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The subject of this statement - *Developing countries and the international trade agenda* – is one of the issues for discussion in this 60th Development Committee Meeting. Much like the other topics listed, I believe it merits constructive debate, as called for.

Many developing countries consider free trade an engine of growth. This is evidenced by the wave of trade liberalization and cooperation agreements already concluded or planned for implementation in the years ahead. By 2005, a *Free Trade Area of the Americas* will come into existence to serve the countries of the area (developing and developed), as will in 2010, another *free trade zone* in/and for the Mediterranean basin. A *West African Economic and Monetary Union* is already in force, created in 1994. Policy makers appear to be in agreement that encouraging free trade, by removing national legislative and customs barriers, would help create jobs, increase prosperity and raise living standards.

The movement toward free trade, championed by the *ancien GATT*, the General Agreement on Tariffs and Trade, gained fresh momentum with the establishment, in January 1995, of the World Trade Organization (WTO). Among WTO’s achievements thus far are the conclusion of an *Information Technology Agreement* in February 1997, some improvement in its dispute settlement mechanism and measured progress toward transparency in its decision-making processes and procedures.

More, however, is expected of the new WTO, especially in regard of the twin principles of *reciprocity and non-discrimination* which, though often breached, should continue to guide the multilateral trading system, as we prepare to move into a new millennium. It certainly is proper that we are celebrating the 50th anniversary of the international trading system and WTO’s early successes; but we must admit that obstacles still clog the path of global peace and prosperity through trade.

Globalization – the rapid and revolutionary changes in world industry and technology – continues apace. Initially, much store was placed on the process in the hope that it will herald a new dispensation to benefit all. It now appears the hope may have been misplaced: more and more people seem to be excluded from an acceptable way of life as a result of globalization, which is widening the industrial, financial, and technology gaps among nations.

Although there is consensus on the need to halve the proportion of people living in absolute poverty by 2015, indications are that the 1.3 billion people in this category will increase, rather than diminish in number. The signs are that the world is becoming economically more polarized, both within and among nations. Poverty has increased sharply in countries in central and eastern Europe and in the former Soviet Union, since that region began its transition from a centrally-planned to a market economy.

Asia is not spared, either. After several decades of falling poverty, the recent financial crisis has caused a substantial surge in the region’s poverty indicators. Prospects also remain worrisome for Africa, which is threatened with further marginalization from the mainstream of the world economy. Most countries in the Africa region appear to lack the
fundamentals for sustained economic growth, as shown by falling shares of world trade, a continued flight of capital and human resources, declining state capabilities and, in some cases, war and civil disturbance.

The situation is particularly worrisome for the economically-fragile and resource-deficient least developed countries (LDCs) as a whole, most of which are in sub-Saharan Africa and are beneficiaries of OPEC Fund assistance. We see a looming, further marginalization of LDCs in the world economy, despite the multiple measures they have taken to promote trade and investment. In a world of unequal partners, where bargains are struck among major players, these countries remain spectators in international trade, rather than participants. Their meager share in world trade, which dropped from 0.6% in 1970 to 0.3% in 1995, is an indication of this marginal status. Indeed, sub-Saharan African exporters have lost global market share, even in products where they have a comparative advantage, such as cocoa, coffee, rubber and vegetable oils. Today, 47 sub-Saharan African countries account for only 2.4% of global gross domestic product (GDP). And of that total, almost 40% is contributed by just two countries: South Africa and Nigeria.

In view of the precarious situation of the poorest trading nations, one recalls a specific provision of the WTO mandate relevant to this discussion. As outlined in the December, 1996, WTO Inaugural Declaration:

The integration of the developing countries in the multilateral trading system is important for their economic development and for global trade expansion.

In this connection, we note that the WTO agreement embodies conditions conferring differential and more favorable treatment for developing countries, including special attention to the particular situation of the least developed countries.

Recognizing that market liberalization and expansion have failed to alleviate poverty, and cognizant that both the state and the market are imperfect institutions, WTO might wish to examine other ways and means of helping to reduce the ever widening gap between rich and poor. An important step in this direction could be to collectively ensure that poverty alleviation tops the agenda of the next major round of trade talks, the so-called Millennium Round scheduled to be launched in conjunction with the Third WTO Ministerial Conference in Seattle, in November.

This is a priority question for the OPEC Fund, considering the history of the Fund, its mandate and the composition of its membership. Established in 1976, by OPEC states in expression of South-South solidarity and support, the OPEC Fund is mandated to assist the poorer, low-income countries in their quest for social and economic advancement. Trade policy in most Fund member states echoes the principles and philosophy of WTO/GATT in several respects. OPEC policy objectives can be considered as supportive of WTO, in that OPEC promotes equitable trade in oil, minimizing market volatility and ensuring that supplies match demand, thus bringing security to both producer and consumer. Six OPEC states – Indonesia, Kuwait, Nigeria, Qatar, the United Arab
Emirates and Venezuela – were high-contracting parties at WTO’s predecessor, GATT, and subsequently signatories to WTO between 1995 and 1996. Two others, Algeria and Saudi Arabia, are in the process of accession to WTO.

The OPEC Fund, therefore, has an interest in the topic of developing countries and the international trade agenda, both in the Fund’s capacity as an international development finance institution, and in its very composition as an agency whose membership is drawn from the ranks of developing countries.

OPEC member countries rightly consider themselves an integral part of the developing world, and have often been in the vanguard of debate to further North-South issues. OPEC countries, within and outside WTO, reflect on how the present trade rules could be used more fully to the advantage of developing-country oil producers, including OPEC.

On the other hand, some apprehension exists that WTO membership does bring, with it, some trade rules that may place restrictions on the national sovereignty of OPEC members. In particular, the worries center on fundamental issues, such as the freedom to determine production and export levels of traded items, like oil, and whether trade rules accord the right of establishment to foreign companies (in the territory of any WTO member), sovereignty rights notwithstanding. Similarly, questions have been raised in the context of the ongoing environmental debate, which poses the threat of even higher taxes on oil products.

OPEC difficulties with WTO membership are shared by many other developing countries. This is reflected in continuing discussions on the agenda for the new round of trade negotiations. A matter of common interest to the South is the need to address the constraints they encounter in implementing existing trade agreements. The constraints fall into two categories: the first relates to problems with the implementation of existing commitments, due to a lack of resources, or problems not envisaged at the time the commitments were entered into. The second category concerns agreements from which developing countries had expected benefits, but which have not materialized. If these problems are not adequately addressed in the next round of trade talks, developing countries may be reluctant to take on new commitments.

Yet other issues of common interest which could be negotiated at the upcoming trade round include the increase in the use of anti-dumping legislation by some major trading powers on certain products, and the need to facilitate accession to WTO, which has become lengthy and complex.

Equally discomfiting is a tendency, on the part of the industrialized countries, to bring new and controversial topics to the negotiating table. So far, these have included measures on trade liberalization in agriculture and services, public procurement, competition policy, and environmental and labor standards. Another issue is the Multilateral Investment Agreement, which aims at providing binding multilateral rules to protect, retain and promote foreign direct investment (FDI). Once concluded, the
agreement would replace bilateral and regional treaties and serve as a beacon, attracting investments to countries that sign it, and deflecting FDI from those that reject its provisions. Three years of intensive negotiations have failed to produce a consensus on MIA, which has drawn considerable criticism from governments, labor unions, research institutions and non-governmental organizations.

Developing countries are hesitant about the inclusion of new items on the agenda, and fear that a rapid, indiscriminate process of integration in the world economy could, for them, generate socio-economic and political disorder. The recent Asia crisis painfully demonstrated the potentially harmful effects of rapid capital markets liberalization. Drawing from the lessons of the Asia crisis, there is a clear need to allow developing countries a learning process and some time to prepare and coordinate approaches toward the subjects of trade talks which could lead to new and legally-binding multilateral agreements.

OPEC member states and other developing countries are united on the need to alleviate poverty in their societies. With increasing global inter-dependence, this burden cannot be borne by any one government or group of countries in isolation. Pooled international effort will be required to build stronger coalitions for change, and to make rapid progress. An integral part of this common strategy would be to ensure that the concerns of the developing countries, and the poorest amongst them in particular, are adequately addressed in the upcoming Millennium Round.

WTO can play an important part in the global endeavors to end marginalization and alleviate poverty, by ensuring that the achievement of international poverty alleviation targets is given the highest consideration in the forthcoming trade negotiations. The route toward these targets could be differential and more favorable treatment of developing countries, particularly, the least developed. Now is the time for action.