

## **Ministerial Declaration: 1998**

### **“Ministerial communiqué of the high-level segment submitted by the President of the Council”**

We, the Ministers and Heads of Delegations participating in the high-level policy dialogue and the high-level segment of the substantive session of 1998 of the Economic and Social Council, held from 6 to 8 July 1998, having considered the theme ‘Market access: developments since the Uruguay Round, implications, opportunities and challenges, in particular for the developing countries and the least developed among them, in the context of globalization and liberalization’, have adopted the following communiqué:

1. Fifty years ago, the multilateral trading system was established as the result of a process that had begun at the United Nations Conference on Trade and Employment, which was held pursuant to a resolution of the Economic and Social Council, adopted by the Council at its first session, in 1946, in which the Council called for a conference to draft a convention for the establishment of an international trade organization. Over the succeeding decades, the multilateral trading system made an important contribution to growth, employment and stability by promoting the liberalization and expansion of

integration into the world economy, constitute an ethical imperative for the international community. We will work together towards further enhanced market access for their exports within the context of supporting their own efforts at capacity-building. We therefore welcome the initiatives taken by the World Trade Organization in cooperation with other organizations to implement the Plan of Action for the Least Developed Countries, including through effective follow-up of the High-level Meeting on Integrated Initiatives for Least Developed Countries’ Trade Development, held in October 1997. We recognize that full implementation of the Plan of Action requires further progress towards duty-free imports from least developed countries. We also invite the World Trade Organization, the United Nations Conference on Trade and Development (UNCTAD), the United Nations Development Programme (UNDP), the International Trade Centre (ITC), the World Bank, the International Monetary Fund (IMF), the United Nations Industrial Development Organization (UNIDO) and other relevant organizations to provide enhanced technical assistance to help strengthen the supply capacity of the least developed countries and to help them take the fullest possible advantage of trading opportunities arising from globalization and liberalization.

3. The Uruguay Round of multilateral trade negotiations resulted in a more open, rule-based and predictable multilateral trading system and in significant improvements in market access conditions. Furthermore, since the establishment of the World Trade





organization. We emphasize the importance of attainment of the universality of the multilateral trading system and the need for government members of the World Trade Organization and relevant international organizations to provide assistance to nonmembers of the World Trade Organization, so as to facilitate their efforts with respect to accession in an expeditious and transparent manner on the basis of World Trade Organization-related rights and obligations. The World Trade Organization and UNCTAD are invited to provide the necessary technical assistance to these countries in this regard.

12. We welcome the development of a collaborative and complementary relationship between UNCTAD and the World Trade Organization, which augurs well for the multilateral trading system and for effective integration therein of developing countries, including the least developed countries. We also express our appreciation to the secretariats of UNCTAD and the World Trade Organization for jointly preparing their excellent report (E/1998/55) for the high-level segment.

### **Annex**

#### **Summary of the high-level segment by the President of the Council**

1. The high-level segment of the substantive session of 1998 of the Economic and Social Council took place from 6 to 8 July 1998. Following opening statements by the President of the Council and by the Secretary-General of the United Nations, the Council held a high-level policy dialogue with the Managing Director of the International Organization-relate

was of paramount importance to develop a global rapid response capacity in which Governments and international institutions together with the private sector, trade unions and civil society organizations could cooperate to effectively forestall crises and address them expeditiously when they occurred. The current strains in the international financial and trading system served to highlight the need to orient the forces of globalization towards greater balance among the imperatives of economic growth, social equity, workers' rights, gender equality and environmental protection. This posed a global challenge to all international institutions and tested the effectiveness of the multilateral system as a whole.

4. He stressed that by now it was abundantly clear no single international organization or country, acting individually, with its own set of policy measures and its own interpretation of events, had any meaningful chance to help steer the world towards greater economic and social stability. It was necessary to progressively develop an integrated policy outlook reflecting common objectives of the international community. It was not possible to pursue independent sectoral policies to deal with integrated, multifaceted and systemic problems. This and future policy dialogues, the President observed, provided an opportunity for the Council to help develop a shared understanding of issues and devise a broad policy orientation to address them.

5. The Secretary-General in his statement noted that global conditions today offered unprecedented prospects for peace and security. Yet, the international community seemed ill-equipped to fully harness that tremendous potential. Tremendous wealth existed alongside chronic destitution. People around the world were torn between the hopes engendered by decades of remarkable progress and the fear of future upheavals. Those hopes and fears were global, as were the economy and markets. However, politics were local and there was a widening gap between what citizens demanded and what Governments could deliver. While there was every reason to treasure and nurture the achievements brought about by the international trading system, the Asian crisis was a reminder of how factors such as finance, economics and socio-political forces were working in tandem to shape, and, at times, shake up the world.

6. The Secretary-General stated that for the United Nations three broad observations were paramount. First, the crisis had had its most devastating effect on the marginalization of society. It threatened to undo years of progress in alleviating poverty and advancing the rights of women. Second, developing countries were less able than their developed counterparts to withstand the fallout of the crisis. Third, interdependence among nations had an essential complement – interdependence among issues. Finance, trade, governance and social equity were intimately linked.

7. The open, inclusive, global economy was the most promising means of widely spreading the benefits of globalization, the Secretary-General stressed. At the same time, the fear of globalization had to be taken seriously. The challenge for Governments was to show that global imperatives could coexist with local needs. Choices had to be made between the confinement to purely local points of view and the adoption of a more global perspective. One key question was whether the international community would

choose to use the institutions at its disposal. There was really no choice, as it would be grievous for the international community to retreat from multilateralism.

## **II. Policy dialogue**

8. The Managing Director of IMF stated that the international community must support the adjustment programmes of the countries most severely affected by the Asian crisis. It was also vital that countries with balance-of-payment surpluses recycle those surpluses in the form of untied loans and humanitarian aid to countries in the process of adjustment. As creditors, they should stand ready to grant generous terms for the restructuring of their claims and support economic recovery in Asia through new loans. Above all, those countries should keep their markets open. Countries that pursued strong, progressive trade liberalization, in the context of general economic reforms and market-oriented policies, would achieve growth and increased trade performance. For their part, industrialized countries should liberalize import restrictions. However, they should avoid replacing tariffs and non-tariff barriers with administered protection measures, such as anti-dumping restrictions.

Well-calibrated national policies could help manage financial crises, limit their potential for lasting damage and re-establish economic growth. Yet, when an economic crisis became a systemic problem, action was also needed at the global level. The Asian crisis was only the latest in a string of financial crises that had disrupted the global economy since the breakdown of the Bretton Woods system. The international community still needed to learn how to manage such economic turmoil. It would be useful to conduct an honest re-evaluation of the international policy response to assess its achievements and failures. He also noted that it was much more difficult to manage integration into international capital markets than it was to achieve successful insertion into the international trading system. Developing countries should not be pushed or pressured into premature financial liberalization, as this would deny them the option of protecting their economies from international financial instability and volatile speculative capital flows.

12. The Deputy Director-General of the World Trade Organization, stated that the fiftieth anniversary of the multilateral trading system six weeks before had demonstrated the virtual consensus throughout every region on the validity of open trade and economic integration under the rule of law. More and more, the ground rules provided by the World Trade Organization reached across, into and around other issues and concerns – ranging from investment and competition policy, to environmental, development, health and social policies. The various challenges needed to be faced as constituting pieces of a larger policy that demanded broader and more integrated solutions. Developing countries were increasingly represented in the world's trading system. This reflected the emergence of many of these countries as important trading powers in their own right. Perhaps most significant of all was the establishment of improved binding mechanisms for settling trade disputes. Even the smallest country could now look to the World Trade Organization in defence of its interests on the basis of shared and enforceable rules. Still, a variety of non-tariff measures continued to restrict exports from developing countries, and the fact that national and international product standards were difficult to meet led to reduced exports opportunities for least developed countries. Also, in the field of trade in services, much scope remained for further liberalization.

13. In the ensuing exchange of the Council with the Managing Director of IMF, the President of the World Bank and the Secretary-General of UNCTAD, considerable attention was paid to the Asian crisis. It was noted, in this regard that, while inadequacies in domestic financial and monetary policies had played a major part in leading to the problems that countries faced in Asia and elsewhere, those problems would not have reached such proportions if lending institutions operating in the international markets had not taken excessive risks. Concern was also expressed about the recent weakness of the yen which posed a crisis within the crisis. This weakness could seriously jeopardize the ongoing recovery in some countries.

14. With respect to preventing future crises, it was observed that the severity and the speed of the Asian crisis had highlighted the need for rapid global response capacity to prevent and deal with future crises. This would require the strengthening and adaptation of multilateral institutions and greater coherence in policy-making. An honest

re-evaluation of the international policy response – without any preconceptions or prejudice – was also needed. Furthermore, constant vigilance by all countries over all socio-economic parameters had to be maintained. In particular, soundness of the banking system, avoidance of the unsustainable accumulation of short-term financing, and the transparent and accountable character of governance were seen as essential. Also, transparency in international lending and borrowing were crucially important in order to deal with excessive short-term and speculative capital flows and problems of corruption and debt management in the economy. More effective procedures for involving the private sector in preventing and resolving the debt crisis also needed to be established. In addition, in order to reap the benefits of globalization while minimizing its risks, developing countries should continue to liberalize trade and capital controls, paying due attention to sequencing and the soundness of the financial and balance-of-payments situation. At the same time, developing countries should not be pushed into premature financial liberalization. The fruitful dialogue on these issues at the special high-level meeting of the Economic and Social Council with the Bretton Woods institutions, held on 18 April 1998, was widely noted and a call was made to hold similar meetings in the future.



predictable multilateral trading system and significant improvement in market access conditions. Full and faithful implementation of the Uruguay Round commitments, which was considered essential for the credibility of the multilateral trading system, was called for.

19. Regret was expressed about the lack of progress in



29. The view was expressed that a multilateral framework of rules on investment and competition in the service sector should, in particular, provide a stimulant to foreign direct investment. The importance of examining trade issues related to electronic commerce was also emphasized.

30. Integration of the least developed countries in the global trading system was a priority for all. A number of measures to improve their market access conditions and supply capacity were suggested, such as full and effective implementation of the Plan of Action for the least developed countries adopted at the first Ministerial Conference of the World Trade Organization,<sup>3</sup> as well as the Integrated Framework for Trade-Related Technical Assistance, Including for Human and Institutional Capacity-building, to Support Least Developed Countries in Their Trade and Trade-related Activities,<sup>3</sup> adopted at the High-level Meeting on Integrated Initiatives for Least Developed Countries' Trade Development held in October 1997; provision of duty-free access to all products and removal of all quantitative import restrictions for least developed countries; elimination of tariff escalation; and elimination of time-based elements in the special and preferential treatment granted to least developed countries in multilateral trade agreements.

31. Recent preferential actions in favour of least developed countries, including through improvements in generalized system of preference (GSP) schemes, were recounted. It was pointed out that least developed countries themselves needed to continue efforts towards creating a sound macroeconomic framework, including transparent and accountable governance, investment in basic social services and openness to trade and investment.

32. Commitments to assist least developed countries and African countries were reiterated and bilateral initiatives in favour of these countries were brought to the attention of the Council, and the international community was called upon to continue its effort to enhance market access for products of export interest to Africa and to support Africa's efforts towards diversification and building supply capacity. South-South cooperation in trade and other areas should also be supported.

33. The importance of official development assistance (ODA) was also noted. It was pointed out that ODA ensures external financial flows to countries that have difficulties in mobilizing domestic resources and in attracting foreign direct investment. ODA financed development in sectors not reached by private flows, and the 0.7 per cent target have lost none of their importance.

34. It was underscored that trade policy had an important role to play in restoring stability and growth in countries affected by the crisis in Asia. Rejection of protectionist measures and a clear commitment to pursue further comprehensive trade and investment liberalization were essential in this respect. The crisis had shown the importance of promoting greater coherence between trade and macroeconomic, social and other policies. In this respect, the United Nations could play an important role in promoting greater awareness of these interactions and developing international norms. Enhanced

cooperation between the World Trade Organization and the Bretton Woods institutions was crucial, as was greater cooperation between the United Nations and the World Trade Organization. The World Trade Organization was called upon to reflect on how to better effect a coherence between its activities and the broader needs and concerns of the global economy.

35. The need for promoting the principle of universality in the multilateral trading system, within the framework of the World Trade Organization, was emphasized. Early completion of the accession process was also called for. Many of the countries negotiating entry into the World Trade Organization expected the next round of negotiations to be open for participation of interested countries irrespective of their application for entry into the World Trade Organization. In this regard, it was noted that countries acceding to the World Trade Organization should be encouraged to complete their

41. A few other delegations noted the importance of emphasizing the danger of an excessive recourse to the imposing of economic sanctions on developing countries. Two delegations condemned the automatic renewal by the Security Council of economic sanctions against their countries despite the General Assembly's calls to put an end to the punitive and unilateral economic measures. It was pointed out by one delegation that the Assembly had not adopted those resolutions by consensus.

42. One delegation raised the issue of the banana trade and expressed discontent with The World Trade Organization ruling that preferential treatment of African, Caribbean and Pacific (ACP) countries contravened the World Trade Organization's principles. The delegate warned that the implementation of the ruling would bring about a reduction in the living standards of the people of the Caribbean Community (CARICOM) and an acceleration of poverty. A fundamental reform of the dispute settlement was needed. In a right of reply, one delegation stated that trade dispute settlements based on rules would always lead to situations in which countries won some rulings but lost others.

43. Finally, a view was expressed that the United Nations system as a whole, particularly UNCTAD, should continue to play an active role in helping developing countries through, *inter alia*:

- (a) Ensuring a continuum in its work programme between research activities and its capacity-building and technical cooperation functions;
- (b) Providing objective and in-depth analyses of the effects of liberalization and of any proposals for further liberalization;
- (c) Strengthening the capacity of developing countries to participate in trade negotiations;
- (d) Continuing to devote a large part of its work to building and enhancing capacity to trade in developing countries, in particular the least developed countries and those in Africa, and substantially increasing its trade-related technical cooperation;
- (e) Strengthening its information and training services, and strengthening technical cooperation to expand export supply capabilities of developing countries;
- (f) Promoting better coherence among global development, financial and trade policies so that the ability of the developing countries to benefit from increasing trade was not compromised by imperfections in financial markets;
- (g) Ensuring that the structural factors such as debt, inadequate concessional development finance and restrictions on the transfer of technology did not impede the developing countries in respect of their availing themselves of the opportunities presented by the multilateral trading system.

44. In conclusion, many delegations commended UNCTAD and the World Trade Organization for their excellent joint documentation in preparation for the high-level segment and for their support towards its successful outcome.

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See *Legal Instruments*

1 *Embodying the Results of the Uruguay Round of Multilateral Trade Negotiations, done at Marrakesh on 15 April 1994* (GATT secretariat publication, Sales No. GATT/1994-7).

2 *Embodying the Results of the Uruguay Round of Multilateral Trade Negotiations, done at Marrakesh on 15 April 1994* (GATT secretariat publication, Sales No. GATT/1994-7).