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THE CHALLENGE OF MAINTAINING THE WORLD TRADING SYSTEM – DOHA AND BEYOND

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Introduction/Multilateralism

- The multilateral trading system is one of the great achievements of transatlantic cooperation. The successive rounds of global trade negotiations under the GATT and now the WTO have two great strengths: they have radically reduced barriers to trade and they have created a system of international rules of the game that are unparalleled in strength by any other domain of international relations.
- The removal of trade barriers GATT/WTO has been highly successful in bringing tariffs down to historically low levels. In the post-war period the rate of growth of world trade has consistently out passed the rate of growth of the wider economy, showing that countries have seen an increasing ability to trade with each other.
- WTO rules cover technical barriers to trade, intellectual property rights and subsidies to name but a few. The innovation of the dispute settlement mechanism means that all members, large and small, must live up to these commitments. That means that companies can rely on them when they make choices about markets to trade with.
- If the WTO faces a challenge today, it is because one of these strengths – the ability to tackle the barriers that stop companies from finding new markets – has been called into question by the lack of progress in the Doha Round.
- A WTO that cannot deliver new openings for business risks becoming gradually less relevant to the world economy, with possible effects in the longer term on its rule-making function. A WTO that cannot enforce the rules risks exacerbating the worrying signs of protectionism that we have seen in recent years on both sides of the Atlantic.
- If we wish to address the challenge to the World Trade Organisation then our task as transatlantic partners is clear. We must secure an ambitious conclusion of the round that delivers real new market access in goods and services for our companies.



The Economic Benefits of the DDA

- But the consequences of a failure of the Round will not only be for the WTO itself. Businesses in the EU and the US need a successful DDA to drive their competitiveness. We are both facing unprecedented competition from emerging economies such as China on industrial trade, India on services trade, Brazil on agricultural trade or Russia on resource and heavy industry trade. BUSINESSEUROPE believes that European and American companies can compete with these economic powerhouses but we need to agree to clearer and fairer rules of the game. With transatlantic leadership a successful Doha Round will deliver meaningful progress here.
- First, the emerging countries need to progressively bring their tariffs down closer to OECD levels. The argument that these countries – whose exports are increasing by 10-15% a year - require infant industry protection no longer holds any water. Let me remind you that while EU tariffs are around 3% on average, India's average tariffs are still around 25%. The EU and US want to see a maximum tariff of 15% for emerging countries after the Doha Round.
- Second, the DDA can help tackle the numerous non-tariff barriers to trade and persistent government interventions in emerging countries that distort international trade and competition. Outdated customs procedures, export restrictions and dual pricing of raw materials, recourse to government export subsidies, discriminatory product and services regulations are but a few of the obstacles to establishing a truly level playing field for international trade. More needs to be done in Doha to make progress here, but working together we can achieve results.
- In the services area, Doha can deliver new market access in key areas such as financial services, telecommunications and business services. The round will lock in existing liberal conditions for the cross border trade of electronic services among others and create new opportunities for companies to increase their equity participation in service companies in key markets.
- In agriculture, a successful DDA will bring average agricultural tariffs down by half, eliminate all export subsidies and dramatically reduce trade distorting domestic support. When compared with the difficulties in making progress on agriculture in the bilateral context, the DDA is the best bet for real results.
- Estimates vary on the likely overall economic benefits of a successful Doha Round. The gains in goods could be as high as €96 billion. The gains in services are by their nature more difficult to calculate but the disparity between the role played by services in domestic economies – 60-70% of GDP – and the figures for international trade – roughly 25% of the total – demonstrate the potential. Whatever the end figure, business can only benefit from the removal of barriers promised by a successful DDA.



How to achieve it

- First, we need to overcome the deadlock in agriculture. Throughout the Doha Round BUSINESSEUROPE has called for a more liberal approach to agricultural trade negotiations because it believes that farmers and the food industry more broadly can compete in a more open system.
- Looking at the current situation, food prices are very high because of growing demand from emerging countries and due to technological breakthroughs in the production of bio-fuels. This new reality of international agricultural markets questions whether we need to maintain high levels of subsidies and tariffs any longer.
- Second, BUSINESSEUROPE remains convinced that an “agricultural-only” round will not suffice. Most of the major traders – the EU, China, India for example – are not leading agricultural exporters or do not see gains from the round in agriculture. The US also has more to gain in industry and services than agriculture in this round. Consequently, we need to look for more ambitious deals on industrial tariffs and non tariff barriers and on services liberalisation between the OECD and emerging countries.
- Third, the WTO needs to be clearer on trade and development. Sweeping exceptions to WTO rules and commitments will not contribute to development. On the contrary, a well managed and sequenced set of WTO commitments can assist developing countries to take advantage of their comparative advantage in industry, services or agriculture. Of course, there needs to be some special treatment and technical assistance for the poorest countries in the WTO.
- We need to be clear on one point: these results can only be achieved if the EU and US work together. BUSINESSEUROPE understands that there are differences over agriculture between the EU and the US, but those differences need to be seen in the broader understanding of common EU-US interests to open emerging country markets for goods and services in this Round. At BUSINESSEUROPE we are pleased to see that the new Congressional leadership has declared its support for the Doha Round and hopes the current momentum in the process can be translated into meaningful steps in the short term.
- I would like to underscore that business now expects the trade negotiators to put a real effort into concluding an ambitious round. Time and time again, politicians have blamed the perceived lack of business enthusiasm for the Round for the problems of the WTO. BUSINESSEUROPE has always contested this viewpoint and to prove that companies want to see an ambitious conclusion – we have asked 40 CEOs from small, medium and big companies including major US names to speak out on the Doha Round.



- To conclude I would like to emphasize BUSINESSEUROPE's support for Chancellor Merkel's initiative on a transatlantic framework agreement. It is high time that the largest trade and investment relationship in the world was put on a more secure footing. There is no question that such a step if taken would have a negative impact on the Doha Round. Rather, rather a reinforced EU-US relationship will be at its core.
