

The Doha Development Agenda

(What's at Stake for Business in the
Developing World?)

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The world's economy needs a significant boost to push it back onto a stronger growth path. A more open trading system can be a powerful stimulus in reviving the world's economy and in helping poorer countries grow their way out of poverty. Cancun is not just about meeting targets and completing an agenda, it is about creating conditions for advancement in all countries. By working closely with government, businesses in developing countries can help ensure that the goals of the Doha Development Agenda are met.

All world regions are now experiencing economic uncertainty and slow economic growth. Trade growth in the 1990s averaged 6.7, followed by a decline in global trade in 2001 and just 2.5 growth in 2002. Early indications suggest growth in trade volume for 2003 will be little or no better. Unfortunately, in any economic downturn, the impact always seems to be more severe for the poorer regions of our world.

The world's political and business leaders understand that the weak global economy urgently needs the powerful stimulus that significant further liberalization of world trade can bring. A successful conclusion of the Doha Development Agenda is a key to reviving the world economy. Failure is not an alternative. It will send a very damaging signal about prospects for global economic recovery.

Doha success vital

Developing countries need good results from the Doha Development Agenda. Research shows clearly that no other area of international economic cooperation or development assistance - whether debt relief or foreign aid - can offer developing countries the gains that ambitious trade liberalization can generate.

Poor countries need to grow their way out of poverty, and trade is a powerful engine for growth.

The Fifth WTO Ministerial Conference takes place in Cancun, Mexico, this September. It will not conclude the Doha Development Agenda negotiations, but a very important landmark on the road to their completion. At Cancun, ministers will have to take stock of progress in the negotiations, provide political guidance and take certain decisions. This is not simply about meeting targets and completing an agenda - it is about creating conditions for advancement in all countries and in particular, about expanding opportunities for developing countries by ensuring for them a more effective inclusion in the trading system.

The international business community knows from experience that severe impediments to trade hurt economic growth. A growing body of evidence indicates that open, export-oriented countries have succeeded in their development efforts, while heavily protected, inward-looking countries have not. There is a clear positive correlation between openness and income and there is little evidence that countries that have protected infant or so-called 'dynamic sectors' have done better than more open, export-oriented economies. It is important to bear in mind that international trade is about countries complementing each other. Countries can do this through specialization, leading to an increase in the trade of goods and services, and hence, a bigger international trade pie. Trade is not about competing for slices of a pie with a predetermined size. All countries have comparative advantage.

Potential benefits

An open economy that specializes in its areas of comparative advantage can make more effective investments and, at the same time, create incentives for additional investment. This generally leads to a faster rate of growth than can be achieved in less open economies.

The Doha Agenda contains many potential benefits for developing countries. Enhanced market access to rich country markets in agriculture, manufactured products and services may

be the most important gain that would accrue to developing countries through a successful outcome to these negotiations.

More than 50 developing countries depend for more than half of their foreign exchange income on agriculture. For many, agriculture accounts for a substantial percentage of employment. Something needs to be done to reform the subsidies that advanced economies give to their agriculture sector. Collectively, these subsidies amount to US\$1 billion a day. Successful agricultural negotiations would certainly provide a boost to many developing countries' agro-based companies.

In the services sectors, commitments by member countries are lowest for movement of natural persons, or mode 4 as this is known. This area is of great interest to developing countries. Greater cross-border access for natural persons could provide a tremendous source of funds to developing countries, through the repatriation of income earned abroad.

Avenues for development

While market access barriers in rich countries are problematic for many developing country exporters, such barriers are often higher in other developing countries.

South-South trade

Enhanced South-South activity offers a potentially great source of expanded trade opportunities in the coming decade. Between 1990 and 2001, South-South trade grew faster than world trade with the share of intra-developing country trade in world merchandise exports rising from 6.5 to 10.6.

Over this period, developing country economies grew much faster than those of developed and transition countries. Liberalization of the trade and investment regimes of a large number of developing countries has played a significant role in this expansion.

South-South trade expansion is among the most promising avenues for development, but expansion cannot take place without greater market opening in those sectors of interest to

developing countries. A successful conclusion to the trade negotiations should lead to greater trade between developing countries for the benefit of the developing world as a whole.

Special and differential treatment

We also expect more progress on the issues of implementation and special and differential treatment for developing countries. Special and differential treatment provisions are key to the search for balance, relevance and priority as member countries seek to define the contribution of the Doha Agenda to development.

Strong and renewed political commitment is required to give effect to the promise of Doha. Success in moving forward effectively on the Doha Agenda will generate new economic opportunities, boost business confidence, and send an important political message of support for multilateral cooperation aimed at restoring health and stability to the world economy. Failure to advance will deny us all these things and dent credibility.

Unprecedented business interest

A heartening development in the current round is the unprecedented interest and involvement of business communities all over the world. While the bulk of responsibility for reaching agreement in the round rests with governments, the business community has an important role to play as well. It is, after all, businesses that are engaged in the business of trade. It is companies that export and import, companies that make the decisions on where to seek out new markets. It is companies that suffer when the trading system does not function smoothly.

The full engagement of the business community - especially in the developing world - in formulating national negotiating positions and in providing crucial support to the trade liberalization agenda is essential to a successful Ministerial Conference in Cancun. ITC's Business for Cancun workshops are most useful in this regard. We need this success to pave the way to the conclusion of the Doha Development Agenda, and create more opportunities for economic growth and development.