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Statement by

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Mr. President, Mr. Secretary-General, Excellencies, distinguished colleagues. It is a pleasure for me to participate in this dialogue on developments in the world economy. At the outset, I wish to convey the Director-General's regrets for not being here with you today.

I had originally intended to make some remarks on the WTO's contribution to the achievement of the Millennium Development Goals and the benefits of trade liberalization. But as you are most certainly aware, WTO Members held important high-level consultations in Geneva over the past weekend. And I think it is better and more appropriate for me to talk to you first about the real situation and give you a truthful assessment of where we stand.

Last week Ministers gathered in Geneva to try to bridge the gaps on three key pillars of this Round : Agriculture subsidies and tariffs and Industrial goods tariffs. I must say that, regrettably Ministers failed to narrow their differences on these key issues.

The result of these discussions is clear, there has been no progress and therefore we are in a crisis. This is serious, not only for the Agriculture and NAMA negotiations, but also, obviously, for the Round as a whole. It will now be much more difficult to conclude the DDA by the end of the year.

The good news we have is that no-one wants to surrender in the efforts; all Members are still committed to finishing the Round this year. During the meetings, we have witnessed no acrimony, which is another positive sign. Clearly and despite the differences existing in respective positions in the

negotiations, our assessment is that the situation is not hopeless and that the distances among Members are bridgeable. Over the broad scope of the DDA, the picture is by no means dismal. Positive and substantive progress has, and is being made in a number of areas. However, the fact remains that all these efforts and progress could be put at risk and would probably even disappear if the modality issues are not unlocked. And the main losers of a weakened multilateral trading system will be developing countries.

So the question now facing us is how we deal with this situation?

We now need to find a way forward which preserves our chances of finishing the Round as planned and realizing the benefits it represents. The work has become even harder than before because we failed to establish the modalities. Therefore, with time not being on our side, the only guarantee of success is in the readiness of Members to enter into real negotiations.

At the Trade Negotiations Committee meeting on 1st of July, Members assessment was that we are in a crisis situation which calls for a new *modus operandi*. Members have asked the Director-General to play the role of facilitator and catalyst of an agreement on modalities in Agriculture and NAMA. The Director-General is ready to take on his responsibilities and he will do it. He made it clear that in doing so he intends to preserve the bottom up and inclusive approach and that he would therefore base his consultations on the draft texts tabled by the Agriculture and NAMA Chairs, and aim to report back to the TNC as soon as possible.

Some of you may ask why are these negotiations so difficult? In our view, they are more difficult because this Round aims at a higher level of

ambition than previous rounds, notably the Uruguay Round. This Round is deeper, larger, and fairer across the board.

This Round is deeper because the level of reductions on subsidies and import tariffs which are already on the table double those of the previous round. We have moved from cutting tariffs according to averages — as we did in the Uruguay Round and which allowed countries to protect tariffs peaks and tariffs escalation on specific products — to a general reduction formula which will cut high tariffs more and lower tariffs less. The end results should be impressive. For example, the highest agriculture tariffs will be down by 60%-70%, compared with a 36% average during the Uruguay Round.

On agriculture subsidies what is on the table today is already twice what was accepted in the Uruguay Round. There should be no more export subsidies by 2013, with a substantial part of them already gone by 2010.

The Doha Round is also larger because we have included new issues in the WTO legal construction such as disciplines on fishery subsidies or trade facilitation. Trade facilitation is really promising for the business community, because it tackles day-to-day problems such as customs procedures, transit of goods and bureaucratic border requirements. A successful conclusion of the Trade Facilitation negotiations will make a significant contribution towards lowering transaction costs in trade of particular importance to many small-and-medium enterprises.

The Doha Round is considered to be fairer because the current negotiations will not only remove obstacles to trade and improve the level playing field but will make the development dimension more central to the system.

It is agreed that developing countries will have to do less than developed countries.

In agriculture, specific flexibilities for developing countries will be available in the form of “special products” and “special safeguard mechanism”. There will also be flexibilities for developing countries to protect some sensitive sectors from industrial tariff cuts. There will be duty-free-quota-free market access for most products originating from LDCs. There will also be flexibilities for small and vulnerable economies, land-locked countries and recently-acceded members.

Each one of these deeper, larger, and fairer objectives presents its own difficulties and complexities. When you combine all of them, the exercise becomes extremely difficult. If you add to this the fact that we are 149 Members sitting at the table with different, sometimes conflicting, economic and social backgrounds and that all our decisions are taken by consensus, you end up with a huge challenge and political complexities for all participants.

This is to tell you that ,while difficult it remains doable. It requires readiness to negotiate and political courage from the key members.

Development considerations

Now, if I may turn back to my initial remarks on the impact of trade and the WTO on development. As you know, the link between trade and development is now well-established. UN World Summits in 2000 and 2005, as well as other major meetings and international conferences, stressed the

importance of the linkage between trade and development and reiterated the fact that trade is important for development.

The DDA negotiations are ambitious in this regard. They are about locking in the tremendous gains of past rounds and making new gains. They are about improving trade conditions and market access opportunities, especially for poor countries. They are about ensuring predictability, so vital for the global business community. And they are about refining, rebalancing and strengthening the rules that govern trading relations between states.

Of course, trade is only one element in the complex developmental equation and only one part, along with Monterrey and Johannesburg, of the international consensus towards achieving the Millennium Development Goals. But I am convinced, like the Director-General, that if we are to achieve a more prosperous, equitable, just and stable world, we must have a successful and timely outcome of the Doha negotiations.

We may quibble about the extent to which trade fosters growth; economists often produce paradoxical outcomes. And we should certainly recognise that a good outcome from the Round will create trade opportunities; it is up to countries to take advantage of those opportunities. But the plain and simple fact is that stagnant economies cannot generate jobs or raise incomes or improve living standards.

With the DDA we have a real chance to achieve substantial reform in trade in agricultural products, a sector which is so important to developing countries and that can be negotiated only in a multilateral framework . A significant reduction of tariffs in the markets of developed countries will benefit the food exporters among Developing countries. These countries also stand to

gain greatly from better access to the markets of others developing countries. Furthermore, export subsidies that have led some developed countries to depress world prices will have to be eliminated. A significant reduction in trade distorting domestic subsidies will no doubt also benefit many Developing and LDC exporters such as the African cotton exporters which might be able to fetch a higher price in world markets.

Of course, we would be simplifying the issue if we were to assume that the key lies only in progress in the areas of agriculture and NAMA, or that market access alone can address all the challenges before us. Addressing only these two will not in itself automatically generate concrete results in terms of economic development.

If we take the example of Africa, other things are needed to unlock its production capacity and competitiveness. The key lies in the policy framework within which all these gains from trade liberalisation will be embedded in. Supportive infrastructure, supportive economic and fiscal policies and supportive political contexts are all central to the challenge of improving production capacity and competitiveness.

Part of the answer to these questions lies both in investment and opening up of some key services sectors including telecoms, transport and financial services. For our part, as a response to some of these supply side challenges, we are working together with other International Agencies and regional development banks to put together a comprehensive aid for trade package. Aid for trade will be key in addressing current bottlenecks in production capacity and unlock the potential in benefits from increased opportunities offered by the results of the Round.

On this occasion, allow me to thank the Secretary-General of the UN for his relentless support to the DDA. His report on "Creating the environment conducive to generating full and productive employment and decent work" summarises the challenges pertaining to the overall theme of this year's substantive session of ECOSOC and in particular for Aid for Trade. We clearly need the support of all to have in place , at the end of the DDA, an A4T package to complement the additional market access to derive from the Round

This is new territory for the WTO. Aid for Trade is the first real test of the coherence mandate that the WTO shares with other actors of the International Aid and finance Community– But it is also an area where the WTO alone can neither deliver nor implement outcomes. The WTO is neither a financial nor a development agency. Its core mandate is – and will – remain setting up fair trade rules.

The solution will only come from working with others – with the Bank, the Fund, UN agencies, and regional development banks at the international level; and with trade, development, finance and other key ministries at the national level – because it is in national capitals that policy coherence must begin.

Finally , we think that concluding an ambitious Doha Round, including an Aid for Trade package , within the coming year is still doable, though more difficult after last week Ministers failure to agree on modalities for Agriculture and Nama. But we should also be aware of the costs of a failure. If we are unable to bring the negotiations to a successful conclusion this year, the chances of a global deal on the scale envisaged by the Doha Round will be impossible for the foreseeable future. Developed countries would lose opportunity to reform policies that distort and constitute a barrier to global trade and global

growth, Developing countries would lose a once in a generation opportunity to open world markets for their exports and to redress imbalances in global trade relations. The smallest and poorest economies would lose the leverage of the multilateral trading system against the increasingly strong pressure of bilateralism and regionalism. And both developing and developed countries would suffer from a failed Doha Round and a weakened WTO.

The real purpose –and promise –of a "Development Round" was to create trade opportunities that will help lift millions of people out of poverty and improve their everyday lives. We need to keep that promise.

Thank you.