



WORLD TRADE
ORGANIZATION

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**JUBILEE CONFERENCE OF THE NATIONAL
COMMITTEE FOR INTERNATIONAL
COOPERATION AND SUSTAINABLE
DEVELOPMENT OF THE NETHERLANDS (NCDO)**

**"Promoting Responsible Global Citizenship through
International Trade"**

THE NETHERLANDS

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Distinguished Ladies and Gentlemen

It is my very great honour to address this Jubilee Conference of the National Committee for International Co-operation and Sustainable Development. Promoting global citizenship is a worthy pursuit and we have much to learn from NCDO's forty year track-record.

My visit here confirms what I experienced in a previous life with the European Commission that your country has much to share with the global community through international trade. And as we, collectively, continue to address the economic crisis that has gripped markets especially in Europe, leadership from countries such as the Netherlands to keep markets open and support the need for more - not less- global co-operation, is critical.

The Netherlands recognises the role of open and fair trade as a fundamental pillar of global stability and a shared responsibility. For me, as Director-General of the WTO, global citizenship is a professional reality - a vocational calling. In our ever more interconnected world, global citizenship is a given. Responsible global citizenship, alas, is not. The NCDO seeks to guide Dutch citizens in good global citizenship. The WTO plays a similar role at the larger level but with a narrower focus: that of promoting an open and non-discriminatory multilateral trading system through adherence to a set of common rules.

Let me build on this theme by touching on three main issues I would like to address today: **One**, keeping markets open is good global citizenship; **Two**, rules should reflect global realities, although a common vision of global reality is hard to forge; and **three**, good global citizenship needs inclusive systems.

On the first, adhering to trade rules is responsible global citizenship, but it does not happen automatically. A major part of the work of the institution I represent is monitoring; verifying that the trade measures taken by the 153 members of the WTO adhere to the rules that have been established and entered into by these same Members. And of course settling disputes peacefully as and when they arise - as they inevitably do.

When the global economy grows, this monitoring work rarely reaches the public eye. However, in an uncertain global economic situation, this technical function makes headlines. To use banking jargon, the multilateral trading system is undergoing a stress test. It has held up to date with new trade-restrictive measures introduced last year covering around 0.9% of world imports - lower than for the previous year. The WTO has proved its worth as an insurance policy against protectionism.

But the tensions in the system are there. And another stress test is in view for this year. New economic outlooks for 2012 suggest global economic activity is slowing, economic performance is uneven, debt levels are rising and there is still significant financial volatility in the system. Unemployment persists at high levels in many OECD countries, and economic confidence is shaky, particularly in Europe.

Unilateral actions to shield domestic industries, although appealing from a narrow short-term perspective, will not solve global problems; on the contrary, they may make things worse by triggering a spiral of tit-for-tat reactions in which every country will lose. Such developments threaten adding to the downside risks to the global economy and wiping out any short-term gains from protectionist measures.

The risks of protectionism are even greater for small countries. Regional and global markets offer opportunities to overgrow the constraint of small national markets. Dutch companies in the Fortune 500 are steeped in national business ethic but most of their business, and growth, is outside of the Netherlands. Historically, the Netherlands has invested in global trade - and reaped the reward. And it continues to invest. What more impressive statement of faith in the global economy than the Port of Rotterdam Maasvlakte Port

development. As my Dutch colleagues are keen to remind me: "God made the Earth, but the Dutch created Holland".

On my second point, I recognise that NCDO's advocacy work on international development co-operation taps into the long tradition of Dutch concern with global social justice issues. When a Dutch NGO, Solidaridad, launched the first "fairtrade" products in 1988, they used the title of a novel published some 130 years earlier to brand their products. The fictional character, Max Havelaar, is now an economic fact - and fair trade brands are now a mainstream product, with a growing market share.

Fair trade is one market-based solution to inequality. Another is for trading partners to base their actions on globally agreed rules and the development dimension of these rules. Trade opening can have a transformational effect on a country's economy and we have seen many examples of this in the WTO ledger from Angola to Zambia and many others in between.

At last December's Ministerial Conference, the WTO accession processes of Russia, Montenegro and Samoa were completed, ensuring that the WTO now covers 97% of the world's trade.

Which bring me to my point about rules reflecting reality. Adapting the rules to the realities of a fast changing global community is challenging. We see this in the Doha Development Agenda. In fact, we have reached an impasse in this negotiation - an analysis now shared by all. In my opinion, the deadlock boils down to a political question: what is the right balance of trade-related rights and commitments between countries at different levels of development? The same can be seen on similar global issues such as in climate change. This is the geo-political reality of the day and one of the central questions that we, as a global community, will face. As Director-General, my job is not to take sides, but to help find ways out of the impasse. This I shall continue to do, by seeking to find convergence between Members starting with a proper assessment of the realities of the multilateral trading system.

Let me turn to my final theme. The Netherlands has always been one of the most important transaction grounds for international trade. A whole range of different products go through Dutch ports, exchanges and factories every day. There is a bewildering complexity of different transactions. This complexity is growing and challenging the way in which we track trade flows.

Most world trade is now in intermediates products. Supply chains extend globally with production steps carried out across different countries, with semi-

finished products or parts travelling along the production chain between these countries. This challenges the traditional concept of a product as being made in country X or Y. Can we say where the iPhone is really made? It is assembled in China. But parts come from Japan, Korea, the US and elsewhere - from more than 15 countries. And what about the value of the design and branding which bring together an even more geographically disparate range of actors? The iPhone highlights the ever increasing complexity of the global economy. The same can be seen with what has been commonly termed an 'American car' where the components and services are provided in economies as large as Germany and Japan to those as small as Barbados. Or let us examine the 'European' Airbus Consortium, which is produced in forty-four (44) countries, among which twenty-one (21) of the countries are not on the European continent.

Many factors are behind this process such as huge improvements in transportation, in communications led by technological progress. Better infrastructure and logistics have helped to reduce trade costs and keep them low, thus contributing to the creation of global production networks where countries or industries specialize in tasks. Indeed, the Netherlands has been at the forefront of many of these changes; one need only think of the impressive logistics behind global horticulture supply chains. The challenge from a

development perspective is ensuring that this is an inclusive process; one which also raises the living standards of the world's poorest countries.

Progress has been made; for example in areas such as Duty Free Quota Free access for least developed countries although work is still left to do. At last year's December Ministerial meeting other decisions were taken in favour of Least-developed Countries in the area of services, intellectual property and accession to the WTO. The needs of the poorest countries are a pressing concern of the WTO but even where such actions to support them have been implemented; it has not always had the desired effect. LDCs still only account for 1% of global trade. That's why since 2005, I have championed the concept of Aid for Trade. The initiative seeks to add value to the trade rules' solutions by addressing the fundamental supply-side and trade-related infrastructure constraints which limit developing and least-developed countries ability to enjoy preferential access schemes and the benefits of the multilateral trading system more generally.

A key part of the initiative is aligning development assistance with the trade-related priorities of developing countries. This means helping developing countries to understand the linkages between sectoral strategies in, for example, agriculture, transport and energy and trade performance. And getting donors to

align their support accordingly. This latter process has been successful. Funding for aid for trade grew by 60% between 2005-2009 to reach \$40 billion. And despite the impact of the crisis we expect support for trade-related development assistance to be maintained.

With public budgets squeezed, my view is that Aid for Trade remains a good investment. Last year we held a global review of the initiative in Geneva and asked donors and developing countries to show results. The response we received was encouraging. It showed Aid for Trade working at various levels including examples of where Dutch assistance is obviously making a difference, for example, through the work of the CBI and support for multilateral initiatives, such as the Standards and Trade Development Facility.

The need to show results for this investment is one which I wholeheartedly endorse. In my view, the evidence is there. It just needs harvesting better and putting in the right framework. Who could have imagined in 1988 what Fair Trade would have become today? Who can imagine what will result from Dutch investment in Aid for Trade in the future? I feel confident though that the results will be good for both recipient countries and the Netherlands. Remember the Port of Rotterdam development? Investing in Aid for Trade is investing in Dutch prosperity too. We all have a common interest

that the containers which are handled there also come from developing and least developed countries.

As I conclude, it is clear there are many facets to good global citizenship. Trade is one of them. Keeping markets open is good global citizenship. Ensuring that trade rules reflect changing global realities is a challenging undertaking, but I remain optimistic and committed to an ambitious outcome. Finally, I believe that Aid for Trade is an investment in the future prosperity of all of us, not just developing countries. I commend the Netherlands for its commitment to development assistance and supporting the use of trade as a tool for growth and poverty reduction. 2012 and beyond will be challenging for all of us. I urge you to maintain your support for building trade-related capacity in developing countries, especially the LDCs. Focus on quality aid. Smart aid. Inclusive Aid. Aid for Investment.

I commend you for your commitment to trade and development and a global citizenship based on collaboration and community.