Mr Wistisen, Ladies and Gentlemen,

It is a great pleasure for me to be here with you today to discuss an issue that, since I took office about a year ago, has taken up a lot of my reflections: what is the link between trade and development, and what kind of trade policy do we need in order to be able to harness the forces of globalisation in the interest of sustainable development? My colleague Poul Nielson has just set out the overall framework of the EU's development policy, and I should like to discuss with you now what place trade policy can and should have within this overall framework.

It is a particular pleasure for me to do so at a Conference organised by the AIF, as I know that you have taken an active and critical interest in the preparation of the new round of WTO negotiations which the EU is working hard on getting launched as soon as possible. When I read the statement that you co-signed with a number of other Danish Non-Governmental Organisations just before the Seattle Ministerial, I was pleased to see the large degree of convergence in our views. There are, of course, also some areas where we might disagree, and I will come to these later.

But let me start with some more general considerations about the nexus between trade and development, before turning to the question of how our post-Seattle strategy as well as our bilateral trade policy tie in with our overall development objectives.

**Trade and development - a complex relationship**

According to textbook economics, trade and foreign direct investment confer large efficiency benefits by fostering the international division of labour and by disseminating the gains from technological progress. This produces economic growth, which in turn should lead to development and contribute to the eradication of poverty. Economic studies and empirical data highlight the substantial benefits that developing countries have reaped from integration into the world economy.

However, such studies also show that the translation of trade into growth and of growth into development is far from automatic. Market access alone, however great its contribution, will not bring growth in itself. Nor does increased growth automatically lead to sustainable human development.

We also see that trade liberalisation has not benefited all regions of the world or all layers of society in an equal manner. There is in fact an increasing and worrisome split between a group of middle income developing countries which are successful participants in global trade and a large number of nearly 80 developing and transition economies comprising over one third of world population which are virtually excluded from it.

The reasons for this are manifold, but it seems to me that the key to success lies first and foremost with the domestic policies of the developing countries themselves. A successful approach to development needs to take account of the whole range of institutional, social and structural needs of a well-functioning society, such as good governance (including policies aimed at transparency, free information flows, fighting corruption, an efficient civil service), an appropriate institutional and regulatory framework, social inclusion policies (in the field of education, health care, social protection), public services and infrastructures and
environmental protection policies. Sound domestic policies are indispensable to create the stability, predictability and security, that is needed to stimulate investment, be it local or foreign. Regional integration helps to develop markets large enough to generate economies of scale, develop competition between equals and attract foreign investors.

If I say that domestic policies are the key for developing countries to be able to tap the benefits of globalisation and to mitigate its negative effects, I do not mean to absolve developed countries from their responsibility for supporting these sound policies. We need to provide more access for products in which developing countries have a comparative advantage, there has to be genuine involvement of developing-country stakeholders in trade negotiations, more generous and effective official development assistance, and an increased effort by the financial institutions to help tackle debt and co-ordinate their support and assistance better.

Post-Seattle - a Strategy for Sustainable Development

So how can the multilateral system contribute more effectively to sustainable development? In my view, the EU proposal for a comprehensive round of WTO negotiations is the best mechanism to ensure that developing countries' concerns are taken account of across the board. Be it a matter of market access or of WTO reforms, the needs of developing countries figure high on our agenda. And I should like to add that Denmark, by continuously and consistently pushing such a multilateral and development-oriented approach, has contributed enormously to shaping this EU stance.

In general terms, we must ensure in the new round that the opportunities provided by the multilateral trading system are available to all WTO Members. First and foremost this means that a new negotiating round must be balanced and inclusive - and perceived to be so. All members must contribute to setting the agenda, and not just the major players. The agenda has to be wide enough to allow for the trade-offs necessary to satisfy all participants.

Enhancing the contribution of the WTO to the promotion of sustainable development should be considered as a crucial objective for future trade negotiations. In particular, this means that we will have to consider the following elements as part of a new round of trade negotiations:

a) Substantial improvements in market access across the board, including on products of export interest for developing countries. This would imply a willingness by the EU and other trading partners to envisage substantial liberalisation of sensitive sectors.

b) New WTO rules on investment, competition and trade facilitation to improve the governance of the world economy. The contribution of such rules to development should be an important objective of the negotiating process. In the case of investment, this implies a gradual bottom up approach to market opening, while fully respecting the right of governments to regulate. As regards competition, the central objective should be to strengthen international co-operation against anticompetitive practices of an international dimension, such as international cartels or transnational abuses of a dominant position. New rule-making in these areas should contribute to enhancing the regulatory capacity of developing countries and help all countries to address new challenges raised by globalisation.

c) Clarifying and - if necessary - improving existing WTO rules from a sustainable development perspective. A key issue will be clarifying the relationship between WTO rules and a number of actions taken for the protection of the environment.

What can be done outside a Round?
While a new round remains the essential tool to enhance the contribution of WTO to sustainable development, this does not mean that all actions geared to this end should await a political decision to launch negotiations. For instance, the EU is already advocating a number of measures in favour of developing countries, such as improved market access for the least developed, a constructive response to implementation concerns, a more coherent and enhanced approach to trade-related technical assistance, and a multilateral Dialogue on Trade and Social Development. None of these actions need to wait for the launch of a new round. Similarly, a number of measures could be taken to improve the transparency of WTO operations, both from an internal and external perspective.

**Let me now expand a bit on these elements.**

**Market Access**

Since 1997 the EU has provided duty free and quota free access for 99% of all exports from least developed countries covering 91% of all tariff lines. Excluded from full trade liberalisation are a number of agricultural products. While the degree of liberalisation already achieved is significantly larger than that of other trading partners, we are convinced that more needs to be done. We are now working on a proposal to the Council to eliminate virtually all exceptions to duty free and quota free treatment for least developed country exports. Such an additional substantial trade liberalisation package would represent an important political signal of support for the efforts of the least developed countries to better integrate in the world economy. We hope that additional trade liberalisation measures will also be adopted by other industrialised countries, as well as by more advanced developing countries. This is, however, an area where the EU should lead by example and not wait for the actions by others.

**Capacity-Building**

But enhanced market access opportunities can easily be missed if the business sector in developing countries is not able to seize them. This is why we think considerable efforts need to be made to facilitate trade for instance by streamlining import/export and customs procedures and to boost the capacity of the private sector to trade and invest and of the public sector to provide an enabling and business-friendly environment.

Furthermore, a host of non-tariff barriers such as technical, sanitary and phytosanitary regulations and standards present a challenge for the ability of developing countries to trade and invest. Capacity development for both the private and the public sector is therefore highly necessary and should form part of a pro-active development agenda. It has been estimated, for instance, that in order for an average developing country to implement the WTO obligations in the areas of Sanitary and Phytosanitary measures, intellectual property rights and customs reforms, investments in the order of 150 million US$ would be required. This corresponds to a full year's development budget for many least developed countries. Implementation of new obligations, and the transition periods linked to these, should go together with the effective provision of capacity building efforts, in particular with regard to our LDC partners.

This will only succeed if all stakeholders, developing countries, themselves, international development agencies, the WTO and all donors adopt a co-ordinated approach to capacity-building for trade. This is the idea underlying the Integrated Framework for Trade-related Technical Assistance for the least developed countries, which was set up in 1997 and is jointly sponsored by the WTO, World Bank, IMF, UNDP, and UNCTAD. Improving the performance of the Integrated Framework, which has so far been disappointing, is a matter of the highest priority.

**Coherence**
In considering how to enhance the contribution of the WTO to development, it is important to bear in mind that the WTO is and will remain a trade institution. Many of the concrete policy measures that are required to help developing countries benefit from increased trading opportunities fall within the primary responsibility of national governments or other international organisations. A coherent approach to global governance should therefore imply parallel efforts to reinforce international organisations responsible for development co-operation, for environment and social development, and reinforced co-operation between the WTO, the Bretton-Woods institutions and these other international organisations.

A good example for such an approach is provided by the EU on the issue of trade and labour. I am well aware of the particular importance that the AIF attaches to this latter issue of respect of core labour standards, and I share your concerns, though we differ on the question of the means to achieve our objective. A sanctions-based approach is doomed to fail, as Seattle has demonstrated. At the same time, it is clear that the WTO must be involved in a broader dialogue to promote a better understanding of the relationships between trade and social development. Such a dialogue should not be limited to the promotion of core labour standards, but should also include a number of social development issues of broad concern. There is, for instance, a need to understand better the relationship between trade liberalisation, job creation and the fight against poverty. Institutions such as ILO, WTO, UNCTAD and the World Bank should participate in such a dialogue. An important objective would be to help national governments to better take into account the social impact of trade liberalisation so as to develop policies to maximise positive impacts and limit negative effects.

**Institutional Improvements**

We have also to reflect on how to improve the existing governance structure of the WTO, again with a view to enhancing the system's transparency and participation. This is certainly a difficult subject but also an inescapable one, if we are to preserve the political legitimacy of the system both in the developed as well in the developing world. We are fully aware of the problems that a good number of our developing partners encounter in the day-to-day operation of the WTO, as well as in negotiating situations. While there are probably no magic solutions, we need to do more to strengthen the negotiating capacities of LLDCs in particular. At the same time also the WTO and other international economic organisations need to enhance transparency and dialogue with civil society. Denmark has made a number of interesting proposals on this, for instance on the setting up of a WTO Parliamentary Assembly, that are under discussion in Brussels and in Geneva.

**Multilateralism and regional integration**

Finally, I want to touch on the role of regional integration. The integration of sustainable development into trade policies also has an important regional dimension. Apart from the elimination of border obstacles to trade, free trade arrangements provide the opportunity to reinforce co-operation on regulatory policies, as well as on the environmental and social dimensions of sustainable development. In fact, this regulatory co-operation is essential if FTAs are to succeed: North-South Free Trade Agreements could crystallise development gaps, if trade liberalisation is not buttressed by flanking policies that ensure the necessary domestic reforms - and if these policies do not get the necessary financial support.

**Conclusions**

Let me wind up these remarks by just summarising my main message to you today. Trade is necessary for development, but not sufficient. Trade liberalisation needs to be vigorously pursued both regionally and multilaterally but it will not yield results if the ability to trade of developing countries is not bolstered. Further opening of our markets and a serious effort towards capacity building are the hallmarks of our trade policy approach to development.
issues now, and in the new round. I hope other developed countries will follow us on this path.