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## **Help the Third World help itself**

*By Kofi A. Annan*

We are about to leave the 20th century behind. The first half of it saw the world almost destroyed by war, partly as a result of its division into rival trade blocs. The second half has seen an unprecedented expansion of world trade, which has also brought unprecedented economic growth. This week's meeting of the World Trade Organization in Seattle, and a few other meetings over the next few years, could be pivotal in determining whether the 21st century will be like the first half of the 20th, only worse--or like the second half, only better.

After World War II, farsighted statesmen built a postwar economic and political order governed by rules that would make free trade possible and thereby make future wars less likely. Broadly speaking, they succeeded, because it was a time of broad consensus on the role of the state in ensuring full employment, price stability and social safety nets--and there were distinct national economies, represented by states that could control dealings between their citizens by manipulating border controls.

Today's world is very different. Networks of production and finance have broken free from national borders and become truly global. But they have left the rest of the system far behind. Nation states, and the institutions in which they are represented, can no longer dictate the terms of international exchanges just by negotiating among themselves. Economic life is no longer embedded in a broad framework of shared values and institutionalized practices. Economics has become global, but politics remains largely local.

The result is that even though there are free elections in more countries, people feel they have no control over decisions which shape their lives. They feel vulnerable and helpless. This feeling, I believe, is behind many of the arguments we now hear for using trade policy to advance various good causes. Those who advance such arguments are voicing fears and anxieties about the effects of globalization.

They are right to be concerned about jobs, about human rights, about child labor, about the environment, about the commercialization of scientific and medical research. They are right, above all, to be concerned about the desperate poverty in which so many people in developing countries live.

But globalization should not be made a scapegoat for domestic policy failures. The industrialized world must not try to solve its own problems at the expense of the poor. It seldom makes sense to use trade restrictions to tackle problems whose origins lie in other

areas of policy. By aggravating poverty and obstructing development, such restrictions often make the problems even worse.

Practical experience has shown that trade and investment often bring not only economic development but higher standards of human rights and environmental protection as well. Indeed, the people in developing countries generally insist on higher standards, once they get the chance to do so.

So it is hardly surprising if developing countries are suspicious of those who claim to be helping them by introducing new conditions or restrictions on trade. They have been told time and again that free trade is good for them--that they must open up their economies. And many have done so, only to find that rich countries have cut their tariffs less than poor ones.

Rich countries' average tariffs on manufactured products imported from developing countries are now four times higher than those they levy on products which come mainly from other industrialized countries. Quotas and "antidumping" penalties are also used to keep Third World imports out of First World markets, especially in sectors where poorer countries have a competitive edge, such as agriculture, textiles and clothing.

In some rich countries it seems as though emerging economies are assumed to be incapable of competing honestly, so that whenever they do produce something at a competitive price they are automatically accused of dumping. In reality, it is the industrialized countries who are dumping their surplus food--created by subsidies of \$250 billion a year--on world markets and thereby threatening the livelihood of millions of poor farmers in the developing world, who cannot compete with subsidized imports.

What is needed is not new shackles for world trade, but greater determination by governments to tackle social and political issues directly. We need to show the same firm leadership in defense of human rights, labor standards and the environment as we already do in defense of intellectual property. The United Nations--with its Environment Program, its commissioner for human rights, and its specialized agencies such as the International Labor Organization--exists for that purpose. We can be part of the solution.

But we need help from the private sector. Transnational companies have been the first to benefit from globalization. They must take their share of responsibility for coping with its effects. That's why, earlier this year, I proposed a Global Compact between business and the U.N., under which we will help corporations to act in accordance with internationally accepted principles of human rights, labor standards and environmental protection.

Meanwhile, the WTO must not be distracted from its own vital task: extending the benefits of free trade fully to the developing world. If industrialized countries do more to open their markets, developing countries can increase their exports by far more than they now receive in aid. For untold millions of poor people, this could make the difference between their present misery and a decent life. And yet the cost for the rich countries would be minuscule.

In fact, industrialized countries could be doing themselves a favor. The European Union, for instance, currently spends between 6% and 7% of its gross domestic product on various kinds of trade protection measures, according to one recent study. No doubt some groups of Europeans are benefiting from this, but surely there must be a cheaper and less harmful way for their fellow citizens to help them.

This time, tariffs and other restrictions on developing countries' exports must be substantially reduced. For those of the least developed countries, duties and quotas should be scrapped altogether. The world needs a trade system that is fair as well as free.

*Kofi A. Annan is the Secretary-General of the United Nations*