conditionalities imposed through lending facilities that might lead to de-industrialization in some countries or other forms of economic and social destabilization. The need for improved policy coherence content by the Bretton Woods institutions was stressed. ESCAP and ITC, in collaboration with multilateral organizations, were requested to undertake further research on the design of current initiatives with a view to strengthening the trade and development linkage.

6) Trade Facilitation. Trade facilitation was identified an important component of the on-going WTO negotiations. It was noted that in comparison to other areas of negotiations, discussions had proceeded in a constructive spirit in the Negotiating Group on Trade Facilitation. It was recognized that this area of negotiations could produce a win-win outcome for all members, as it would facilitate implementation of much needed domestic reforms while at the same time ensuring that similar reforms and measures were implemented in other countries, leading to potentially significant reduction in international trade transaction costs. Strengthening of Article V on Matters related to Goods transit was highlighted as particularly important for many least and landlocked developing countries in the region. While many proposals had been submitted by both developed and developing countries, there was now a need to agree on the specific trade facilitation measures and mechanisms that should be included in an agreement. At the same time, it was important that all countries

be given the time, flexibility, and assistance they need to implement the agreed measures. ESCAP and ITC were requested to engage in further capacity-building research and analysis to promote government-business partnerships, and to promote the inclusion of trade facilitation into economic reform programmes of multilateral donor agencies.

- 7) Business advocacy Government and business representatives agreed that without a closer participation of business, trade negotiations cannot be conducted successfully.

In recent years positive developments could be observed in respect of closer business-government cooperation. In many countries, consultation mechanisms were established to reinforce business-government exchange of views in trade policy issues. Efforts should be made, however, to make the existing mechanisms more efficient.

More efficient involvement of business in trade negotiations was hampered by insufficient analytical capacities, scarce financial resources, poor cooperation between fragmented business organizations, government policies that were not fully transparent in trade related information dissemination and availability of trade policy makers.

Business organizations were urged to strengthen their contributions to the WTO and other trade negotiating processes through the formation of coalitions with likeminded business organizations in other countries and improve networking in the context of WTO and other trade negotiations. Attention drawn to the increasing importance of multinational companies in

trade-related business advocacy and its potential for increased networking across countries.

Participants appreciated the pioneering work done by ITC on promoting business advocacy in developing countries and recommended that ESCAP and ITC continue providing technical assistance to strengthen government business dialogue, as business advocacy in most developing countries is still in its infancy.

- 8) Regionalism. Present economic circumstances were uniquely opportune for the region to emerge as an integral zone of efficient production and trade growth for the world. However, developing countries would need to revisit their own structure of protection, the incidence of which had often been shown to weigh more heavily on developing country exporters than on those from developed countries. Regional economic and trade cooperation, including through bilateral trade and investment agreements, was a central mechanism employed by most, if not all, developing countries to expand mutual trade and investment flows. A dense web of bilateral trade agreements and the fragmentation of trade and investment flows was a cause for concern. There was some pessimism on the extent to which WTO rules, particularly as embodied in GATT Article XXIV and GATS Article V could discipline the proliferation of regional trade and bilateral trade agreements. The risk was high that without an operational common framework, an irreconcilable fragmentation of trading relations may evolve. If regionalism was to continue to evolve as a building block of an enhanced global partnership, an essential but perhaps underestimated condition was the need for a deeper and more rational process of regional integration.

9) Accession. The ESCAP region accounted for the highest proportion of countries in the process of accession, many of which found themselves at their most difficult and complex part of the accession process. Regional cooperation among developing countries could play an essential role in facilitating this process. Two aspects of regional cooperation were identified as being of particular importance. One was through a “Government to Government” sharing of experiences of those LDCs that had recently acceded and the second was through the support and flexibility that advanced WTO developing countries members could provide to acceding countries, and ESCAP was requested to facilitate this process in collaboration with ITC, WTO and other international organizations.

#### Concluding Session

The Conference ended with a special vote of thanks to the Government of Macao, SAR, China for its excellent organization and commitment which had been instrumental in the success of the dialogue. The Chairman also expressed his special thanks to UNESCAP and ITC for this important initiative. The depth and range of the discussions underlined the continuing need for such a dialogue that would lead to increased trading opportunities for the benefit of all peoples of the Asia-Pacific region.