

## **Speech Addressing the Cairns Group**

**Banff Canada**

**Wednesday, October 11, 2000-11-02**

Ladies and Gentlemen,

I would like at the onset to thank the Ministers of the Cairns Group for giving Egypt the opportunity to address them. It is indeed an opportunity for us to investigate how we can manage, as a community of nations, the great issues that will govern our lives this century.

Egypt's presence here is symptomatic of a more fundamental movement in the developing world. Although we represent only ourselves here, we know that we are part of a broader movement for self definition in developing countries. Seattle has shown the international community the clout of developing countries. To their surprise these countries found themselves wielding power - unstructured, unfocused then perhaps, but power all the same.

Since that December, the third world has been looking to structure this power, to focus it, to give it the conceptual and practical direction that can make it a constructive force in the multilateral trading system.

I have consulted with some colleagues around this table and have found that we in the third world would need to address two major challenges.

The first, to come to our own, is to discover that our relationship with any multilateral system - be it financial, economic, or trading - does not have to be confrontational simply because we are less developed, less able for now to deal with the problems of improving the standards of living of our people, or less able, for now again, to address the issues at stake in multilateral systems. We must accept that multilateral systems - trading systems foremost - are the optimal way of addressing our national priorities and policies.

Second we must admit that in coming to address the multilateral systems, our common poverty, our common problems, do not necessarily make for common interests or common views. Groupings that worked in a cold war environment or in a post-colonial era are no longer relevant.

Adherence to a multilateral system implies identification of our interests as a developing world, wherever they may lie, irrespective of who else identifies with them.

With these two challenges addressed we are ready to participate in building a multilateral financial and trading system that will serve our interests as a community of nations - even when the greater long term benefits for each of us entail some short term costs.

From this base a few myths must be dispensed with.

First, that net food importers should not care about agriculture liberalization worldwide. I can think of very few countries on this planet where such a case would be true. Egypt has come to the view that agriculture trade liberalization worldwide is the only sustainable way of addressing the problems of net food importing countries.

Second, that multi-functionality is a concept that is unique to agriculture, that it is one that needs to be addressed with instruments that necessarily distort fundamental economic relations. This is not true, nor does it need to be. The developing world is called upon to make hard political and economic choices when it joins the global economy. It is only fair that developed countries not be spared similar choices.

Third, the developing world has very specific views on all the issues regarding the architecture of the Multilateral system with a capital M. Sometimes it just lacks the means to articulate these views. The Cairns Group, other developing countries, anyone should help.

Fourth it is untrue that the developing world is not committed to a strong civil society, human rights, labor and child welfare. It just chooses to express this commitment in ways that are compatible with its resources and values.

Fifth it is untrue that others can care more about the welfare of the peoples of the third world than these peoples can care for their own.

And finally, a sustainable multilateral system, in development, in financial markets, and in trade, cannot be built solely on sound economic principles. It must address issues of fairness, equity, burden sharing and ethics. Yes - ethics - a term not normally associated with economic variables.

Addressing these myths constitutes the foundations of the coming of age of the third world and the starting point of its adherence to the global economy.

And for this global system to succeed it has to move forward; so that when a first attempt fails, as in Seattle last year, a second must follow - one where we will have learnt our lessons and grown from our mistakes.

The next step must address both the past and the future. The past haunts us with issues of implementation, of measures fulfilled in the letter, but betrayed in spirit. Issues of instruments of fair trade used unfairly must be addressed; issues of commitments that have proven impossible to keep for some of us; and finally commitments that have been made and that must be kept for others.

We see the importance of a comprehensive round that will bring forth, not only mandated negotiations, but also issues of additional market access in manufacturing. And for this round to succeed it must remain focused on trade matters. Areas with little connection to trade such as investment, labor standards, internal competition must remain outside the domain of trade matters - however important or worthy they may be.

The fact these issues must be addressed does not mean that they have to be addressed in the context of trade negotiations.

This said, there are governance issues that stand in the way of a new trade round. Matters that must reconcile the concerns in a one country one vote system, with efficient and effective negotiation mechanisms.

The World Trade Organization is barely five years old, and must still shed its old secretariat skin. This may take time, and it will certainly take concerted effort.

Thus a comprehensive round is essential. It is also going to be difficult to start - a grouping such as the Cairns Group must play a role in the preparatory work of such a round. This said, the core of either our trade work now, or the work in a comprehensive round, remains the mandated negotiations, First because they serve to validate all previous commitments. Their progress serves to build the credibility of all Uruguay Round commitments. Second, because trade in agriculture - despite having been brought under a multilateral framework - is still far from being either liberalized or rule based. The Uruguay Round Agreement in agriculture did introduce a measure of transparency. It did provide an agreement on concepts, and on definitions, and in so doing prepared the stage for true liberalization to be introduced.

The commitments in the Agreement were small and did little to liberalize trade in agricultural goods, or improve market access. The process of tariffication has produced a number of tariffs bound at such high levels that it is difficult to see how they could be reduced by conventional tariff reduction techniques. Tariff rate quotas, negotiated to pry open closed markets, have established a layer of opacity in trade regulations that must be addressed urgently.

The agenda for agricultural negotiations is clear.

Market access must be expanded for agricultural products; the welfare of a large number of developing countries depends on it. Deep cuts in tariffs must be agreed to at the onset. Then cuts must be managed. That is they must be trade weighted, and in proportion to the distance between bound rates and applied rates. In other words, they must touch items that are relevant to developing countries and they must be effective.

Tariff escalation and tariff peaks are part and parcel of market access measures. This suggests that tariffs be divided into categories, depending on range, with each category dealt with differently.

As for other measures instituted during the Uruguay Round, and covering tariffs and quotas, specific duties, reference prices, entry prices, aggregative quota underfill, and compound rates, agreement on two remedies for these measures must be sought.

First, there must be agreement on a code of conduct in the use of these measures, involving a minimum predictability, of transparency, of accountability, of contestability, and of codification.

All those are arbitrary measures alien to a rule based system. Subjecting them to a user code will address some of their arbitrariness and will remedy most of their unhindered protectionist impact.

Second, all those measures must be relaxed the traditional way. Tariff rate quotas, decreases in quota duties, entry prices reduced or removed, etc.

As part of negotiations, export subsidies must also be reduced significantly with a large up front component.

This issue poses a problem that has often been misunderstood - that of the assistance that subsidies to agriculture provide to net food importers. Net food importers need help paying for their food bills. This help is but delivered at consumption and not at production. The former way will probably cost less and will most certainly be more efficient.

Let me submit to the Cairns group that a fund be created that would assist net food importers in the food bills on the condition that their imports be brought on open unsubsidized competitive markets.

Domestic support and multi-functionality are concepts of weak political wills. Time and time again the developing world is called upon to face the hard choices imposed by globalization. They are choices that are inevitable and they present trade-offs that are all unpleasant. When similar choices are presented to developed countries with infinitely more instruments, infinitely more trade-offs, they must be taken and they must be acted upon.

Finally a last item remains on the agenda. One that is key to the effectiveness of all other agreements in agriculture - that of a level playing field. One where sanitary and phyto-sanitary measures are clear, transparent and understood by all.

A level playing field where developing countries like Egypt have the institutions, the manpower, and the know-how to understand the rules, express their position on them, and contribute to the proper building of the multi-lateral system. Developing countries have a mind. They need a voice. This voice is in trained and competent technicians.

This voice, this training, must be provided at least in agriculture by the Cairns Group countries.

Finally one of the fictions of the late twentieth century - Special and Differential Treatment. A title and no content. In agriculture, indeed in a comprehensive round, special and differential treatment should be codified the same way that Article VI, after long staying dormant in the GATT texts, was not implemented until the agreement on the implementation of Article VI was signed in the Uruguay Round. Today antidumping works, not well but works. Special and differential treatment should be dealt with the same way.

We in the third world must lead this movement.

Ladies and Gentlemen,

The Cairns Group does not represent a core section of developing countries. It should. It acts as a catalyst in formulating multilateral policies on agriculture. It must act as a catalyst for the developing world to formulate its own policies, and find its own role in the multilateral

trading system.