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# WORLD BUSINESS LEADERS FOR GROWTH

## *ADVANCING THE PROMISE OF DOHA*

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***NIPPON KEIDANREN***

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- **Business Council of Australia (Australia)**
- **Business Roundtable (United States)**
- **Canadian Council of Chief Executives (Canada)**
- **Consejo Mexicano de Hombres de Negocios (Mexico)**
- **The European Round Table of Industrialists (Europe)**
- **Nippon Keidanren (Japan)**

## Executive Summary

Only a few months remain for World Trade Organization (WTO) Member Governments to save the Doha Development Agenda. The great hopes for global economic growth and development promised by this trade round are now at serious risk. The global business leaders our organizations represent reaffirm their belief in the significant potential value of these negotiations. We call on WTO Member Governments to make the political commitment necessary to secure a balanced and ambitious agreement in the rapidly closing window of opportunity that remains.

*We are deeply concerned that the Doha Development Agenda (DDA) is on the verge of failure.*

- ▮ The current round of global trade liberalization talks, launched in 2001, is more than two years behind schedule and the original January 2005 deadline for conclusion of the Doha Round has passed without tangible results.
- ▮ The failure of WTO Members to agree in July on a first outline of the Ministerial Declaration for the Hong Kong Ministerial in December, which was to light the way forward to successfully completing the Doha negotiations in 2006, has deepened the crisis.
- ▮ Time is running out for Members to agree on key negotiating issues before December of this year. The Hong Kong Ministerial Conference is at risk of becoming the next Cancun or Seattle. A failure of WTO Members to come to terms with the issues before them may have serious consequences for worldwide economic growth and development and has the potential of striking a critical blow to the heart of the current round.

*The challenge for the new leadership of the WTO and WTO Members is to intensify their efforts and show real progress without lowering expectations in the remaining months leading up to the Hong Kong Ministerial. It is critical for the Ministerial Conference to establish a detailed, comprehensive framework for an effective negotiating process to bring the DDA to a successful conclusion in 2006.*

- ▮ We need renewed dedication and stronger political leadership by all WTO Members to put the DDA back on the road to success.
- ▮ We do not believe worldwide economic growth can be sustained at the levels needed for developed and developing countries alike without an ambitious agreement on further liberalization of core areas of the international economy and the means to help the poorest WTO Members share in that growth.

*The ultimate success of the DDA economically and politically will depend on the negotiation of comprehensive agreements covering agriculture, industrial goods, services and trade facilitation.*

- ▶ The failure to resolve key issues in agriculture is seriously stifling progress in other areas. While some early progress was achieved in agriculture negotiations, public announcements of a willingness to find needed common ground have often not been matched by movement in Geneva. All WTO Members - especially the major players - need to demonstrate the political will to make substantial progress in the agricultural negotiations, and, where necessary, take politically difficult decisions, in export subsidies and in particular in domestic support disciplines and market access.
- ▶ WTO Members urgently need to raise their sights in substantially reducing tariffs and non-tariff barriers on all industrial goods. They need to secure deep and comprehensive tariff reductions across the board, and support efforts in those sectors that would like their tariffs reduced to zero. Agreement on the means to achieve these objectives is long overdue. For the business community, the test will be that whatever negotiating framework is agreed, it generates commercially meaningful results in improved market access.
- ▶ The services negotiations are lagging even further behind. Negotiators should agree as soon as possible on complementary efforts to achieve meaningful progress in services. These should include particular focus on specific sectors that may be most ripe for liberalization. They should also drive forward the long-standing negotiations on domestic regulation of services and ensure additional commitments on the movement of personnel that will benefit developed and developing countries alike.

*As international business leaders we know first hand how important trade and investment liberalization is to sustained economic growth for nations at all stages of development. We are committed to working with the WTO leadership, our own governments, other WTO Members, other international business organizations, and NGOs to make the Doha Development Agenda a success.*

## **Advancing the Promise of Doha**

Why we think the Doha Development Agenda is important to the global economy and what is needed for success is explained below in greater detail.

### **I. The WTO has been an engine of market liberalization, worldwide economic growth, and stability**

Since its founding in 1995, the WTO has been an engine of market liberalization and has helped provide the security and reliability of a rules-based system needed for worldwide economic growth and prosperity.

Trade liberalization through the WTO has spurred trade and investment in developed and developing countries alike, and helped all countries cut living costs, provide their consumers with a wider choice of products, and raise income.

The success and the benefits of the WTO's multilateral trading system have been recognized around the world. The WTO has grown from 23 GATT Contracting Parties in 1947 to 148 Members in 2005. The success of the past 8 rounds of multilateral negotiations has helped world trade grow from USD 80 billion in 1947 to USD 9 trillion today.

### **II. In times of economic and political uncertainty, a successful Doha Development Agenda will send a powerful positive signal to world markets and will help boost sustainable economic growth**

*A successful Doha Development Agenda can help spur growth and increase confidence in a still fragile global economy*

While global trade and economic growth have accelerated since the 2001-2002 period, they are still nowhere near the growth rates achieved in the 1990s. Current economic growth remains fragile and serious concerns persist about its sustainability.

Both developed and developing countries must improve their economies' competitiveness on world markets. A successful DDA will help boost economic growth in the long term, and will send a positive signal to markets in the near term. Both developed and developing countries have a clear stake in further opening their economies and making them more transparent and efficient through a successful conclusion of the DDA.

*Major gains need to be achieved in the agricultural negotiations*

In both developed and developing countries, agriculture reform is a significant element in promoting global economic growth and development. Uruguay Round

compromises have permitted Members to maintain very high levels of protection. Elimination of export subsidies, sharp cuts on the use of trade-distorting domestic support, and significant reductions in tariff rates and other barriers in the end will significantly benefit both exporters and consumers.

*But the potential gains from further improvements in non-agricultural market access, services liberalization, and trade facilitation are even more significant*

The services and industrial sectors far outweigh the agricultural sector in terms of total economic output, employment and potential gains from liberalization.

After 50 years of tariff cutting, average developed country industrial tariff rates are now under 4 percent. Within this average are many low residual tariffs that offer little protection, but continue to impose USD 16 billion in annual costs. In addition, tariff peaks continue to hamper low-cost manufactured goods produced in the poorest, least developed countries. Developing country commodity producers are also penalized by tariff escalation in industrial markets.

Developed country tariff rates on developing country imports are four times higher than the tariff rates on imports from other OECD countries. Developing country industrial tariff rates remain very high as well, and such rates often cause even greater commercial damage because they block trade among these developing countries.

Not only is there much left to be done with respect to customs duties, non-tariff measures continue to hamper trade development even where duties are eliminated or low.

For the past decade, growth of trade in services has increased at a greater rate than manufacturing. Globally, services trade now accounts for nearly a quarter of total cross-border trade. However, significant barriers continue to exist, for example in the form of excessive or discriminatory regulatory requirements, lack of transparency, lack of a full range of options for corporate establishment, and severe limits on and administrative burdens for cross-border movement of business personnel. Further liberalization of the services sector would significantly reduce these barriers and create gains for both exporters of services and domestic producers and consumers using services.

Finally, increased tariff cuts and increased levels of international trade have highlighted the non-tariff barriers that many companies face at the border as a result of significant, time-consuming and often costly administrative requirements, diverse customs and border control procedures, and other regulations and policies. Further agreement on trade facilitation can help bring down these barriers, bringing substantial gains for exporters and domestic producers and consumers.

### **III. A successful Doha Development Agenda needs significant and balanced achievements in all the key areas under negotiation – agriculture, non-agricultural market access, services liberalization and trade facilitation**

The ultimate success of the Doha negotiations, both from an economic and political perspective, will depend on a combination of successful agricultural reform and market opening, and substantial liberalization in non-agricultural market access, services and trade facilitation.

#### *Results on agriculture are critical to the overall success of the Doha Development Agenda*

Agriculture negotiations showed early progress. But they now face a crisis that threatens to stifle further negotiating progress in other areas. All WTO Members - especially the major players - urgently need to demonstrate that behind their public announcements of a willingness to find further common ground is the true political will to make substantial progress and, where necessary, to take politically difficult decisions. Progress is particularly needed with regard to export subsidies, domestic support disciplines and market access.

#### *Results on non-agricultural market access are critical to the overall success of the Doha Development Agenda*

In addition to opening markets for farm products, WTO Members also need to raise their sights in substantially reducing remaining barriers on all industrial goods and should urgently agree on the means to achieve industrial tariff reduction. They should support zero duties in those sectors that wish to see their tariffs completely eliminated, while securing deep and comprehensive tariff reductions across-the-board. WTO Members should also strive to seriously tackle all remaining non-tariff barriers. The true test for industrial liberalization is the market: no matter what detailed, comprehensive negotiating framework is agreed, it must generate commercially meaningful results in market access.

#### *Results on across-the-board services liberalization are critical to the overall success of the Doha Development Agenda*

Services negotiations are lagging even further behind on their original schedule and objectives. A failure to reinvigorate these negotiations may diminish the support for the DDA of a major part of the business community - in developing as well as developed countries. Services are central to global economic growth; it is inconceivable that the Doha negotiations can conclude without significant commercial results in this area. Negotiators must urgently agree on complementary efforts to achieve meaningful progress, including the application of agreed upon benchmarks in certain areas, and a focus on key services sectors that are most ripe for liberalization. They should also drive forward the long-standing negotiations on domestic regulation of services and ensure additional

commitments on the movement of personnel that will benefit developed and developing countries alike.

*Results on trade facilitation are critical to the overall success of the Doha Development Agenda*

Members have begun negotiations on clarification and improvement of rules relating to further expediting the movement, release and clearance of goods, including goods in transit. A successful conclusion of the DDA requires an ambitious multilateral agreement on these issues of trade facilitation. By directly bringing down transaction costs, commitments in this area would lead to significant and immediate gains for both exporters and domestic producers, as well as consumers around the world.

*The final Doha Development Agenda agreements have to be balanced.*

The DDA will succeed only if both developed and developing countries recognize that there will need to be an overall balance within the entire package. WTO Members need the vision to recognize that in today's global economy, trade restrictions are not pro-growth policies; they are in fact barriers to economic growth. The DDA offers a unique opportunity for developed countries to eliminate trade restrictions and trade distorting practices that undermine the ability of farmers and industries in their countries - and those in developing countries - to use world markets to grow. Developing countries also have to recognize that if they fail to use the DDA to open their markets and pursue economic reforms, they will not be able to create the economic and regulatory environments for their own farmers and industries to take advantage of increased trade and investment.

**IV. A successful Doha Development Agenda will spur developing country growth**

*The Doha Development Agenda has to generate pro-development benefits*

The DDA will be successful only if development interests are fully taken into account. WTO Members have recognized this, and clearly acknowledge the role of special and differential treatment, technical assistance, and the special issues associated with implementation of WTO agreements.

*Developing countries can achieve major gains in non-agricultural market access, services, and trade facilitation*

The interests of developing countries in further liberalization of agricultural trade, especially (though not exclusively) in terms of further opening up markets in the United States, the European Union, Japan, and other countries, and reducing agricultural subsidies programs, have long been recognized and remain a concern for all. At the same time, however, the potential gains for developing



countries from further liberalization and market access in areas other than agriculture are often overlooked.

For industrial products, most developing countries have retained high tariff walls, including among themselves. The OECD has calculated that average WTO bound tariffs on industrial goods in the E.U., U.S., Japan and Canada are 4 percent, versus 39 percent for a group of 13 central developing countries. With more than 40 percent of current world trade now flowing between developing countries, the World Bank estimates that 70 percent (USD 57 billion) of the tariff burden on manufactured goods from developing countries is imposed by other developing countries. The high tariffs also increase the price of inputs, offsetting much of the market advantage these countries gain from low labor costs, and undermine the economic gains inherent in more liberalized trade.

Developing countries with only small proportions of their tariffs bound in the WTO, or that have layers of non-tariff barriers, are at a disadvantage when compared to economies offering more secure and predictable conditions for trade and investment. The Doha Round is an opportunity to correct this handicap.

Poorer nations also have the opportunity to press for the removal of unwarranted non-tariff barriers in markets in which they are otherwise competitive.

Similarly, developing countries stand to gain much from further liberalization of the services sector. Services exports are an important source of foreign exchange earnings for these countries. Many have already demonstrated a comparative advantage in sectors such as tourism and natural resource based services, and others compete in more human and capital resource intensive services such as software. Innovations in information and communication technology have further increased developing countries' participation and potential in the field of services.

In addition, without good infrastructure in key services - e.g., financial and accounting services, telecommunications, legal and business consultancy, express delivery services, construction, educational and training services - developing countries will not be able to fully integrate into the world economy, to attract productive investment or to increase domestic income and achieve their desired economic growth.

The World Bank estimates that significant trade liberalization in the services sector could yield a cumulative income gain for developing countries of as much as USD 900 billion through 2015, and could create as much as 4.5 times the gains to developing countries from goods liberalization alone. WTO Member Governments have agreed to give special attention to sectors and modes of supply of export interest to developing countries.

Finally, developing countries' exporters, consumers, investors and importers can benefit from improved and clarified rules on border measures under a new trade facilitation agreement.

*Liberalization by advanced developing countries is important to a successful Doha Development Agenda*

The WTO now has 148 Member countries and membership could increase to 170 by the end of this decade. The majority of WTO Members are now developing countries. Some have yet to integrate successfully into the global economy and will need assistance to take advantage of the opportunities that a successful Doha Round could bring. Others are already major players in international trade with enormous potential to succeed further. The prospects for these countries are undoubtedly partly dependent upon the opening of markets worldwide and on the reduction of farm subsidies. But they are also dependent on whether such advanced developing nations are able to make their own markets open and efficient. That is their best option to expand employment through investment, diversify their economies, help consumers and alleviate poverty.

These large trading nations have gained greatly from the multilateral trading system. They will continue to do so. But to maximize the performance of the WTO it will be for them to take on a bigger share of the liberalization efforts. They will need to make a significant contribution if the Doha Development Agenda is to meet all its promises. Industrial countries must certainly deliver; but so too must the other major beneficiaries of the system, in their own direct interests. In addition, regardless of the level of development, generally there should be no exemptions but longer phase-ins and other transitional mechanisms.

*The Doha Development Agenda is at a cross roads. Now is the time for WTO Members to intensify their efforts and show real progress without lowering expectations. As international business leaders we know first hand how important trade and investment liberalization is to sustained economic growth for nations at all stages of development. We are committed to working with the WTO leadership, our own governments, other WTO Members, other international business organizations, and NGOs to advance the promise of Doha.*

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**Business Council of Australia** – *The Business Council of Australia is an association of chief executives of leading Australian corporations with a combined national workforce of one million people. It was established in 1983 to provide a forum for Australian business leadership to contribute directly to public policy debates in order to build a better and more prosperous Australian society. The Business Council of Australia's aspiration is that Australia should be the best place in the world to live, learn, work and do business. For more information, visit [www.bca.com.au](http://www.bca.com.au).*

**Business Roundtable** ([www.businessroundtable.org](http://www.businessroundtable.org)) is an association of chief executive officers of leading corporations with a combined workforce of more than 10 million employees and \$4 trillion in annual revenues. The chief executives are committed to advocating public policies that foster vigorous economic growth, a dynamic global economy, and a well-trained and productive U.S. workforce essential for future competitiveness.

**Canadian Council of Chief Executives** – Founded in 1976, the Canadian Council of Chief Executives ([www.ceocouncil.ca](http://www.ceocouncil.ca)) is Canada's premier business association, with an outstanding record of achievement in matching entrepreneurial initiative with sound public policy choices. A not-for-profit, non-partisan organization composed of the chief executives of 150 leading Canadian enterprises, with combined assets of \$2.5 trillion and annual revenues of \$ 600 billion, the CCCE is deeply engaged in the WTO agenda and was the Canadian private sector leader in the development and promotion of the Canada-United States Free Trade Agreement during the 1980s and of the subsequent trilateral North American Free Trade Agreement.

**Consejo Mexicano de Hombres de Negocios** is a non-profit organization established in 1963, grouping the CEO s of the largest Mexican private Companies, most of whom also have controlling interest in them. Its mandate is to provide initiatives and efforts for Mexico's growth and development, and to promote the image of Mexico abroad. The Council has 40 members, who in the last five years invested more than 40 billion US dollars, exported nearly 55 billion and provided direct employment to 850,000 persons.

**European Round Table of Industrialists (ERT)** – The European Round Table of Industrialists ([www.ert.be](http://www.ert.be)) is a forum of around 45 leaders of large internationally operating companies of European parentage. Its “core” mission is to promote the competitiveness of European industry. It expresses views on those areas most connected to its own interest and expertise, chiefly major developments which may affect the conditions essential to providing the proper environment conducive to successful business operation. Companies of ERT Members cover a wide range of industry sectors. Their combined turnover is €1,500 billion and they employ around 4.5 million people worldwide.

**Nippon Keidanren** ([www.keidanren.or.jp](http://www.keidanren.or.jp)) is the key representative organization for Japanese business and industry with 1,600 members. It represents the interests of 1,300 leading companies including 100 foreign ownership, 130 industrial sector associations, and 50 regional economic organizations. Keidanren is committed to contributing to the further development of the national and global economy. Keidanren proactively works towards better business environment both at home and abroad.