

PREPARATIONS FOR THE 1999 MINISTERIAL CONFERENCE

Addressing the Challenges of Globalization:
The Role of the WTO in Cooperation with Other
International Organizations

Communication from the European Communities

The following communication, dated 9 November 1999, has been received from the Permanent Delegation of the European Commission.

1. In its communication of 28 July 1999 (WT/GC/W/297), the EC announced a paper including suggestions on how the promotion of complementarity and mutual supportiveness of policies can contribute to the objectives of sustainable development, integration of developing countries in the world economy and the expansion of trade in an equitable manner allowing for its benefits to be broadly shared. This paper briefly discusses the need for enhanced international cooperation to this. It then offers some suggestions on how the WTO, in cooperation with other international organizations, can contribute to a better understanding of the interactions between trade policy and other policies in order to better address the challenges arising from the process of globalization.

I. ENHANCED INTERNATIONAL COOPERATION TO ADDRESS THE CHALLENGES OF GLOBALIZATION

2. Globalization is a process which results from technological developments and growing interdependence. The trend towards globalization and hence greater interdependence has increased the need to continuously review the adequacy of institutions and rules in a manner which promotes common values, enhances opportunities and reduces risks. The WTO can play an important role in this respect. Trade policy is, however, only one of a set of policies which have a bearing on global interdependence. In an integrated world economy, trade, financial, economic, social, environmental and development policies have a global dimension and increasingly interact with each other.

3. The need for a comprehensive approach to policy interdependence has been recognized by the international community, notably through the recent cycle of major UN Conferences and the UN Agenda for Development. All of these documents are based on an integrated approach to sustainable development, which recognizes the interdependence and mutual supportiveness of economic development, social development and environmental protection. The WTO itself identifies sustainable development as one of the objectives of the multilateral trading system.

4. The interdependence of policies is also at the centre of the policy debate on globalization that is taking place in countries at all levels of development. While the benefits of economic openness are generally recognized, there is also a clear awareness that stronger policy responses are needed to

avoid the high costs associated with financial instability, promote a more equitable sharing of the benefits of growth and preserve and protect the environment. The fight against poverty and to avoid the marginalization of many least-developed countries, and some developing countries, is a key priority which requires not only action at the national level, but also enhanced international cooperation.

5. While liberalization and rule-making in trade and trade-related areas can make an important contribution towards greater equity and stability in the global economy, national and international actions in the financial, development, social and environment fields are equally necessary. Parallel progress in each of these fields is necessary for improved governance of the world economy and to enhance public support for the multilateral trading system.

6. In the public discussion about globalization, the argument is sometimes made that it would be desirable to halt or even reverse the process of rule-based liberalization. This would set back, rather than advance, the goal of promoting economic development, greater social equity and higher standards of environmental protection. An open and rule-based trading system is essential to ensure a transparent and predictable framework for international transactions, which is a key requirement for development and integration in the world economy. Therefore, we believe that the challenge is to develop and improve the multilateral trading system, while continuing efforts to enhance international cooperation on other components of sustainable development. Only in this way can progress be achieved towards improved governance of the global economy, with the overall goal of improving the quality of life for everyone. Improved governance would also require enhanced cooperation among stronger international organization, as well as transparency and dialogue with civil society.

7. In his last public speech as Director-General, Renato Ruggiero stressed that the WTO cannot operate in isolation from the concerns of the world in which it exists and argued for the need to build a new political constituency for globalization. As preparations advance for the launching of a new Round of trade negotiations, it is important to bear this broader perspective in mind. In the second part of this paper, we wish to suggest some steps that could be taken to enhance understanding and dialogue on the contribution of trade policy to the broader concerns of the world economy and to reinforce cooperation between international organizations.

II. STEPS TO ENHANCE WTO'S CONTRIBUTION TO IMPROVED MANAGEMENT OF GLOBALIZATION THROUGH COOPERATION WITH OTHER INTERNATIONAL ORGANIZATIONS AND DIALOGUE WITH CIVIL SOCIETY

8. The core function of the WTO lies in fostering progressive liberalization and the establishment, administration and enforcement of rules on trade and trade-related policies. The New Round of Trade Negotiations offers an opportunity to achieve further opening of markets and the establishment of rules that support government's capacity to meet the challenges of the internationalization of business transactions and that fully take into account the development dimension. This can be best achieved through comprehensive market access negotiations, the establishment of new disciplines on trade-related areas (investment, competition, trade facilitation) and improvements in existing WTO rules.

9. This core trade competence of the WTO should not be blurred. It is not the competence or vocation of the WTO to set or enforce standards in non-trade areas being addressed by other international organizations. At the same time it is clear that the WTO cannot ignore the relationships between its framework of rules and measures with an impact on trade taken in the implementation of other policies. Certain WTO rules have a bearing on government policies taken for the protection of health, consumers or the environment and, in such cases, it is of particular importance to ensure that the right to maintain high domestic standards is in no way compromised. In other cases, there is a need to clarify the interface between WTO rules and trade measures adopted in other agreements.

This is for instance the case of Multilateral Environmental Agreements. Moreover, the development dimension is an important consideration in WTO rule-making and, although the WTO is not an institution for development cooperation, there is a need to consider how to enhance the WTO capacity to contribute to trade-related technical assistance. All of these instances of policy interdependence are connected to rule-making and require close cooperation among international organizations.

10. There is, however, a broader dimension of policy interaction which touches more upon the political profile of WTO. In most countries, the political debate on trade policy hinges on the extent to which open markets and a rules-based system contribute towards the broader goals of social progress and sustainable development. Questions are being raised on issues such as the implications for trade policy of financial instability, the contribution of open markets towards poverty eradication and reduced inequalities or the relationship between trade liberalization and trends in employment and labour markets. All of these issues are principally addressed by institutions other than the WTO, but are part of a broader policy debate from which the WTO cannot be absent.

11. The Community considers that enhancing the capacity of WTO to contribute to the broader policy dialogue on globalization would strengthen the WTO as an institution and broaden support for the multilateral trading system. There is, moreover, merit in having such a debate at a multilateral level to ensure that the discussion reflects the perspectives of countries at all levels of development. The Community would therefore wish to suggest the following steps that focus on enhancing the WTO capacity for policy dialogue through strengthening cooperation with other international organizations and interaction with civil society:

- (a) Recognition of policy interdependence: The Marrakesh Declaration on Coherence and the Singapore Ministerial Declaration recognize the importance for the trading system of policies aimed at promoting greater financial stability, alleviating the burden of debt, protecting the environment and observance of core labour standards. Since then important developments have taken place in all these areas, including the consensus on an integrated approach to sustainable development arising from recent UN Conferences, the adoption of new environmental conventions, the ILO Declaration on Fundamental Working Rights and recent debt initiatives. Ministers should stress the need for more vigorous implementation of these instruments and policy initiatives as components of overall efforts to promote sustainable development and to better address the challenges arising from the process of globalization.
- (b) Enhancing the capacity of the WTO General Council to promote policy dialogue: The General Council should provide a regular forum for policy dialogue on important developments affecting the trading system, including those arising from global interdependence. The Council could further discuss the modalities and periodicity of such policy dialogues, which should be of sufficient relevance to foster participation by senior-level capital-based officials.
- (c) Reinforcing cooperation among international organizations: Closer cooperation among international organizations is essential to promote complementarity of policies. The WTO has concluded cooperation agreements with the IMF and World Bank and participates in the Integrated Framework for Trade-Related Technical Assistance to LDCs. In its communication on Capacity-Building and Coherence, the EC has proposed a number of steps to enhance cooperation in the implementation and further development of these initiatives in support of trade liberalization and the integration of developing countries in the trading system. Cooperation needs also to be reinforced with other multilateral organizations. There is a need to follow-up on the Singapore Ministerial Declaration, which called for collaboration between the WTO and ILO Secretariats. Similarly, existing cooperation with UNEP should be enhanced with the aim of increasing understanding of the trade and environment interface. The Director-General could be asked to contact the heads of ILO and

UNEP to review means of ensuring more regular contacts and enhancing cooperation and report to Members of the results of such cooperation. Cooperation would also be facilitated through the granting of observer status on a reciprocal basis.

- (d) Dialogue with civil society: A regular dialogue with organizations of civil society can contribute to better understanding of the process of globalization and the appropriate policy responses. A number of steps have been taken or are being considered to improve transparency in WTO operations. The Community has already presented wide-ranging proposals on issues relating to transparency for which decisions should be taken in Seattle. It is necessary that information and dialogue with civil society continues and intensifies after the launching of the Round. While the key contribution is to be made at the national level, the WTO must play a supportive role. This should include access to WTO documents, regular briefings by the Secretariat and continued informal dialogue with WTO Members. The General Council should, moreover, consider other means to enhance opportunities for dialogue with organizations of civil society. For its part, the Community will continue and intensify its domestic dialogue with civil society throughout the New Round.
- (e) Joint ILO/WTO standing working forum on trade, globalization and labour issues: The interaction between trade policy and social development is an issue of great interest in countries at all levels of development. There is a need to promote a better understanding, *inter alia*, on the relationships between trade policy, trade liberalization, development (including the fight against poverty) and fundamental labour rights. It is proposed, therefore, to establish a joint ILO/WTO working forum to consider such issues. This initiative would be in line with the Singapore Ministerial Declaration which noted "that the WTO and ILO Secretariats will continue their existing collaboration". It would also be particularly timely in view of the special session of the UN General Assembly to review the implementation of the outcome of the Copenhagen World Summit for Social Development and of the Beijing Fourth World Conference on Women. The forum would be an opportunity to engage in substantive dialogue between all interested parties, including governments, employers, trade unions on other relevant international organizations (such as UNCTAD or the World Bank). It could prepare for a ministerial-level meeting to take place in 2001, which the EU is ready to host. In presenting this initiative, we wish to reaffirm the EU firm opposition and rejection to any sanction-based approach or to any use of labour rights for protectionist purposes. Moreover, the comparative advantages of countries, particularly low-wage developing countries, must in no way be put into question.
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