

ECONOMIC AND SOCIAL COUNCIL
HIGH-LEVEL SEGMENT, 6 JULY 2009

ADDRESS BY MR. PASCAL LAMY
WTO DIRECTOR-GENERAL

- Today we are experiencing what is, by any measure, the worst economic crisis in generations and the first global crisis in the history of mankind. International trade, although one of the most regulated economic drivers, did not escape. WTO economists predict that trade volumes will fall by about 10% in 2009. Other predictions go even beyond this figures.
- Trade is one of the main drivers of economic activity. The multilateral trading system has always been an insurance policy and a stabilising factor for traders around the globe, in particular for many developing countries, who are actually feeling most of the heat now. The poor and weakest economies around the world – who have in no way precipitated this crisis – will be the hardest hit. Making things worse, prices are falling sharply for many of the commodities on which these countries depend for export earnings. The IMF warns that low income countries could face a deterioration in the balance of payments of roughly \$165 billion.
- Protectionism is a real threat. So far we have not seen high intensity protectionism but a drip of measures taken by countries which can only make recovery more difficult; continuous slippage; trade restrictive measures in the form of increase in tariffs, new non-tariff measures, anti-dumping and countervailing actions exceed the number of trade opening

measures. We are also seeing bail-out packages and other rescue measures being adopted to help specific industries. The rationale behind these measures is to favour domestic goods and service suppliers at the expense of imports. Many of these measures fall within WTO rules and so far they have not triggered a tit-for-tat chain retaliation. But it is clear that these measures have a chilling effect on trade flows in general.

- ILO summit just two weeks ago reminded all of us of the need to resist protectionism
- For this reason, our Members have asked us to be vigilant and report on trade measures, which is what we have done. As you are aware, three reports have been put forward to WTO members in which developments in the trading system since the crisis began are closely monitored. The last one was released as recent as last week.
- The WTO Secretariat was able to verify that in the past 3 months, despite further slippage towards trade restrictive measures, high intensity protectionism has been avoided. Although 83 of the 119 reported measures are restrictive, we do not imply that these measures run contrary to WTO rules. Nor did we suggest that the 17% surge in anti-dumping initiations in the last 6 months of 2008 are unwarranted. What we can say definitely though is that these measures restrict trade.
- The sharp reduction in available trade finance is another factor that contributed to declining trade figures. In today's market there is a lack of transparency and an abnormally high aversion to risk. The G-20 made a strong start in addressing this problem by pledging \$250 million to support

trade finance through export credit agencies and multilateral development banks. But the contraction of trade credit is part of the broader liquidity crisis and although we have made some progress in pushing this problem to fore and addressing it, developing countries in particular report ongoing difficulties in obtaining the bank credits they need to finance transactions. Trade finance is the oil of global commerce. It is vital that we monitor developments in this sector, using our network of banks, governments and international institutions. We have to act in concert to exit the crisis.

- I am confident that the results of the recent UN Conference contributes to this belief. Beyond the clear support we got from the full United Nations membership for the Doha Round and WTO's role and functions in fighting this crisis, this summit has injected further political leadership on how we should deal with this crisis. I think it is our collective responsibility to ensure that this momentum continues. It is also certain that the full potential of institutions such as the ECOSOC need to be put to use to ensure global coherence and coordination of our respective actions.
- There should be no doubt that the most significant thing the WTO can do to bolster the global economy is to conclude the Doha round. Monitoring protectionist slippages and ensuring that finance is oiling trade properly are important functions, but the DDA remains the stimulus package that many of our Members need now. It does not require trillions of dollars but rather, renewed political attention and energy.
- In pledging to roll back barriers to trade in goods, services and agriculture, governments will have sent a powerful signal that they are ready to work

together to build on and improve the open, rules-based trading system which has delivered prosperity and stability for six decades.

- Keeping trade open is an essential ingredient to help exit the crisis. But for many developing countries this will not be enough. The crisis is starting to have an impact on our social fabrics. It is affecting workers who are losing their jobs; immigrants who can no longer send remittances back home; youngsters who are having enormous difficulties entering the job market. In the current circumstances, it is essential that countries develop social safety nets which help to stabilise our societies and prevent social unrest.
- In order to fully reap the benefits of an open trading system, poorer countries need an accompanying Aid for Trade package of to address their supply-side constraints and boost competitiveness.
- Just this morning we launched our second global review of Aid for Trade, which will evaluate progress made to date and ensure that we will keep the momentum, now that we are in the midst of the biggest global economic crisis ever.
- We have made a significant leap forward since we launched this initiative in 2005. We have seen a 10% annual increase in funds committed, funding pledges today standing at more than \$25 billion annually; non-concessional loans add an additional \$27 billion;
- We have also seen developing countries mainstream trade into their development strategies; we have seen the Enhanced Integrated Framework

for Least Developed Countries be up an running and the first two projects in Sierra Leone and Yemen launched.

- As the crisis bites all countries, and in particular the poorest, we need to maintain momentum. We need to ensure that aid pledges are kept; that promises are met, so that the weakest countries have the means to weather the storm. Failure to provide this critical support would deepen the impact of the crisis and could unravel their recent efforts to grow and to foster development. This is the message I will be delivering at the G8
- We have busy months ahead of us. Clearly, the difficult economic times we face mean that our jobs will not be any easier. But in every crisis there is always opportunity. And we have before us now, an opportunity to act, to reform a trading system which must be made more equitable and relevant to the commercial concerns of the 21st century. We also have an opportunity to provide a stimulus to trade, at a time the world sorely needs it.

Thank you.

