

Business Drops the Doha Ball

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The Doha train has started to run again. The trade talks are still moving at a snail's pace, but the meetings in Washington last week between the Bush administration and European leaders have spurred some optimism. Trans-Atlantic leadership for the current round of trade liberalization has been needed for many years, and bridging the diverging opinions across the pond is certainly necessary. But if this new optimism is going to materialize, movement is also required from an actor that has been conspicuously absent from this round: business.

The World Trade Organization has often been portrayed by antitrade groups as a corporate puppet. But one key problem in this round has been the relative silence on industry's part. Business has been the dog that didn't bark.

There are exceptions. Chief executives of some big U.S. firms in transport and financial services have intervened and twisted arms in the U.S. Congress and in Geneva. Victor Fung, the U.S.-Hong Kong businessman, and Peter Sutherland, the former WTO chief who now chairs BP and Goldman Sachs International, continue to be tireless campaigners of multilateral trade liberalization. Marcus Wallenberg, chairman of a number of multinational companies, has geared up the efforts of the International Chamber of Commerce and taken the business case for Doha to political leaders across the globe. Yet they haven't gotten much help.

Business leaders' absence from the game is understandable. All the global-governance hubris, windy rhetoric and political grandstanding invariably displayed at big WTO meetings offer ample reasons for outsiders to take a rain check. The round has effectively been stalemated from day one, and all "last-minute" rescue attempts so far have only diluted the agenda and exempted some key business interests from the round. For everyone who wants the WTO to remain relevant in the future, this is cause for concern.

Yet the Doha agenda still has serious appeal for businesses interested in freer trade. Business opportunities in goods and industrial products will be significantly improved, particularly when it comes to exports to major developing countries. And binding countries to their currently applied tariffs -- which are lower than the ones agreed in the last multilateral talks, the Uruguay Round -- can increase stability and certainty in world trade. The Doha Round will not substantially liberalize trade in services, but it can lock in already achieved liberalizations, especially for investment, as well as dismantle some of the worst nontariff barriers to trade. What's more, the vast majority of the business community has a lot to gain from a WTO deal that puts limits on antidumping measures, today the weapon of choice for protectionist governments, and prohibits egregious abuses of other trade-defense instruments.

Compared to the alternatives, such as bilateral free trade agreements, or FTAs, the Doha agenda is the best offer around for global corporations. One can argue at length over bilateralism versus multilateralism, but this is a superficial exercise that only clouds the real issues. They are neither opposites nor substitutes for each other. There is room for both of them. But one should be wary of replacing the possible outcome of the Doha Round with the sales pitches for FTAs.

America's FTA policy has been a State Department charm offensive rather than a function of

business priorities. Asian FTAs are a hodgepodge of weak and partial bilateral agreements. The EU has recently lifted its moratorium on new FTA negotiations and outlined a very ambitious agenda for new bilateral deals with Asian countries. But even if all of them are successfully concluded, which is highly unrealistic, business will stand to gain far less than Brussels claims.

Though roughly 300 FTAs or regional agreements have been achieved, they only account for about a third of the market openings facilitated by the eight multilateral trade rounds. If one exempts the 10 biggest bilateral and regional agreements, the market-access provision in the average agreement is modest to unrecognizable.

This is not to say they are of no use. Many FTAs have reduced trade bureaucracy, liberalized regulatory barriers to trade and improved the conditions for trade in intellectual property. But they cannot be expected to deliver new business opportunities on a par with a WTO deal -- particularly as FTAs come with complicated rules-of-origin regulations that place heavy administrative burdens on business to prove that not too much of a good's production has been done in a third country outside the FTA. In fact, the arcane world of rules-of-origin regulations in many countries is too complex for even the biggest multinational companies to understand, and many of the ones that do understand them would just as soon pay a higher, non-FTA tariff.

The presence of free-trade-minded businesses is necessary to accelerate the Doha train. The WTO, as most other trading arrangements, has a mercantilistic superstructure in which "producer interests" trump "consumer interests." Yet the producer interests that have flexed their muscles in this round have not been inclined toward liberalization. And they are the ones that have been twisting arms, knocking on the doors of congressmen and members of parliament, and telephoning political leaders.

If nothing substantial happens in the next few weeks the round will only have a past and no future. This is the last call for Doha.

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