



**"Capacity-Building in the Face of the Emerging
Challenges of Doha and the FTAA"**

27 February 2002

**THE CHALLENGES OF THE
DOHA DEVELOPMENT AGENDA
FOR LATIN AMERICAN AND CARIBBEAN
COUNTRIES**

Inter-American Development Bank

Inter-American Development Bank
**"Capacity-Building in the Face of the Emerging Challenges of Doha and
the FTAA"**

27 February 2002

**THE CHALLENGES OF THE DOHA DEVELOPMENT AGENDA FOR
LATIN AMERICAN AND CARIBBEAN COUNTRIES**

Ladies and Gentlemen,

2001 was an outstanding year for the World Trade Organization, perhaps the most significant in our brief history. At Doha, Ministers gave the WTO an important new negotiating mandate. The Doha Development Agenda calls for a far-reaching set of negotiations to be completed within 3 years. 2001 will be remembered as a turning-point in the history of the WTO and in relations between developed and developing countries. In terms of the roadmap ahead, I have set a number of objectives that I believe will facilitate our Members to conclude their work on the Doha Development Agenda by the tight deadline of 1 January 2005, as instructed by Ministers. Some of these objectives have already been achieved and others are being put in place. I welcome this opportunity to update you on our progress.

Doha Development Agenda Results

The result of the Doha Ministerial Conference is a 3-year work programme covering key sectors and with development at the core. Let me briefly highlight some key aspects of the Doha Development Agenda:

- In agriculture, all countries, but particularly developing countries, stand to gain substantial commercial benefits under the negotiating mandate. Currently, according to the OECD, rich countries pay out \$1 billion a day to their farmers in agricultural subsidies; that is more than 4 times all development assistance going to poor nations. Negotiations will open markets and offer better conditions of competition. Demand for agricultural products is growing quickly, especially in Asia and Africa. A study published by the World Bank and IMF estimated that potential gains from agricultural trade liberalization between developing countries is three times greater than the gains developing countries can expect from liberalization in

industrialized countries. Many countries of this region are in a prime position to gain.

- Trade in services is of utmost importance for the diversification of some economies in this region, and as a source of foreign exchange and export earnings. Groups and individual countries of the Latin American and Caribbean region have been very active in the services negotiations, and I expect this process to continue. Why? Because policymakers here and elsewhere have realized that services trade has enormous growth potential and a strong impact on overall economic activity. Mexico's real GNP, for instance, could increase by an estimated 1.7 billion dollars if only trade in financial services was liberalized. At the same time, the WTO negotiating guidelines in services ensure that sufficient flexibility be given to developing countries to determine their own approach and speed in opening up.
- Implementation-related issues are a high priority for many developing countries. About half of the original more than 100 implementation issues raised by developing countries have been addressed by a separate Declaration adopted at Doha. The remaining implementation issues will be addressed under the relevant negotiating mandates of the new work programme or in the standing WTO bodies on a priority basis.
- Market access for industrial goods is another immediate priority for developing countries. This region has been very successful over the past decade in diversifying its exports. For Latin America, manufactures now represent more than 60 per cent of all merchandise exports as compared to 38 per cent ten years earlier. The negotiating mandate focuses on products of export interest to developing countries. Together with the IADB, we have already scheduled technical assistance seminars on trade negotiations, including on tariff negotiations, for the MERCOSUR, CARICOM and Andean countries. Reshaping the world's trading system and reducing barriers to trade in goods could reduce the number of poor in developing countries by 300 million by 2015 and boost global income by as much as \$2.8 trillion over the next ten years.
- On drugs patents and public health, a separate Ministerial Declaration states that the WTO's TRIPS Agreement "does not and should not prevent members from taking measures to protect public health", adding that it should be interpreted and implemented in a manner "supportive of WTO

members' right to protect public health and, in particular, to promote access to medicines for all". This declaration is a shot in the arm for global efforts to address the public health problems afflicting many developing and least-developed countries, especially those resulting from HIV/AIDS, tuberculosis, malaria and other epidemics.

- On WTO rules, Members have agreed to negotiations aimed at clarifying disciplines for antidumping, subsidies and countervailing measures, and Regional Trading Agreements. It is a fact that trade relations of Members are influenced by regional trade agreements which are increasing in number and scope. The FTAA covers all but one of the 35 countries of North, Central and South America, boasting of a combined market of well over half a billion people. Negotiations on WTO rules will help to strike the right balance between regionalism and multilateralism today.
- At Doha, we made progress on trade and environment - one of the most difficult issues faced by the multilateral trading system. Negotiations on trade and environment will help clarify the relationship between WTO rules and multilateral environmental agreements.
- The negotiating agenda also touches on a range of "new issues". It has been agreed to establish multilateral framework rules for competition policy and foreign direct investment, with negotiations proper beginning after the Fifth Ministerial Conference if the Members so agree by explicit consensus. The Doha Ministerial Declaration also provides for possible negotiations after the Fifth Ministerial Conference on transparency in government procurement and on trade facilitation. Many of these issues are part of regional or bilateral agreements, often going beyond the ambitions at the WTO. For instance, 18 countries in the region are currently negotiating the elements of the chapter on government procurement in the FTAA, which will cover obligations on transparency *as well as* market access. Multilateral progress in the WTO, which is limited to transparency, will be an effective mechanism to join forces and give emphasis to certain collective interests.

Meeting the Doha Development Agenda challenges

I believe we can conclude the round on time if we get the next steps right. WTO is first and foremost a "member-driven" organization led by Ministers. Members have made a good start to create the necessary negotiating momentum and have shown their desire to get down to business quickly. Contrary to many expectations, Members took only one meeting to decide on Mexico as the venue

for the Fifth Ministerial Conference. Minister Derbez has already visited Geneva to begin preparations. Members have also reached agreement on the structure of the Doha negotiations and selected Chairpersons for the individual bodies. They have elected the WTO Director-General *ex officio* to chair the Trade Negotiations Committee. They have also outlined the guidelines and procedures for the negotiations which are scheduled to run until 1 January 2005.

One key to success will be technical assistance and capacity building – helping developing and least developed countries to integrate into the multilateral trading system and participate fully in the negotiations. We must not forget that for many resource-constrained Member countries joining the consensus at Doha was a brave act of faith, trust and hope. If decisions are to be taken within the three-year time-frame envisaged in the Declaration, then focused results are necessary and all Members must be supported to engage effectively in our work.

Good first steps have been taken. Members have approved an increased WTO Secretariat budget for 2002. Members have also established the Doha Development Agenda Global Trust Fund with a proposed core budget of CHF 15 million (US\$9 million) to provide secure and predictable resources to build capacity. This is good news. Further good news is that our Pledging Conference for the Doha Development Agenda Global Trust Fund will be held on 11 March 2002. We are currently finalising our Annual Technical Assistance Plan for 2002 based on the mandates on technical assistance and capacity building in the Doha Declaration. Ministers have also endorsed our New Strategy for WTO Technical Cooperation and Capacity Building and Integration. My Director for Technical Cooperation, Mr. Chiedu Osakwe, who will be speaking later will provide greater detail on our future technical assistance and capacity-building activities.

It is clear that Latin American and Caribbean countries need to build capacity and rationalize their resources if they are to get the most out of the negotiations - both the FTAA and WTO - for which deadlines are the same. The Latin American and Caribbean region is diverse and an effective capacity building strategy must reflect this. Technical assistance, especially in smaller economies of the region, must go into institution building. Perhaps one of the most important objectives must be to enable officials to analyze the many proposals that will be forthcoming and to determine their impact. In market access and agriculture negotiations, some Latin American and Caribbean countries would like to enhance their data management capabilities and human

resources. In services, countries should be able to identify national measures and barriers to trade and determine the type of reform that would be needed. The next phase of the negotiations, starting in June, requires extensive preparation for which a great deal of technical assistance and capacity building is needed. Every Member must be able to evaluate the positions of others properly and to make its own interests heard. On subsidies, for instance, many countries of this region have high stakes in the negotiations, in order to find permanent solutions to their concerns, including on fisheries subsidies, export subsidies and export credits.

On the "new" issues, the Doha Declaration contains very explicit commitments on capacity-building. With regard to competition policy, for instance, extensive technical assistance is required, particularly for those Latin American and Caribbean countries that do not have effective competition authorities. But even those who do, such as Brazil, Mexico and Venezuela, have introduced them fairly recently and are still experimenting with how to make them work well. Investment has been a powerful engine of development in this region but FDI has dropped over the past two years. This trend needs to be reversed. Multilateral disciplines on investment are conducive to attracting investors, and we must do everything possible to ensure that Latin American and Caribbean countries can play an active role in the preparatory work in the WTO Working Group on Investment.

The FTAA process emphasizes trade-related technical assistance as much as we do. We must exchange information and coordinate with the Tripartite Committee to maximize synergies of our capacity-building efforts. We must coordinate with all the specialist institutions that are active in the trade area. For instance, with regard to capacity building in the field of intellectual property, a lot of assistance is already available from WIPO and bilateral donors. But additional assistance may be needed on TRIPS, for instance to help developing countries participate in discussions and negotiations in such fields as geographical indications, biotechnology and biodiversity, traditional knowledge and transfer of technology. The IADB and other regional banks together with the WTO should do more in this regard.

I want to stress the WTO Secretariat's strategic role in promoting cooperation and joint technical assistance and capacity-building. The WTO Secretariat is neither the only nor the major instrument available in the international community for trade-related technical assistance and capacity building. We are committed to working closely with recipients, donors and

other agencies in promoting effective technical assistance and capacity-building activities. This is particularly relevant in light of our limited resources. This calls for enhanced coordination and coherence at all levels and by all stakeholders. The WTO Secretariat has to ensure proper coordination of its own technical assistance activities. International agencies need to coordinate their activities. Those seeking assistance need to be more specific about their needs. Donors need to better coordinate their own efforts both in capitals and amongst each other. Ministries need to ensure coordination, especially in cross-cutting areas that straddle administrative and functional divisions. Duplication and wastage is costly, not only in financial terms but in precious time and credibility.

We see ourselves as a "clearing-house" or repository of information for WTO-related technical assistance. We can help ensure that both donors and recipients are fully and promptly apprised of ongoing efforts to meet the requirements set out in the Doha Development Agenda. One of the ideas I have for improving coordination and coherence is a country file concept for capacity building. Let me explain. It is my ambition to have a country file for each of our Members who need technical assistance. Then I would like to report directly to Ministers and Ambassadors every three months or so on progress or otherwise in our efforts to assist these Members. We must impose strict time limits and checkpoints on ourselves, to audit progress and ensure delivery as promised. This initiative, supported by many agencies, will help us to maximise resources and avoid duplication. It will also impose transparent disciplines on everyone – ourselves, donors and other institutions and those who need technical assistance. This will allow our Members to be informed of how we are doing and where we are falling behind, the better to measure our results.

Bill Clinton in his first presidential campaign had a poster to remind his staff of the key issue: "It's the economy stupid". In the WTO, and with our partners, we must remind ourselves "It's the Doha Development Agenda stupid". But let's be clear about what the WTO can and can't do in regard to this agenda. It's not for us to tell countries and companies to make T-shirts or shoes, build airports or seaports. It's true over 10% of our budget goes to the International Trade Centre which exists to help businesses navigate through agreements and rules to get products to markets, and they do an excellent job. That's their core business. Other organizations can help with physical infrastructure; that's their core business. We can cooperate as we do in the Integrated Framework with other agencies, but we must stick to our core

business, which is the Doha Development Agenda, and the benefits it will deliver to people everywhere.

I cannot overstate the importance of having both Trade and Finance Ministers together at this meeting. I have been pursuing coherence issues ever since taking office. Our discussions and ideas are gaining momentum and I congratulate President Iglesias for his leadership and the opportunity he has created to make even greater headway. The Inter-American Development Bank is developing best practices in trade-related capacity building that can be usefully applied in other regions. In this regard, I am pleased to announce the WTO and the Inter-American Development Bank will be concluding a new Memorandum of Understanding which closely reflects our joint priorities in capacity building following the Doha Development Agenda. This is a model that can and should be replicated in other regions. This will save time and I will be meeting with representatives of other regional development banks later today to discuss further.

The fundamental point is this. My job is to be on stand by and to ensure that my staff are geared to assist Members: the negotiators. Resources have been re-deployed to reflect the priorities of the Doha Development Agenda, particularly in areas of development, capacity-building and coherence. Efficiency gains and cost savings are being introduced but we need to do more. We need to think creatively about how we can create strategic partnerships to leverage more resources, expand our activities and meet the technical assistance expectations of developing and least-developed countries of the Doha Development Agenda. All of the new initiatives and actions I have discussed and which are based on the Doha Development Agenda reinforce this work. I know other regional partners will explore how the Inter-American Development Bank experience and model for meeting the capacity-building challenges of Doha can be extended into their regions. Your meeting today is therefore a very important first step not just for this region but for other regions as well.