THE POST-Doha MULTILATERAL TRADING SYSTEM

Mike Moore

The stage is now set for the world's actors to put on a truly historic performance. Commentators and politicians who predicted the death or the hibernation of multilateralism have been proved wrong again. The stakes are high. We should not underestimate the challenges that lie ahead both in sustaining the core business of the WTO and driving forward the current negotiations. Keeping the lid on pressures for protectionism will require strong leadership, focus, commitment, courage, and hope that the politicians and policy makers will not let national interests be sidelined by temptations of short-term political gain. You as leaders here have a responsibility to talk to constituencies back home, support those politicians who are showing the courage, who are trying to take on their vested interests. And as Trilateral members, you have the most to gain. Protectionism costs the European Union, the United States and Japan anything from $70 to $100 billion annually. For the U.S. the cost of protecting their textile industry is about $10 billion annually.

We ought not to forget the lessons of last century. The dangerous cycle of protection-retaliation halved world trade between 1929 and the 1930s. It created mistrust and poverty and strengthened extremist factions and nationalist tendencies. We need to remind ourselves that the Commission was created to prevent the vice and the danger of potentially hostile trading blocs. The importance of trade and potential for tensions to arise is why governments have invested a level of authority in the WTO not seen in any other international organization today. That is why governments have made legally binding commitments to limit their rights to intervene in trade. And this is why governments created the WTO dispute settlement mechanism to resolve trade tensions. Most importantly, countries large and small, powerful and weak, have virtually always abided by its recommendations. It is a system of teeth. It is the jewel in the crown of the WTO. It keeps the peace by taking power politics out of trade. It isolates disputes from one another, preventing damaging retaliation. As Joseph Nye said in his recent book, "The procedure is like having a fuse in the electrical system of the house. Better the fuse blows than the house burns down."

Strong leadership was demonstrated at the Doha Ministerial Conference. Doha is, of course, just the beginning. There will be no conclusion to this Round unless all countries see benefits in the final package. It must be win-win for all. But for the sake of the system, for the sake of social justice, and because we all need customers of the future, development issues must take center stage. There is a lot of room to create the conditions in which developing countries can maximize the gains from trade that help them grow their way out poverty. And if we accept that poverty is the greatest threat there is to liberty, to human progress, to the environment, trade is the engine that ought to be turned on.

I see four key areas where we need to make dramatic change. And in these four key areas I believe you have a responsibility to talk very firmly to your publics and to your political leaders. It just will not do for someone to say, "Agriculture is too tough to tackle." Tell that to the Brazilian government. Tell that to President Mbeke and tell that to the Argentine people. Maybe it's too tough for them in other areas.

Look at agriculture. It's costing members of the Trilateral Commission a billion dollars a day to make food dearer for your working families. I can understand subsidies if they make food cheaper. There is a logic, actually, to that. If we did the deal on agriculture alone that would return up to five times more than all the ODA going to developing countries. That would return eight times more than all the debt relief granted thus far. And it would be done in such a way that the bureaucrats and the politicians would not be able to plunder your taxpayers resources.
Textiles and clothing — so desperately important for so many developing countries. We have to insure that they are cleanly integrated into the trading system early in 2005. Given the back-loading of this agreement, there is a lot of suspicion out there that it just may be too tough for some major economies to face. But it doesn't wash and it has no credibility for powerful and rich countries to say this is just too tough. It may be just too tough in Bangladesh and India, as well, for their workers, their business people, to face the kind of reforms we seek of them.

Last year Bangladesh's exporters to the U.S. paid $331 million to sell $2.2 billion worth of cheap clothes, while French exporters paid only $330 million to sell to the U.S. $30 billion worth of their products. Cambodian business exporters paid effective tariffs about 30 times higher than Singapore exporters to this market. And Mongolians paid $23 million to sell $140 million worth of products.

I read a story about some women who were brutalized in the Balkans, the worst possible experience someone could go through and live. And some good faith-based charities decided to help these women by giving them some knitting machines. They set up a business. They cannot get their product to this market or to the European market. What does that tell us? Mark Twain said that the human being is the only species on the planet who can blush — or needs to blush. These problems must be addressed inside this development Round. Tariff peaks, tariff escalation, have to be on the agenda and they have to be resolved. We all know that corrupt, evil, and badly managed governments are the greatest threat to progress and the greatest cause of poverty on the planet.

The Doha development agenda has in its program a number of difficult good governance issues. One is trade facilitation: I read an IDB study that shows in South America if you are taking a truck from country A to country C, it'll take you 200 hours — 100 hours will be spent at the border. APEC studies show that if we can do something on trade facilitation that would lift us, in my region, by 2.25%, more than moving on tariffs. These are major gains for all of us. And it is sensitive. When the richest public servant in town happens to be the customs officer, it is going to be hard to get governments to agree to this. I was told a story by a South American friend. They were talking to this guy whom they were appointing as a customs officer. And they were explaining his job and where he would go. And then they described his pay and conditions and he said, "What? I get paid as well?" We can attack this inside these negotiations.

Investment: Which country has too much investment? And there is the colonial hangover of sovereignty in regards to investment. It is rather humorous. So to have been fighting on investment and been told no by some countries and then you say to the Minister, "Where are you going next?" " I'm off to London and New York and Tokyo to get investment for my country." We can handle this inside these negotiations.

Government procurement is another good governance issue on the agenda, a win-win for the taxpayers. But it is very hard when some of the governments you are dealing with fund their parties through government procurement.

Competition policy: I don't know which country has too much competition. That is also a development issue that we must build on. It is a good governance issue. But 80 of our members have no domestic competition policy or institutions. So it won't be easy.

I think we can — because we are building confidence — attack these issues in different sequences inside these negotiations. And I can see how developing countries have changed even in my short time. There were those who opposed services and communications. There were those, a couple of years ago, who thought they could hold the whole system up by stopping progress on information technology. I said, "Well that's real smart. Why don't you stop steam, rail and road while you're doing it? Who are you hurting?" And there has been a change. People are beginning to move. But what was unique about Doha was for the
First time poorer countries put conditionality upon richer countries. They said, "We will move on these issues" — or the bigger ones did — "if you build capacity, if you build institutions, and if you can handle these negotiations and implement the results. So we don’t go through the agony we went through after the Uruguay Round has spent ten years on implementation type issues." I believe, in the main, these sentiments are genuine.

I have good news to report to you. We have done very well since Doha. I read in a very important paper it would take us two years to decide on a venue; it would take us six months to decide on our negotiating structures and our chair people and our meetings. All that is done. The negotiating structure is there. The chair people are in place. The venue is in place. And we had an increase to our core budget. We had a pledging conference where twice as much as was promised at Doha was pledged for capacity-building. And I am very grateful to those countries represented around this table who put their money where my mouth was. It is not rocket science. We have about 100 countries with capacity problems. We have to build a ministerial team. So that's 100 multiplied by four officials multiplied by $35,000 divided by 18 months. This can be done. And it can be done on time.

We need to reassert why we are doing this. We need to reassert through leaders in this room to their publics what this can mean. And we need to make this case stronger. We also need to point out that the poor aren't always as poor as they seem. The poor's assets need to be legitimized. In Latin America 80% of all real estate is held outside the law. The extra-legal sectors in developing countries account for 50%-70% of all jobs. In the poorest nation in Latin America the assets of the poor are more than 150 times greater than all foreign investments since independence in 1804. We need to attack that red tape and that bureaucracy that stands in the way of property rights and progress. In one African country it takes 77 bureaucratic procedures at 31 public and private agencies to legally acquire land. These assets are out there. We need to find ways of mobilizing them. And we need not think that ODA is the answer. ODA linked to capacity-building, to building institutions, is vital to our success. And I think I can report to you that banks are now saying that getting a good customs service, getting quality public servants, may be just as important as building a road to a minister's farm or a dam or a bridge where there is no river. We ought to commit ourselves to building that capacity. Then we will get our result, as we deserve to, by the sixth ministerial, within three years, on time.

Part of the subject I am to speak about is regionalism and the WTO. Regionalism and bilateralism will have oxygen and long legs if we fail in Geneva. I was a politician — not a very good one. I can understand the political imperatives always. There will be more and more bilateral and regional deals. This is not always wicked and evil and in contradiction to what we can do in the WTO. Sometimes that can be a spur and a platform to do more. Certainly in Africa there is not enough regionalism. It's appalling going to a country in Africa and then flying back to Europe so I can fly next door. And regionalism has produced in South America — despite all the contradictions — a level of officials who are smart, trained, skilled, and who want to do more. It conditions local business people for change.

We have 250 regional agreements now in force. There are very few countries that aren't involved in them. Even Japan, Australia and Hong Kong, who resisted such movements for so long, are now beginning to get interested. For me that's a little disappointing. However that is the grim reality.

Done properly, open regionalism, like open nationalism, can be a healthy thing. I would not expect the European Union not to expand because of the WTO and because of multilateralism. All of us want to see an expanded Europe. I hope I live long enough to see Europe reach the Pacific by land.

So that's the challenge for all of us. We have a unique window and opportunity to do something extremely good over the next 36 months. Can I conclude with a quote from Adam — not the husband of Eve, but
Smith? He said that trade is the natural enemy of all violent passions; it loves moderation, delights in compromise, and is most careful to avoid anger-making men. It is inclined to liberty but disinclined to revolution.

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Kenneth Dam

If we believe in world markets and in the WTO we should recall the dictum of Mike Moore's favorite author, Adam Smith, that the size of the market depends upon the division of labor. So that's why I am going to focus on regionalism.

The relationship between multilateral, regional, and bilateral trade agreements is a very important issue right now for my colleagues in the Bush administration. If anyone here feared that this Administration would turn its back on multilateralism and on the WTO, those skeptics were clearly mistaken. On Thursday of this past week President Bush made a major statement. He said, "I believe strongly in trade. I believe not only that trade is in my nation's interest, I think trade is in the interest of those nations who struggle with poverty and that desire a way out of poverty." He took time to hail the recent work to advance the Doha Round. He also pointed to the success of all of the countries represented in this room in bringing China and Taiwan into the WTO.

He also noted that of the preferential agreements in the world — and you have just heard that the number is now up to 250 — of those 250 trade agreements the United States is a party to only three, considerably short of the European Union's 31, or even Mexico's 10. And the President expressed our desire to reassert our leadership in trade. I think we can count on that.

This Administration views trade promotion authority, which is the ability for the Executive Branch to negotiate the details of trade agreements and then submit them to the Congress for an up or down vote — what we used to call fast track — as an essential legislative component of our free trade strategy. TPA, as we call it for short, will allow us to elevate our trade negotiations above the din of interest groups that might otherwise render the process ineffectual. I think all here agree that there is a great importance to advancing global free trade. The debate in our country — and in these circles at least — is one the best means to achieve that goal.

This administration advocates a pragmatic, multidimensional approach. Simply put, this approach suggests that we move forward however we can, whenever we can. Now I personally would concede what Mike Moore has said: That a universal multilateral approach would be best in an ideal world. The proliferation of bilateral and regional deals today sometimes makes import-export administration so complex that few entities, public or private, and particularly in the developing world, can manage it effectively. Let's look at that complexity as a tax in and of itself.

Undoubtedly you have all heard that image of Jagdish Baghwati, the famous economist, and I certainly agree with it, that the present system has come to resemble a spaghetti bowl of agreements and arrangements. Further, because of the relationship between domestic interest groups and the trade negotiation process, trade diversion all too often prevails over trade creation in regional and bilateral arrangements. We hope that we will get trade promotion authority. It will diminish that effect of regional agreements because it will make it much more difficult for domestic interest groups to carve out exceptions
in their own protectionist interest. So it's important not just to the Doha Round, but it's also important for the pursuit of any regional approaches.

Nonetheless, I believe that regional and bilateral agreements, despite their shortcomings, are more of a building block than a stumbling block toward global agreements. There are two main reasons for that conclusion. First, regional agreements can create a competition toward trade liberalization that extends far beyond the individual agreements themselves. Many developing nations that are leery of diving head first into the global pool are quite eager to get their feet wet with a free trade agreement with the United States. They don't want to be left behind. As nations open to the idea of freer trade regionally and bilaterally, they become more amenable to a global approach as well. They come to endorse freer trade as they see the benefits of these more limited arrangements.

Secondly, and perhaps more tangibly, free-trade agreements induce growth-stimulating changes in developing economies that may themselves outweigh the costs of trade-diversion, or in some cases outweigh even the benefits of trade creation. In particular, regional arrangements encourage private investments into economies that are a party to the agreement. This is not only because investors benefit from increased trade, but it is also because free-trade agreements generally go hand in hand with improved macro-economic policies. In fact, they tend to lock in policy improvements. I use macro-economic very broadly, including investment.

The Mexican economy since NAFTA is a wonderful example of this effect. Mexico is now an investment-grade country, with the growing employment and incomes that entails. NAFTA helped to make Mexico a capital-friendly place, and capital responded. Mexico also demonstrates that global and regional trade agreements often build on each other, rather than excluding each other, as some fear. Mexico didn't even join the GATT until 1986. It joined NAFTA and the OECD in 1994, and now is party to ten regional or bilateral agreements. There is every reason to believe that Mexico will be more friendly toward the Doha Round than it would have been if there had never been a NAFTA.

Now the policy environment benefits of free trade agreements parallel and amplify the international aid policy that the President recently announced, and what we call the New Compact for Development that was rolled out in connection with the Monterrey Conference. We want aid dollars to support policy improvements in developing countries, policy improvements that stimulate domestic private enterprise and foreign capital investment. We believe free-trade agreements advance that very same cause. Indeed, trade talks can open the doors to talks on more extensive economic reforms, as was the case in NAFTA. In particular, I personally believe that freer trade in financial services, and related financial service sector reforms, often offer benefits for stability and growth in developing nations. They occur in global agreements, such as the financial services agreement after the last Round, but also in bilateral and regional agreements. And as a Treasury official, I personally plan to place special emphasis on pursuing liberalization on that particular front.

Regardless of whether we obtain trade promotion authority from the Congress later this month, this Administration tends to advance free trade worldwide through every means available. In the coming year this may include several new bilateral agreements, as well as doing whatever we can, even without TPA, to advance free trade in the Doha Round. We also will see further work on a Free Trade Area of the Americas here in our own hemisphere. Certainly our policy will include strong support for the Doha Round and close engagement with the WTO, but we will keep every option on the table. Some will argue that it's optimistic to suggest that regional trade agreements and bilateral agreements are building blocks. It's also realistic, I believe, to suggest that sometimes they are the only means available for progress on the free-trade agenda.

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Leon Brittan

I don't think anybody coming from Europe could possibly object to regional trade agreements. After all, the European Union can, in a sense, be regarded as the first and the most extensive such agreement. And of course, with the enlargement of the European Union in sight we stand to gain from the capacity of the system to permit regional agreements. I would agree also that such agreements can be beneficial to the world economy, and not just to those participating in them. They may be pioneering in their scope, they may indeed be building blocks, they may encourage countries to do initially, regionally, what ultimately — when they've tested the temperature of the water and found it congenial — they will subsequently be prepared to do globally, but which they wouldn't, in the first instance, be prepared to do.

All of that is true. I would also add that it is natural when there is no global negotiation going on for there to be more regional agreements. Nature abhors a vacuum and fortunately the trend towards liberalization of trade is to an extent irresistible. If you can't achieve it globally because there is no ongoing global negotiation, then you are tempted to go into regional agreements.

Having said all that, I do think the argument, that a proliferation or multiplicity of regional agreements does represent a kind of tax that is undesirable, has considerable force. When a global Round gets underway then I would very much hope that the trend toward regional agreements would take a back seat and the primacy of the multilateral system would be allowed to prevail.

We in Europe have nothing to fear from regional agreements. I remember when APEC started being asked the question, "Well, here you are. You see that they are agreeing to unilaterally reduce their tariffs. What is Europe going to do about it?" I responded by sticking my neck out and saying, "The moment that APEC agrees collectively to reduce tariffs below what they are already committed to, I will do everything I can to persuade Europe unilaterally to match that reduction." Unfortunately, that challenge was never called into play, because APEC did not do that. So it's not for any reluctance to face that challenge that I say that I hope very much that we will now see a reduction in regional agreements and a focus — because focus is needed, and the intellectual capital of trade negotiators is limited — on the global agenda.

Regionalism is not a big worry but globalism is an opportunity. It is natural for me to say that because the European Union first proposed that there should be a new global trade round in 1996. We called it the Millennium Round at the time. We did not anticipate that it would take so long to get underway, but nonetheless we worked painstakingly to build up support from developing countries and others. I am very glad, indeed, that my successor as the European negotiator was able, by working so hard with the United States, with Japan, with the developing world, finally, in spite of all the obstacles, to get the Doha Round launched. It is a huge step forward. But let us not forget that all that was agreed then — and it seems incredible that it could have been so difficult to get it agreed — was the start of the Round. Some of the discussions at the time were of the sort that you would have thought that they were trying to conclude a Round. It's only a start. Everything depends on what happens now. I think, therefore, that regionalism should not be regarded as an obstacle, but should be regarded as something to take second place now, as we get the Doha Round underway.

Much more serious in a way are the trade conflicts that apparently exist between some of the major trading partners, in particular, the conflicts between Europe and the United States. Those conflicts, serious as they are, in some cases involving substantial sums of money, are ultimately manageable. They are manageable because of the success of the Uruguay Round in setting up a dispute settlement mechanism, which is unique in international relations. We have discussed during the course of the last day and a half some of the most intractable problems that the world faces. We have not found solutions to them. It is unique that in the
area of trade we have actually an agreed system for substituting the rule of law for the rule of the jungle in the dispute settling mechanism. It is not, of course, world government. You can't compel governments to observe the findings of the appellate body. So inevitably the only mechanism that we have for giving teeth to the system is the right of countries to withdraw trade benefits and, in that sense, to take sanctions if the rules are not observed.

The intention, of course, is that the ruling should be complied with, not that we should go down the route of applying sanctions against those who have not complied with the rules. But nonetheless that mechanism is the only one available short of having a world government. It is an ingenious and effective one. In the overwhelming majority of cases, the rulings are observed. The real test of whether the United States or any other country accepts multilateralism and not unilateralism, is not whether it's prepared to consult it's neighbors before finally taking it's own decisions, but whether it is prepared to be constrained by international agreements, whether it is prepared in the larger interest—of its own self-interest but also of the world — actually to do what it doesn't want to do, or to refrain from doing what it wants to do. The WTO dispute settlement mechanism provides for just that. It's a great tribute to the United States and to the rest of the world—to Europe, Japan and all the other countries—that they have been prepared to submit themselves to constraints of that kind, to accept a binding ruling, or to accept the penalties for not complying with that binding ruling. Only in the area of trade does anything like this exist. It is hugely precious. We should cherish it and we should extend it.

Of course, building on them means that in the new Round we should extend the liberalization of trade for which the new Round was created. It is because of that that I say with genuine regret, and not in the spirit of pointing the finger, that it is a great shame that in the area of steel the United States has, for understandable and powerful domestic political reasons, resorted to protectionist measures instead of facing the principles of the free market, which it has been so keen to espouse for the benefit of others and itself.

I think it is a tragedy that that political pressure has not been resisted. I think it is a tragedy and not a cause for satisfaction or for gloating or for pointing fingers in any way, because it deprives the United States of the moral authority to be the world’s most powerful advocate for freer trade. You really cannot say, "Please open your borders to free trade, when we the United States are closing our borders, because the steel industry has failed to reform itself and can't withstand imports from other countries." It is simply unacceptable to say, as some have said, "Well you know, we have to be a bit protectionist in the case of steel in order to have political support for advancing trade more broadly. We have to be a bit protectionist in the case of steel in order to get the fast track legislation through." If you accept that argument everybody can play that game.

More serious still than the consequences in terms of the weakening of the U.S.'s moral authority for the advocacy of free trade are the potential political consequences. Today the world no longer has the cement of the Cold War which prevented trade disputes spilling over into political disagreements because it was simply too dangerous to allow that to happen. Today every ounce of trust is needed in order to advance, both politically and economically.

Let me give you an example from my country. Tony Blair has famously stuck close to President Bush in his political agenda. Many people in Britain have reservations about that, in his own party very largely, but not only in his own party. They are saying, "Well, should we just trust President Bush? Should we just trust Mr. Blair's judgment in following President Bush or not?" Then they see, in the case of steel, a major British interest, one which the British Prime Minister writes to the President about, and about which he talks to the President on the telephone, that not a blind bit of notice is taken. It is inevitable in this vale of tears, in this wicked world, that people who are less supportive of the Atlantic Alliance will ask, "What do
we get out of it? Why should we follow the United States, politically and economically, blindly, if when a major interest arises the President just will not listen to his closest ally, the Prime Minister of the United Kingdom?"

It is inevitable that that question is going to be asked. Those of us who believe very strongly that it is important that the U.S. and Britain and Europe should stay close together have a much harder task of persuasion when there is seen to be an example of protectionism. I hope this will be an aberration. I hope it will be something that we can manage as we have managed other differences in the past. And I hope that in the multilateral negotiations in the Doha Trade Round, which was so hugely important for the prosperity of the world, we will continue to work together, Europe and the United States, Japan and the developing countries, as we have done, with such difficulty but with such initial success, to get those negotiations going.

In the multilateral negotiations it's always been the custom — and it was certainly the custom when I was conducting them on behalf of Europe in the Uruguay Round — to play one's cards at the very end. Any suggestion that a naïve politician such as myself made to the experienced trade negotiators, that we might actually say at an early stage roughly what we were going to do, was regarded as naïveté in the extreme. You had to conduct a serious negotiation in the last week, if not the last 24 hours, and that's what we did and we got through by skin of our teeth. I believe the world has changed and this kind of game playing is no longer appropriate in today's world. The reason I say that is that the idea that those who are against globalism have disappeared is a mistake. The idea that those who demonstrated in Seattle have been silenced is a mistake. It is true that the tragic events of the 11th of September have driven them into a corner, have made them a bit shame-faced. But they are still there and we have to make the case for liberalization of trade every bit as powerfully, but to audiences that are unconvinced.

In order to do that a general, theoretical case is not sufficient. We have to show them that there will be real benefits from the Round. We have to have a fundamental change of mode and not be so much interested in the fine playing of the game at the end, but actually exhibit early on what's on offer. As far as the European Union is concerned, it has to be bold and courageous and indicate a readiness to move in a substantial direction as far as the liberalization of trade in agriculture is concerned. There is no serious disagreement within the European Union about the need to move in that direction. The only question is how far and how fast and will be dependent upon how far and how fast other people are prepared to go in other directions.

Textiles has been mentioned and how important that is for the developing countries. Here in the United States textile tariff peaks are higher than any kind of industrial tariffs that we have in the European Union. So we have to persuade people. The United States has to take the lead here, as we have to do in agriculture, to show people that not only will we be loyal to the commitments undertaken for the phasing out of the multi-fiber arrangement in the Uruguay Round, but that we are prepared to go further and dismantle those high tariff peaks. The days I hope will be past when an EU negotiator will shiver in his boots because of what France might say, and when a U.S. negotiator will tremble in her boots because of what a Senator from North Carolina may say. We have to rise above that. Europe has to move in agriculture, the United States has to move on textiles and textile tariff peaks. Both of us have to move to respond to the concerns that the anti-dumping rules, as they presently exist and are applied, are themselves protectionist in character and effect, are not economically justifiable, and need substantial reform.

Japan also has a distinctive and special role to play. I don't think its current economic difficulties should prevent it understanding that it is an Asian voice and it needs to speak to Asian countries and persuade them of the merits of some of the further measures that are being negotiated. It is in the interest of the world that there should be agreements on investment because we need to stimulate investment. A properly conceived agreement on investment is not a restraint on national sovereignty, but a way of stimulating
growth. Similarly, some of the developing countries and others who are reluctant to allow competition to go on the policy agenda might just reflect on the fact that if they are worried about the power of multinational companies, and if they think that as weak countries they can't withstand that power, the existence of an internationally validated competition policy is actually capable of being a tool in their hands, and not something that gives power to the most important countries at the expense of the smaller ones.

So there is a huge agenda and a huge opportunity. The case for pursuing that agenda has been made but it has not been conclusively agreed by the world community. For it to be agreed by the world community each and every one of us has to refrain from further protectionist measures, however strong national pressures to do that may be. We also have to put at the forefront of the shop window the goodies that will persuade those that have yet to be persuaded that this is beneficial for us all. Let's not go in for the old game of waiting to the last minute. If we resist the temptations and carry out the advocacy in the way that I have suggested, we have in this area of trade the opportunity of achieving the benefits, which in other area of international relations have eluded us once again. Let trade once again be at the forefront of agreement rather than of discord amongst the nations of the world.

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Shinji Fukukawa

I would like to concentrate on two topics — my expectations for the WTO, and the current trend of regionalism, including the prospect of regional arrangements in East Asia. The launch of the new Round is historically an epoch-making landmark. I am encouraged that the Ministers confirmed that free economic activity was the key factor to restoring the world economy. They also agreed on a global agenda in trade, investment, and other related issues.

Secondly, they reached consensus on strengthening the WTO rules for avoiding protectionism. I have been concerned about the unreasonable application of the anti-dumping rules. The number of anti-dumping orders has doubled. The number of countries using anti-dumping measures has tripled during the last decade. Abusive use of anti-dumping measures can nullify the progress of many years of market access negotiations. Also dispute settlement mechanisms and rules for tariffs must be clear. The consideration of whether to invoke safeguard measures or launch investigations needs to be handled in a fair and transparent manner, consistent with the WTO Agreement and relevant domestic rules and regulations.

Thirdly, the Ministers reached explicit consensus on the mobility of negotiations for investment and competition rules. The advancement of information technology can make enterprises transcend the boundary of time and distance, and bring about a business environment where enterprises may select the country where they operate their own businesses. I believe that transparency, non-discrimination and other necessary rules should be, have to be, studied. Those rules may also facilitate investment in developing countries.

Fourthly, new problems that will be seriously important in the 21st Century, such as the environment and e-commerce, are expected to be taken up. We have to establish optimal coordination between free trade and environment protection. Rules for e-commerce are another important issue.
Fifthly, the Doha negotiators expressed a special interest in developing nations. Their participation in the new Round is critically important. Reflecting the failure in Seattle in 1999, the developed countries seriously addressed developing country issues.

Sixthly, they established the target date of the end of 2004. Taking into consideration that the business environment is quickly changing, and regional cooperative arrangements are expanding, it is urgent to reduce trade barriers and to establish new rules for business activity.

A multilateral free trade system is a fundamental objective of Japanese trade policy. I am quite confident that the Japanese government will take a flexible and positive stance to make the new Round successful. The Japanese economy is now in the midst of reform. The new Round will accelerate efforts to build an efficient economic system and industrial infrastructure which is consistent with international standards. The business community in Japan fully supports the new Round and is prepared to exchange views with American, European and Asian business people. In this context, a major concern is how the Japanese government will deal with agriculture. Agriculture is not internationally competitive, and the political sector has tended to take protectionist measures. I personally expect that the Japanese government and the political parties will take a balanced and reasonable attitude towards the agriculture sector in an effort to improve competitiveness.

In order to make globalism rooted in the world, structural measures should be pursued. The advanced countries should extend assistance to developing countries to solve poverty, to improve policy-making capacity, to cultivate human resources, to promote the transfer of capital and technology, and to protect the environment. We have to develop our understanding and a sense of tolerance for different cultural and social values, and to cultivate our cross-cultural management.

Let me turn to the emerging trend of regionalism. Regional integration has been gradually expanding. NAFTA evolves into FTAA, and the EU is now broadening and deepening the union. There is MERCOSUR in Latin America, SAFTA in South Asia, and the ASEAN Free-Trade Agreement. There are more than 250 free trade agreements worldwide. Another characteristic is that recently FTAs have begun to cover not only tariff and trade matters but also technological cooperation, cultivation of human resources, environment protection and so forth. This trend is approaching such comprehensive economic cooperation that it can be called an economic partnership agreement. Japan is also taking a multi-layered approach in trade policy. Japan signed an economic partnership agreement with Singapore last January.

We also started joint studies on the EPA (Economic Partners Agreement) with Mexico in 1999 to facilitate the free movement of goods, money, technology and information to eliminate cross-border and domestic regulations, to harmonize the economic system, to cooperate for environmental protection, and to expand technological cooperation. Further, Japan and Korea held the Japan-Korea Free-Trade Business Forum in March 2001, and two research institutions in both countries published their joint report on an FTA in May 2001.

East Asia is a growing economic center. Half of FDI in developing countries is directed to East Asia. As China and Taiwan entered the WTO last year, the East Asian economy strengthened. China has become the manufacturing sector for the world, having the top production share of motorcycles, color TVs, air conditioners, personal computers, mobile phones and steel ingots.

In East Asia various types of cooperative mechanisms have appeared and will appear. APEC, started in 1989, is a unique mechanism with its concept of open and flexible regionalism aiming at trade and investment liberalization, as well as economic and technical cooperation to enhance growth potential. APEC has adopted the goal of implementing gradual investment liberalization by 2010 for advanced
countries, and by 2020 for developing countries. The Shanghai Accord, adopted by the APEC Summit in November last year, expressed their strong will to promote the liberalization program and to support the capacity-building of developing countries for implementing WTO rules. ASEN, started in 1996, has undertaken constructive dialogue in cooperation between East Asian countries and the EU.

The APEC and the ASEN approach symbolizes that Asian countries participating in those schemes are trying to harmonize their regional arrangements with globalism. Within the East Asia region ASEAN countries started the ASEAN Free-Trade Agreement in 1993. ASEAN countries also tried to expand the cooperative framework with other Asian countries. Economic ministers of ASEAN Plus Three (Japan, China and Korea) started in 2000 regular discussions about economic cooperation in East Asia since 2000. The summit meeting of ASEAN Plus Three agreed to make a study of free trade and investment. In November 2000, ASEAN and China agreed to make a joint study on the influence of China's participation in WTO and the possibility of free trade zones. Then, in November last year, Chinese Prime Minister Zhu Rongji proposed a free trade zone between China and ASEAN within 10 years. Japanese Prime Minister Koizumi proposed the Japan-ASEAN Economic Partnership Agreement last January. There is also some movement toward bilateral free-trade agreements or economic partnership agreements within the Eastern Asian region.

With regard to most of East Asia, there has been an emerging movement to work collaboratively among Japan, China and Korea. In parallel with studies of the possibility of a Japan-Korea Free Trade agreement, top leaders of three countries — former Prime Minister Obuchi, President Kim Dae Jung, and Prime Minister Zhu Rongji — agreed to establish an expert working group to study expanding economic cooperative regulations. It is just at the beginning stage, but this year that study group is going to take up a cooperative framework for promoting investment.

I believe that economic cooperation between these three countries may have a favorable impact on the APEC liberalization program and joint development with other East Asian countries. Perhaps an East Asia regional cooperation framework will be tackled. Of course, it goes without saying that in order to make regional cooperation in the East Asian region more productive, Japan should restore its growth potential and cultivate technological innovation.

We are now entering the knowledge-creating age under globalism. Globalism, if adequately managed, can integrate intelligence, expertise and experience worldwide to open new frontiers for innovation, and bring about peace, progress and sustainability. My view is that although both globalism and regionalism are advancing, globalism should be the final trade policy target. Various regional arrangements are a practical approach to reduce trade barriers as well as to promote economic cooperation within the countries and regions having common interests. But we have to confirm that regional arrangements should be open to the outside and be organized in such a way that they may contribute, finally, to globalism.

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**DISCUSSION**

**Mike Moore on Social Standards:** We are beginning work under the Doha Agreement to look at the relationship between multilateral environment agreements and our own rules. We are going to get ourselves into a very difficult position in the future unless we have some harmony between MEAs and our own rules. What happens within a panel dispute where one member has signed a multilateral environment agreement and one hasn't? And we are then to seem to be the enemies of the dolphin or the whale? It's sensible because it will mean that environment ministries around the world will eventually have economic
ministers and trade ministers looking over their shoulder in judgment on them. And if you think capacity is weak in some countries in regards to trade policy, you imagine how weak it is in some countries in regards to environmental policy, where ministers sign declarations in front of cameras and don't think it through. So that was a sensible decision at Doha.

The other thing we are looking at in a working party — not agreed to negotiate — is issues of eco-labeling. Now this could be a very bad protectionist measure. You could have unilateral action by little countries where in fact we need a multilateral position on these kinds of things. At least that will stop or help stop some arbitrary action.

On the issue of social standards and labor issues, the WTO and some of our members are being far too sensitive. You would have thought we were imposing worldwide labor standards on people. But developing countries are enormously sensitive. They don't trust the West on these issues. They don't believe us. They think this is hidden protectionism, and you will have to build some confidence up over many years.

**Kenneth Dam on Steel:** We all have these safeguard measures that we take from time to time. It's in the original GATT. It's a system. It's one of the genius of the GATT, and in the dispute settlement mechanism, that we have a way to deal with these. The point is that it is going to be phased out. It's very explicit in the decision. It's a fairly typical safeguard measure.

At the end of the day, this dispute, like all the rest of them, will be resolved. That's a wonderful thing not only about the dispute settlement mechanism, but also about multilateral Rounds. Experience shows that when we have trade Rounds lots of things get taken care of that agitate us before the Round. So we need a vigorous Doha Round. Fred Bergsten has popularized the notion of the bicycle theory that says that you have a lot of problems with protectionism when you don’t have a bicycle. A bicycle you know, you have to keep peddling or you fall over. Well, that's the same thing in the trade area. We need a bicycle right now in order to deal with these trade disputes.

**Leon Brittain on Steel:** It is reasonable for the European Union to say that we will take safeguard action pending the resolution of the WTO issue. If, of course, there is no extra steel, then nothing happens in the Round and it doesn't apply. As far as the application of sanctions on other trades are concerned — other products are concerned — I have considerable reservations about the wisdom of doing that.

**Leon Brittan on Social Standards:** The demand that environment and social standards should be applied by means of trade sanctions is in a sense a compliment to the WTO and the dispute settlement mechanism. What the environmental and social standards people are saying is, "You've got a really effective working system. Please apply it to help us achieve the rules that we have but can’t effectively employ." That is seductive and alluring, but ought to be resisted. There is a difference between the social side and the environmental side. As far as the social side is concerned, there is no justification for threatening sanctions for the failure to apply labor standards. The developing countries are fully justified in being suspicious because enough people from the developed world, both in Europe and the United States, have in the past threatened such sanctions. There ought to be no place for this discussion in the WTO.

**Fred Bergsten on Steel:**
The first point, it's ridiculous in economic terms. It saves at most a few thousand jobs at an average cost of $500,000 per U.S. consumer. However, the crucial point is that this move, and its like predecessors in previous years, have proven to be necessary, if regrettable, steps to achieve wonderful things in the trading system. There will be no Doha Round unless the U.S. gets trade promotion authority. And it is quite clear the U.S. will not get trade promotion authority unless the President makes concessions to steel and a few
other protectionist industries in the way that he has done. There would have been no Uruguay Round if President Reagan had not gotten fast track authority in 1988, in part by having made concessions on autos, steel, textiles, machine tools and other industries. There would have been no Kennedy Round, launching, in some sense, the transatlantic alliance, unless President Kennedy had gone to the first quotas on textiles in the 1960s. All of this is sad, but regrettable.

The bottom line is that the U.S., from Kennedy, through Ford, through Reagan, and now, with Bush — all different parties — must take one or more steps backwards in order to take several, and hopefully much bigger, steps forward, the result of which heretofore has always been positive. The fact is, we'll never get off first base unless those actions, regrettable and sad as they are, are taken to deal with the domestic political economy of trade policy in this country.

**Leon Brittan on Fred Bergsten's Remarks:** The United States has rightly never accepted such excuses from other countries when it thinks that the rules are being broken. The fact that there are political difficulties, although it has undermined support for the WTO system, if we are made to take beef with hormones has never been regarded as a justification at all, as far as the United States is concerned. And that enables you — if you start taking that kind of line every country can pick and choose and say, "Oh well, yes it's probably contrary to the rules, but frankly it's politically very difficult for us and if you don't allow us to break the rules here, our support for the system and further liberalization will disappear." That is an insidious and dangerous argument that will lead to the progressive breaking down of the multilateral trading system and not its advancement.