Doha Round: Success of the global free trade agenda at stake

Business leaders must back WTO's Supachai and team

By MARK DANIELL

WITH Dr Supachai Panitchpakdi taking over as head of the World Trade Organisation (WTO) for an abbreviated term of three years, it is now even more critical for business leaders to support actively the organisation and its new leadership team.

The reason is simple. Progress on the global free trade agenda can no longer be taken for granted. Unless the business community, to say nothing of Geneva-based trade negotiators, their member governments and non-governmental organisations (NGOs), provide more visible support to the director-general than in the past, the risks of a failure in the Doha Round increase dramatically.

The Doha Round failure would in all likelihood further alienate the emerging economies whose expectations for greater inclusion in the full world trading order have been raised.

The support of these emerging economies to continuing open trade will be critical in restoring global growth prospects and in creating a more integrated, more open, and more stable world order. Increased support from all, including the private sector, will be required since successful conclusion of the current trade round will encounter more challenges than ever before for a number of reasons.

First, the membership of the WTO itself is much larger than in past rounds. Membership has virtually doubled from 1999, to over 140 today as have the number of official meetings held (up 94 per cent to 4,560) and documents produced (up to 58 per cent to 76,000).

This increase in membership and activity has not been matched by a commensurate increase in the WTO budget to support the increased workload.

As for any organisation, coping with increased demand from a constrained resource base is a constant challenge. The necessary response will require a ruthless setting of priorities and adherence to these priorities by the organisation — and its members.

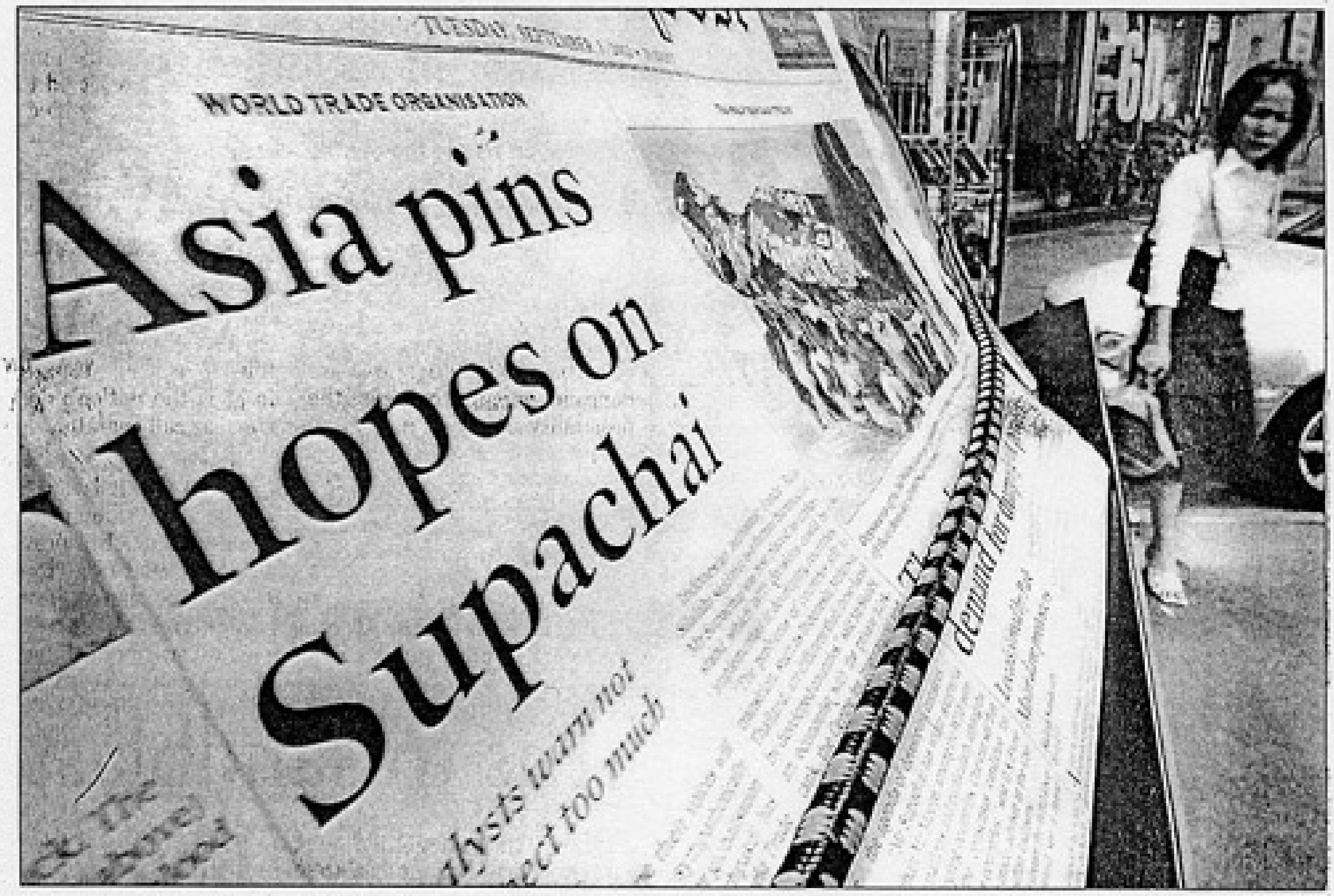
In addition to the expanded list of new members, notably led by China's much heralded accession to full membership, a further expansion to include the Russian Federation, targeted for 2004, will absorb further scarce resources and increase the complexity — and risk — of completing the WTO trade mandate in the artificially shortened time frame.

Second, the current trade discussions will need to resolve a set of highly sensitive issues left over from the past round, as well as address an extended list of new and equally delicate issues.

The Doha Round was launched with much fanfare as the Development Round. The launch took place despite valid griping from Malaysia's Prime Minister Datuk Seri Dr Mahathir Mohamad, among others, that there were still many items left to be implemented from Uruguay.

Many of these unresolved items involve access to developed markets by the emerging countries in such highly charged areas as steel, textiles and agriculture.

In addition to these existing politically sensitive issues, such new items as intellectual property rights and their application to pharmaceuticals in poor AIDS stricken countries, acceptance of genetically-modified foods, access to international services and new investment guidelines, will add to the complexity of the WTO agenda.



TOUGH TASK... Emerging economies are counting on Supachai as the new chief at WTO to help free trade flow as freely and fairly as possible. — *AFPpic*

Third, trade friction between the two elephants at the WTO — the US and the European Union — may slow the progress of reaching an accelerated conclusion on the broad agenda which was difficult enough even to get started.

Total support to agriculture, now exceeding US$100 billion (US$1 = RM3.80) on each side, and other protectionist barriers provided by the CAP and US policies, have not proven to be soft targets for small and weaker countries interested in accessing the world's large markets.

How far either side will yield on key agricultural issues, among others, is yet to be determined.

The determination of global trade policy has often in the past been determined by the personal relationship between the two chief trade representatives and their relative clout in home markets. The combination of Pascal Lamy and Bob Zoellick and their ability to overcome inevitable difficulties is, as yet, untested.

Fourth, the US position on the global trade agenda is still difficult to ascertain. On the one hand, finance ministers and heads of state from the developing world receive finger-wagging lectures on the importance of free trade and open markets from their American counterparts.

On the other hand, current US policies are characterised by blatant protectionist measures in textiles, steel, agriculture and the maintenance of non-tariff barriers to other sectors which would be particularly attractive to developing economies with low labour costs.

With the Bush Administration particularly concerned about mid-term election prospects, it is unlikely that a compromise trade agenda will surface as a priority in the near term.

The US Farm Bill signed earlier this year by President George W. Bush increased producer support by 80 per cent. The potential for vacillation at the negotiating table is not helped by an American economic and trade team which appears to wield little clout in the current Administration and is increasingly seen as a weakness by a broad spectrum of US pundits.

Bush's fast track trade negotiation authority, won last week by the narrowest of margins — 212 to 215 in the House — may provide some momentum to the liberal free traders in the Administration.

Fifth, there is no longer a broad international consensus that all trade is good for development — a feature in developed as well as developing countries.

When the relevant ministers take proposed agreements back to their home countries, there may no longer be a consensus that free and open global trade is a good in itself. Increased cynicism by the political masters of the trade negotiators can only slow the process and reduce the area available for necessary compromise.

Finally, the recent pronouncements by Mike Moore that he might see Supachai "at the barricades" is unlikely to improve the odds of success.

While one hopes that the outgoing director-general will soon adopt a more appropriate statesmanlike approach and supportive role at this critical time for the organisation he has led over the past three years, it is not yet sure that his support is a given for the new team.

Given the difficulty of the terrain, and the increase in risk in navigating to a successful conclusion of the Doha Round, it is essential to increase the positive contribution from all constituents benefiting from the current multilateral rules-based global trading system. But is there much that the business community can do to improve the chances of a Doha success?

Just as there will be many obstacles, there are multiple areas for action by business leaders to contribute to the successful conclusion to the current round.

First, and most importantly, individual business leaders can communicate to the relevant political authorities their views on the importance of a successful trade round.

Taking free trade for granted can be a costly mistake which can be avoided at virtually no cost or risk to the company and teams' individuals. The value of focus, speed and realism in negotiations can be urged upon host governments. The opinion of business leaders can count enormously in this area.

Second, business leaders can speak out more openly on the benefits of free trade — to their customers, employees, suppliers and investors.

Re-establishing a consensus on the benefits of trade and setting a more positive general background against which specific trade initiatives can be assessed is both urgent and important.

Third, multinationals and domestic corporations can contribute to the development of the voluntary code of conduct highlighted by Supachai in his opening comments upon taking over as Director General.

Long advocated by a number of enlightened business leaders and NGOs alike, a voluntary code could clarify the responsibilities of global corporations operating in developing economies, dispelling much of the uninformed us/them thinking between developed and developing nations.

A clear sense of commitment to a principled approach by multinationals operating in emerging economies could avoid the conflictual discourse which surrounds many issues of global business investment and operations.

The difficulties for successful completion of the current trade round may have increased and the time frame shortened, but a small investment by business leaders to support the WTO agenda today could well pay enormous dividends to all of their stakeholders for years to come.

The writer is a managing director of Bain & Company, a global strategy consulting firm. He is based in Singapore