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ASIA PACIFIC EXPERIENCE UNDERPINS SUPPORT FOR DOHA PROCESS

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Asia-Pacific experience underpins support for Doha process

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THE Pacific Economic Co-operation Council (PECC) looks for a resolute WTO Ministerial Meeting in Cancún to give momentum to the Doha Development Agenda (DDA), to sustain the spirit and balance of the DDA agenda, and to reduce the risks to the multilateral trading system stemming from the spread of preferential trading arrangements.

PECC's support for the Doha round is firmly grounded in the experience of its members in 22 Asia Pacific economies.

PECC is a tripartite organisation that has for over 20 years represented business, government, and the research community among its member economies. All but two are WTO members. They are a very diverse group, including developed, developing and least-developed economies, ranging from economic superpowers to small Pacific island states. All are major beneficiaries of the expansion of trade and investment that has accompanied the development to date of the multilateral trading system.

The opening of international markets has underpinned the economic dynamism of the Asia-Pacific region, and more recently the maintenance of open markets facilitated recovery from the devastating economic crisis that afflicted the region in 1997/98.

A successful round will provide much-needed stimulus to flagging global and regional economies, and will open new opportunities for growth and development throughout the Asia-Pacific region as well as globally.

Key decisions must be made

Crucial to this outcome is the pursuit of the broad-based agenda agreed in

the Doha declaration, designed to ensure that all WTO members benefit from an eventual agreement. We look to the Cancún meeting to sustain the delicate balance achieved at Doha, by ensuring progress is maintained across all elements of the agenda. Critical decisions are needed in several areas.

A successful multilateral trade round is a powerful antidote to the negative aspects of the expansion of preferential trading arrangements

Both the vital importance and the difficulty of reaching a decision on negotiating modalities for agriculture are well-known. Important decisions are also required on non-agricultural market access; implementation issues; TRIPs and public health; special and differential treatment; and the 'Singapore Issues'. In areas where specific decisions are not required, such as services and rules issues, it is nevertheless imperative that ministers takes steps to ensure that momentum is maintained and, where necessary, accelerated.

The development dimension

While accommodation between the major economic powers, particularly the United States and the European Union, remains a necessary and vital condition for a successful outcome, it

is no longer a sufficient condition. The concurrence of developing countries, who by now account for over two-thirds of the WTO membership, is also essential.

The development dimension is thus vital for the DDA outcome. It is also critical for the longer-term health of the multilateral trading system. A healthy system is one whose members are confident that it is serving their interests. The confidence of developing countries has been badly shaken by the perceived failure to materialise of the benefits that they had been led to expect from the Uruguay Round. That confidence must be restored if the DDA is to succeed. Developing countries cannot be expected to subscribe to an outcome that fails to offer them substantial benefits.

Developing countries, including those of the Asia-Pacific region, have identified specific areas in which they expect to see tangible progress. These include the three 'pillars' of the agricultural negotiations, tariff escalation and tariff peaks in the non-agricultural market access negotiations, anti-dumping, TRIPs and public health, progress on key implementation issues, and the development of concrete measures to give effect to oft-stated support for special and differential treatment.

At the level of detail, however, accommodation of the interests of developing countries will not be easy, because those interests are far from homogeneous. There are potential conflicts of interest, for example between agricultural exporting and net food importing developing countries, or between the legitimate demands of large export-oriented developing countries for increased market access and the concerns of

small vulnerable states whose economies might be crushed by the sudden collapse of longstanding trading arrangements. Flexibility and sensitivity is needed to mediate these potential conflicts.

The 'Singapore Issues'

Concerns over slow progress and missed deadlines in the various negotiating groups has tended to distract attention from the 'Singapore Issues': investment, competition policy, government procurement and trade facilitation. Yet the Doha declaration calls for a decision to be taken at Cancún, on the basis of an 'explicit consensus', on modalities for negotiating these issues. In relation to two of these issues, investment and competition policy, PECC has considerable experience, having developed sets of 'Investment Principles' and 'Competition Principles' intended for use by APEC economies.

Investment is a fundamental determinant of economic growth. For many countries, especially poor developing countries, foreign direct investment is a vital source of capital, technology and management expertise. For the investor, it is also a means of improving production efficiency. In principle, all countries have an interest in promoting efficient international investment flows.

The Doha Ministerial mandate on investment issues intensified the work programme of the Working Group on the Relationship between Trade and Investment. By all accounts, progress on the issues outlined by Ministers was satisfactory, as was the delivery of technical assistance. What remains is the decision to be taken by Ministers in Cancún. PECC hopes that Ministers can be encouraged by the experience of the Asia-Pacific region as a leading source and destination of foreign capital and also in terms of investment rule-making. The region has shown that investment liberalisation combined with pragmatic policy-making can help establish a conducive environment for investment-assisted development.

Competition policy is intimately connected to the proper functioning of markets, and in principle is therefore of interest to all WTO members. At the international level it also has the potential to address certain trade behaviours that are currently dealt with by other less satisfactory means such as anti-dumping actions. The domain of competition policy however is wider than trade, and it is important that it not be treated at the international level purely in terms of market access. In an ideal world, one objective of competition policy would be neutrality between all possible modes of supply.

It is important also to recognise the implications for competition policy of diversity between countries in terms both of capacity and of institutional, social and political traditions. This became very evident to PECC in its work on competition principles for Asia-Pacific economies. In seeking to build consensus, agreement on the principles of competition policy was clearly a necessary first step. The same is true in the WTO context. Adaptation of the principles to the circumstances of individual economies can then follow.

DDA and the spread of preferential trade

Proliferation of preferential trading arrangements is a salient feature of today's global economy. These arrangements have many well-known advantages and disadvantages.

They can be trade-creating and investment-creating, but they can also be trade-diverting and investment-diverting, to the detriment of both their members and, especially, of non-members.

They can help to bind their members together economically and politically, but in the wider international context they can be divisive and lead to costly fragmentation of the trading environment.

They contravene the WTO's most basic principle of non-discrimination, leading to the oft-expressed concerns that

their proliferation will undermine the multilateral trading system.

They open up fresh opportunities for discrimination against small and weak countries by the large and powerful, something that the non-discrimination principle was explicitly designed to prevent.

It is clearly not realistic to consider rolling back or even arresting the current trend towards preferential agreements. The focus must be on minimising the potential damage and maximising the potential benefits from these developments. Enhanced transparency and surveillance of regional trading agreements can make a valuable contribution, and PECC hopes for strong positive steps in this area, based on the work of the Rules Group.

More generally, a successful multilateral trade round is a powerful antidote to the negative aspects of the consequences of the expansion of preferential trading arrangements. It is no accident that major trade rounds in the past have typically followed significant new developments in preferential trade. Reductions in MFN barriers reduce the scope for damaging trade and investment diversion.

A successful round lessens the appeal of preferential trade arrangements for countries that might otherwise be frustrated by slow progress at the multilateral level. A comprehensive round delivering substantial benefits to all members reduces the incentive that some countries may feel to engage in preferential trade as a way of avoiding further uncomfortable multilateral obligations.

One of the most important effects of a successful DDA outcome will therefore be to make the spread of regionalism less threatening to the multilateral trading system. □

This article draws on the work of the PECC Trade Forum. See www.pecc.org

