

The Doha Development Agenda

– A Roadmap for Success by Dr. Supachai Panitchpakdi

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Dr. Supachai Panitchpakdi, Director-General of the WTO, delivered this speech at a conference organized by the Federation of German Industries (BDI) and the German Council on Foreign Relations (DGAP) in Berlin on 14 March 2003



I would like to thank the Federation of German Industries and the German Council on Foreign Relations for giving me this opportunity to address such a distinguished audience. I would like to thank in particular Dr. Arend Oetker the moderator of this session and Professor Kaiser for his welcome address. After two days of meetings with the leaders of your Government, I welcome the continued priority Germany attaches to multilateralism and to the rules based trading system embodied by the World Trade Organization. The WTO should matter for Germany, particularly in a sluggish world economy. Germany is the world's second largest importer and exporter of goods and

commercial services. Even if around two-thirds of German trade is done within the European Union, the acceding countries and EFTA, other non-EU markets remain important for many of your highly specialized industries.

It is more than a year since the 4th Ministerial Conference in Qatar launched an ambitious agenda of multilateral trade negotiations – known as the Doha Development Agenda (DDA). World political and economic developments since then have reinforced all the reasons why the DDA was vital in 2001 and why it is even more vital now. There is much to be gained for all from a successful conclusion to this Round.

If we look at market access alone, calculations by the IMF and the World Bank suggest that removing all remaining trade barriers in all countries can increase North-North trade by about 30%, North-South trade by about 40%, and South-South trade by about 50%. The welfare gains from eliminating trade barriers could amount to more than US\$250 billion annually, as much as half accruing to developing countries. Growth from lower protection could lower poverty counts by 13% by 2015.

The Doha Agenda is also important in a much broader context. WTO's expanded rules, broader membership, and binding dispute settlement mechanism mean that the WTO is central to managing international economic relations. Through the Doha Agenda we can build a stronger global economy and reduce instability and uncertainty. We can link societies, as well as economies, closer together, and successfully integrate billions in the devel-

oping world into the global economy. We can also advance the cause of international economic relations based on multilateralism and rules, not power. Security and predictability are of utmost importance to the business community all over the world, to those who invest, produce and trade.

However, our negotiations in Geneva are at risk. Of course, you all know that removing import restrictions is never simple. Vested interests can carry big political sticks. The strength of the WTO is that, with its global reach, it can generate the right environment for policy trade-offs needed for liberalization to take place. And the multilateral trading system has demonstrated time and again, its ability to use this strength to break down barriers to international trade.

History shows clearly that the multilateral approach offers the most powerful way of achieving progressive trade liberalization at a global scale, with benefits that are guaranteed by WTO rules. Only through a balanced negotiation will countries achieve the cross-sectoral trade-offs that help to drive liberalization forward. Only a multilateral approach can ensure that the weakest and poorest countries are not marginalized.

The negotiations are scheduled to conclude at the end of 2004. They began well. But as we come closer to the Fifth Ministerial it is understandable that we are confronted with greater difficulties as we start dealing with important substantive issues. In Cancún, Ministers will review progress in the negotiations and decide whether the mandate should be extended to include negotiations on a broader list of

environmental issues and also the so-called Singapore issues – investment, competition, trade facilitation and transparency in Government procurement. At this point in the process, however, the overall situation in the negotiations is not reassuring.

I regret that Members were unable to reach consensus at the end of last year on a certain number of issues of direct interest to the poorer countries. These include special and differential treatment, implementation issues relating to the Uruguay Round Agreements, and an agreement on a formula which would ensure access to essential medicines for people in developing countries which lack production capacity to manufacture essential drugs while at the same time protecting the patents which are so vital for continued investment in research and development. Because of its importance in humanitarian terms, the failure to reach agreement on access to medicines has cast a particularly dark cloud over our work in other sectors.

This is why there is today a sense among developing countries that the development-related issues which make up the core of these negotiations have not yet been adequately advanced. Following the failure to meet the deadlines last year, and growing scepticism about the ability of Members to meet further critical deadlines in the Spring, absence of significant progress before Cancún risks turning the idea of a "Doha Development Agenda" into a hollow slogan.

We should not lose sight that a key part of the Doha work programme focuses on increasing the participation of developing countries in world trade. Trade liberalization, in developed and developing countries alike, is an important part of our shared objectives. Developing countries are united in wanting trade to play a bigger role in their economic development, and they are calling for help to do that. We must respond to their call. We must give real meaning to the development dimension of the Round. We must realise the promise of Doha.

Some Members have stressed the role of technical assistance and capacity-

building as necessary complements to market access and as instruments to enable them to derive the full benefits of open trade policies and the multilateral trading system. Both are considered necessary for the integration of developing countries, although one is not a substitute for the other. Opportunities have to be opened up for the trade of developing countries through the negotiations themselves, not as add-ons.

At the end of the day, all Members must feel confident about their ability to participate in the system. I have made it clear that one of my priorities is to develop more targeted technical assistance. With this in mind, since Doha, the WTO has greatly increased the resources it commits to technical assistance and training in developing countries and improved its co-operation with other intergovernmental organizations such as the World Bank and the IMF. The poorest countries need generous support and assistance to help them build up the trade-related capacity of their economies to become diversified, and integrate fully the trading system.

That is the context in which I see the road that leads us to Cancún. Let me now share with you some further thoughts on how we can travel this road in a positive way.

There are important deadlines approaching, in March and May, relating to our negotiations on agriculture, services, and non-agricultural products. We must meet these deadlines and secure progress in these negotiations.

Speaking to an audience which includes representatives of the various sectors of the German economy, I would like to stress at the outset that the negotiations on agriculture are of critical importance.

Along with textiles, clothing and a few other sectors, trade liberalization in agriculture is probably the single most important contribution the trading system can make to help developing countries, including the poorest among them, to trade their way out of misery. And trade liberalization in agri-

culture would also benefit advanced countries through efficiency gains.

The debate to date has made clear that there are still wide gaps in the ambitions of governments, from those seeking rapid and fundamental reform and liberalization of agricultural trade, to those who are advocating a much more gradual approach. But at least, the direction of reform is the same.

The Chairman of the agricultural negotiations has recently produced a first draft of modalities, suggesting elements for establishing concessions (tariffs, tariff quotas, agricultural safeguard mechanism) and commitments (export subsidies; trade-distorting domestic support). At this juncture, there is no consensus on this draft. However, we have to keep in mind that the negotiations on agriculture will continue beyond the 31st of March. There will be time thereafter to address unfinished business on the complex agriculture agenda negotiations. Members must also keep in mind that the negotiations must advance, the current levels of restriction and distortion to agricultural trade must be reduced if there is to be real development, and the Doha Round offers the only serious opportunity for moving forward.

If the March deadline on modalities is not met, it will put a question-mark over progress in all other areas of the negotiations, including sectors of direct interest to this business audience even in such areas which have so far progressed reasonably well like services or market access for industrial products.

With regard to services negotiations, over 100 negotiating proposals have been presented to date by some 50 Members (including more than 30 developing countries). The number and quality of the proposals reflect a high level of interest of both developed and developing countries and the exchange of liberalization requests between individual Members has moved quite well. In this phase of the negotiations, which are conducted directly between participating countries, we are seeing the active participation of developing countries. There is, however, no room for complacency. By

31 March 2003, initial offers for new commitments have to be exchanged. In this exchange, it is important that Members keep in mind that negotiations are a „give and take“. We all know that negotiations are driven by economic self-interest but progress can only be made if Members respond convincingly to each others' trading interests.

To facilitate the negotiating process, the WTO Secretariat is assisting on several fronts. As mentioned, all possible efforts are being made to provide developing countries with technical assistance and capacity building. We are also maintaining an active dialogue with civil society to allay unjustified fears and concerns about perceived adverse impacts of GATS on public services and the ability of governments to regulate. In both areas, governments and the business community have a critical role to play. As we move towards the 31 March deadline in the services negotiations we should recognize that the pace of progress is likely to be linked to other areas of the negotiations. Some suggest that achieving progress in agriculture is necessary to achieve progress in services. I would suggest that we see this linkage in a more positive light. Progress in the services negotiations should be seen as a means of inducing progress in agriculture, rather than holding back services until some progress is registered in agriculture.

With regard to negotiations on non-agricultural market access, they are also moving ahead at a good pace. We have received many far-reaching, concrete negotiating proposals. The high-level of ambition expressed by some Members is welcomed. At the same time, we should not forget that the Doha Development Agenda has placed the needs and interests of developing countries explicitly at its heart.

Thus, developing-country interests concerning tariff peaks and escalation, and the incorporation of special and differential treatment, are important in this regard. The immediate challenge for Members is to reach agreement on the modalities for the negotiations on both tariffs and non-tariff barriers by 31 May 2003, at the latest.

As we move to Cancún many difficult political decisions have to be made if we are to achieve compromise solutions, narrow gaps and advance towards final agreement. This is true for the issues I just mentioned. It is also relevant for many others such as the Singapore issues, rules and dispute settlement.

Much valuable work has been done, and is continuing, on Investment, Competition, Trade Facilitation, Transparency in Government Procurement. This work will be reported to Ministers at Cancún and decisions will then be taken by consensus to extend the Doha negotiations to include these issues. The attitude of some participants to these decisions is likely to be influenced by their assessment of progress elsewhere in the Doha Development Agenda. In that regard we need once again to avoid a chicken-and-egg situation, where negative linkages and defensive positions lead to gridlock.

Let me touch on one of the Singapore issues, investment. The decision that WTO Members are preparing to take in Cancún on modalities of WTO negotiations on investment, is aimed at negotiating a framework for securing stable, transparent and predictable conditions for long-term cross border investment, particularly foreign direct investment. We should not lose sight of the fact that for a growing number of developing countries, foreign investment plays the leading role today in providing them with an alternative to financing their development. It also brings with it an attractive bundle of other assets – such as technology and entrepreneurship – that are key to raising their productivity. In the face of stagnating investment, and downward economic forecasts, there is much at stake in the Doha mandate on investment.

There are no immediate deadlines facing us in Rules, Anti-Dumping & Subsidies and Countervailing Measures, and the negotiations are broadly on track. In a technical sense, the Rules negotiations should be less complex than in the Uruguay Round, because the basic structure and conceptual framework of the Anti-Dumping and the Subsidies and Countervailing

Measures Agreements is not an issue. Politically, however, the negotiations will be difficult due to the sensitivity of reform in some countries.

The WTO Dispute Settlement Understanding (DSU) has often been heralded as one of the major achievements of the WTO. This is why I thought I should also mention the negotiations underway on the improvement of the DSU which are due to finish by May 2003. The Dispute Settlement system is one of the unique – and most valuable – features of the WTO, and agreeing on ways to improve and strengthen it would reinforce the multilateral system as a whole. These negotiations are not part of the Single Undertaking, but a positive outcome would nonetheless contribute significantly to overall progress.

As we prepare for the Cancún Ministerial Conference, we should also not overlook the significance of the work programmes launched at Doha on: Trade and the Environment; Small Economies; Trade, Debt and Finance; Trade and Transfer of Technology; Least-developed Countries; and Special and Differential Treatment. Progress here can only help our efforts in the negotiations.

WTO Members have to muster the will and courage to drive speedily along the road towards Cancún. I will give every assistance I can and the Secretariat will continue to provide its professional service to Members. But we cannot make any decisions on behalf of Members. We cannot unplug blockages when Members positions' are intractable. And we cannot force consensus. The fate of the Doha Development Agenda lies very much in the hands of its owners, the Members. What we can do is to help Members create the conditions for constructive engagement and to follow-up on the agreements reached in Doha.

It is worth remembering that the rules and market-access commitments which governments are negotiating will apply directly to you and your companies. Governments need the support of the business community. In the Uruguay Round, business leaders associated themselves closely with the

multilateral trade negotiations because they recognized the vital importance of trade liberalization in maintaining economic growth, serving new markets and creating new customers. Success in Cancún will send out positive signals to the business sector that the Round is on track and worthy of their continued support; and to developing countries that the industrialized world is committed to free trade and has not turned its back on the rest of the world as it focuses on other pressing problems. This is why business leaders have to stand up to the vested interests protected by the status quo.

We also need public support to underwrite these negotiations. On several occasions in the past few years – most notably in Seattle in 1999 – we had to confront popular, but often inaccurate and ill-informed, criticism of WTO's activities, and we can be sure we will have to do that again. The danger of closing our eyes to this, is that our Members will become more protectionist and trade liberalization will be swept up in a tide of populist reaction against economic openness and globalization. Everyone has a stake in building a stronger multilateral trading system and a more open world econo-

my, and everyone should always be aware of this.

Political commitment, at the highest level, is now needed if we are to move forward. In the face of great uncertainty in the world economy and growing international tension, there is an urgent need for more effective political guidance and leadership in order to break out deadlock on key issues, in particular agriculture, and restore the momentum of the negotiations. I will be straightforward, we are facing imminent gridlock. There is no time left for defensive or tactical moves. The Doha Development Agenda is too ambitious and complex for a balanced deal to be put together at the last moment. It is too important for Europe and for Germany, the second exporter in the world just after the United States. Failure will not only be economically costly, but it will move us towards an undesirable unilateral, bilateral or plurilateral world. It will threaten the fundamental principles of the WTO, and foreshadow a world of greater fragmentation, conflict, and marginalization, particularly of the weakest and poorest countries. Our endeavours are yours.

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Breite Straße 29 · 10178 Berlin

Redaktion

Dr. Claudia Wörmann, Dr. Guido Glania
Tel.: (0 30) 20 28 - 15 02, Fax: (0 30) 20 28 - 25 02
E-Mail: g.glania@bdi-online.de
Internet: www.bdi-online.de

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