WORLD TRADE
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ECOSOC High-level policy dialogue

on

current developments in the world economy and international economic cooperation in the context of achieving the Millennium Development Goals

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The historic commitment of world leaders to establish the Millennium Development Goals has re-iterated the plain and simple fact that the essential ingredient to making the world a better place to live is international cooperation. The role of international trade in this context is clear, since it has long been an accepted proposition that an open and non-discriminatory multilateral trading system can contribute to development. Right now, the 148 Members of the World Trade Organisation are working hard at delivering on the development promise of the Doha Development Round of negotiations. A successful conclusion to these negotiations will assist all national governments achieve the MDGs.

Recent developments in the world economy have created a more accommodating environment for national governments to exploit their comparative advantage. In 2004, the world economy recorded an overall excellent performance with the highest output expansion in more than a decade. According to the World Bank developing countries shared fully in this expansion, as they experienced their fastest GDP growth in the last three decades. Trade growth was also very strong with the developing countries' share in world merchandise exports reaching a 50-year peak of 31 per cent. The two reasons for this success are commodity price increases that arose from robust global demand for raw materials and a strong expansion in the exports of manufactured goods. These two reasons explain the fact that all major developing regions recorded trade and current account surpluses in 2004. They have also contributed to the export performance of LDCs, which recorded their largest share of world merchandise trade since the mid eighties of 0.68 per cent.

China's emergence as one of the world's most important traders of manufactured goods has also bad a positive effect on world trade. In 2004, its share of world exports doubled from 10 years ago to 8 per cent. On the import side, China's role as a market for raw materials rose sharply in recent years. In 2004, China's share of world fuels imports was about 4.5 percent, or three times larger than a decade ago.

The overall strong trade performance in 2004 was however clouded by the existence of large current account imbalances, in particular between the United States and East Asia. These imbalances widened further in the first half of 2005, a development which harbours considerable risks for the future expansion of the global economy and for trade in particular. The current US trade (current account) deficit is equivalent to 7% of world merchandise trade and a stabilisation of this deficit or its reduction through a slowdown of United States' imports could severely affect the prospects for global trade expansion.

There is a good reason to consider that 2004 could reflect a peak in terms of economic and trade developments. Most economic forecasters predict that global trade and output expansion, in both developed and developing regions, will be weaker this year than in 2004. Following the strong 9 percent growth of world trade in 2004, the "'TO Secretariat projects real trade growth for 2005 to be 6.5%. This prediction is supported by data for the first quarter of 2005, which points to an even sharper than expected deceleration of trade in Western Europe and Asia. It is still too early to adjust this forecast downward, but the weak trade performance in the first quarter together with stronger than projected oil prices highlight its fragility.

The Members of the WTO cannot wait for the economic environment to improve again. The results of their negotiating efforts are a vital input into the international community's efforts to achieve the MDGs. I have stated on many occasions that international trade can be a powerful and effective driver for poverty alleviation and economic well-being. But, its efficacy depends upon a large number of factors. prime among them being a successful conclusion to the Doha Development Agenda negotiations.

We are at a critical phase in the Doha Development Agenda negotiations. Last year we made substantial progress in some of the most difficult and controversial areas. Among the advances made. Members agreed to launch negotiations on trade facilitation but not to negotiate on three other new issues which did not carry the support of the full membership. Members also significantly bridged gaps in the agriculture negotiations - including a historic agreement to eliminate export subsidies by a date to be agreed. The WI O's Sixth Ministerial Conference will be taking place in Hong Kong this December. Everyone recognises that this must be a pivotal meeting whereby really substantial progress is made - building upon last year's successes. Only if we achieve very solid and ambitious advances at this meeting will we be able, realistically to conclude the negotiations by 2006. Already preparations for this meeting are underway, but levels of engagement need to be intensified and stronger indications of a willingness to compromise must be shown. Time is of the essence. Next month I shall be providing Members with a frank and realistic report on where the negotiations stand and what needs to be done to lead us to success in Hong Kong.

It is encouraging to note that developed countries, however, are not waiting for the Doha round to be completed in order to improve market access opportun ties for developing countries. In 2003 almost two-thirds of developing country exports entered developed country markets duty free. Similarly, almost three-quarters of exports originating from LDCs enter developed country markets duty-free.

These figures have been rising steadily in tie past three years. Despite these achievements, t am of the firm view that more can be done. A number of studies have shown that the residual level of protection in the developed countries is biased against products of export interest to developing and least-developed countries. Furthermore. the support provided by developed countries' governments to their agricultural sector continues to condition market access for agricultural exports originating from developing countries.

Developing country governments have also been firm in their commitment to contribute towards developing a free and open trading system. Nevertheless, they also recognise that much work remains to be done to open their own markets, especially to products from other developing countries. Average tariffs in developing countries exceed that of developed countries. Reductions in these barriers will help further stimulate south-south trade.

The contribution of international trade and the multilateral trading system is not limited to poverty alleviation and Goal 1. Increased market access for all traded goods combined with an effective rules based multilateral trading system can also assist the efforts to achieve the other health and environment related MDGs. Success in achieving the MDGs. however, cannot be defined by trade negotiations. What matters is making trade work as a too] for development, which can only arise if openness is implemented in the context of coherent economic policies. A successful set of negotiations which addresses market access conditions and disciplines government support in agriculture combined with debt relief and enhanced aid will better position national governments to achieve the MDGs.