

**Brains Trust Blue Sky Meeting
Arthur Appleton – Appleton Luff**

**“HOW TO STRENGTHEN THE WTO’S RELATIONSHIP WITH THE
PRIVATE SECTOR AND BETTER PROMOTE THE TRADE
INSTITUTION WITH THE WORLD’S PUBLIC”**

- 1) I was asked to be provocative – within reason. I usually do not disappoint with respect to being provocative. Let’s hope reasonableness prevails as well.
- 2) Let’s start out with the givens (i) not all businesses support liberalization. Some benefit from protectionism. For business trade rules are a sword to open markets or a shield to protect markets; (ii) most business leaders know little about multilateral trade rules; and (iii) business do realize within limits that:
 - a. Trade is good for competitive export oriented businesses.
 - b. Trade is good for consumers.
 - c. Liberalization has winners and losers – but in a fair system the efficient win.
 - d. WTO Members face economic choices – where to liberalize and what to protect, but in the long term, the trend must move towards liberalization.
- 3) Furthermore, businesses are adaptive, provided that there is:
 - i. Transparency,
 - ii. Coherence, and
 - iii. Fundamental fairness, including a working judiciary.
- 4) From a business perspective, in a perfect world, the international trade system and international economic law would be from a systemic viewpoint more complete and coherent – and would go further than the drafters of the Havana Charter had in mind. The work of the IMF, the World Bank and the WTO would be better synchronized coherent and more integrated, and the work of the UN organs would be better adapted for 21st century realities.
- 5) So what is missing from the business perspective – ironically several Singapore issues – in particular investment that are of critical importance to the developing world but which was torpedoed largely by the developed world in Cancun. Unfortunately, businesses also realize that the system is incomplete and that this often acts to their disadvantage. Important issues of interest are missing like coherent international:
 - a. Government procurement,
 - b. Investment rules,
 - c. Tax regimes (think the US regime),
 - d. Labor regimes,
 - e. Environmental rules,
 - f. Competition rules,

- g. Governance issues – including the “C” word “corruption” which so affects business,
 - h. Labor regimes, and
 - i. Direct effect of multilateral trade rules.
- 6) All of the above issues are important to business – one way or another. They also are of real interest to civil society. I am not saying that they should all be part of the process now. We all know they are not and will not be since they cannot be addressed in the present consensus framework. I am saying that building a coherent international economic regime means that they eventually will be part of the process – we see this in regional trade agreements.
 - 7) Ironically, developing countries have been most opposed to bringing these issues into the multilateral trading regime. More ironically developing countries are often not opposed to bringing these issues into bilateral and regional trade agreements. They also receive consideration in GSP schemes.
 - 8) Would business pay more attention, one way or the other, if these issues were included in the trading system? Probably yes.
 - 9) **Is it likely to happen? - No, perhaps one day, but not today or tomorrow.**
 - 10) During the UR, the business community was engaged and their governments negotiated liberalization well in the goods sector (with the exception of agriculture where businesses have different or diverse interests). With the exception of service commitments, in large part they got what they wanted. This explains, to some extent, why they have not been overly involved in the DDA.
 - 11) With that point in mind, how then do we get business interested or more appropriately – re-interested in the round and on reasonable terms that will make civil society happy? Civil society is an important part of the dialectic. Civil society cannot and should not be ignored – not only do they have a voice, they appear to be right on certain issues that affect business – global warming, environment, core labor standards and governance issues.
 - 12) Business, while potentially altruistic if profitable, is interested in one thing – money – either short term or long term. This is not a bad thing. Business is capable of surviving in a regulated environment, but only if the rules are clear in advance and there is some degree of transparency.
 - 13) Business generally perceives that there is not enough on the table that is of interest. Business also believes that leaders in the markets of interest – such as India, Brazil and perhaps China (which already made substantial concessions to join the WTO) have little appetite for liberalization. Instead they have pursued other strategies to gain market access – such as FDI in Brazil and China.
 - 14) Developed country “modern” business interests (those without overtly protectionist interests”) are unlikely to get really interested in multilateral

trade negotiations unless the advanced developing countries become more engaged and improve their offers. While economists may recognize the benefits of autonomous liberalization, politicians tend to be more interested in reciprocity.

- 15) This means that it will be necessary to increase the pressure on certain BRICs. Just as some expected that Pascal Lamy would pay attention to agricultural offers (which was true) many expect that Roberto Azevedo will pay attention to the BRICs.
- 16) This is going to be one of the first challenges for the new DG – can he get more of the advanced developing countries interested in liberalization (at a time of economic difficulty and an ideological schism in Latin America).
- 17) He does not have a great deal of time. Business has grown frustrated with the slow negotiating model of the WTO. Modern business does not like delay. Mr. Azevedo has a small window of opportunity.
- 18) Furthermore, business is increasingly convinced that neither their political leaders nor the leadership of the WTO can deliver multilateral liberalization. Instead they are following RTA and FTI options more.

Some concluding thoughts in the form of recommendations or discussion points:

- 1) Business increasingly realizes that plurilaterals may be better than no agreement (i) they are usually multilateralized, (ii) RTAs are producing similar effects. MFN is now the lowest common denominator – the slowest boat in the convoy. 159 Members can't reach grand agreements. Variable geometry (plurilaterals of the willing) is (are) the only way forward.
- 2) The EU and NAFTA experience (and the EPA experience) demonstrate that if progress (WTO+) is not achieved in Geneva, it will eventually be addressed regionally.
- 3) Resist the UN-ization of the WTO. Business has little respect when there is little accountability and only slow progress.
- 4) Resist the politicization of the process. Learn from recent disasters. Try to get the Members to avoid political showmanship. The US / EU RTA is now in enormous trouble because of the early invocation of the cultural exception.
- 5) Consider recalibrating TA programs. We have been educating for many years – now we need to support trade facilitation by improving technical capacity (scholarships and training), computers, laboratory capacity, port infrastructure, etc. Bring business into the game. They will both produce and profit.
- 6) Integrate Technical Assistance with Trade Policy Reviews (as was tried before).

- 7) Coordinate meaningful initiatives on TF and TA better with the World Bank and other institutions. Evaluate integrated framework-type initiatives for improvement. Look for efficiencies and look for buy-ins from business. When unleashed business will surprise you.
- 8) Look for ways to revitalize the WTO - if the WTO is to remain relevant, it must lead the way or risk being marginalized like some of the other international organizations.
- 9) Focus on non-tariff barriers.
- 10) Reinvigorate the ITC – it needs to broaden its focus and look at more important value chains. It should not be shy to work with major companies that are active in the developing world.
- 11) Make efforts to improve staff moral. The Secretariat is the institutional memory and business loses respect for the WTO when the Secretariat is frustrated and when the Secretariat is not “run like a business”.
- 12) Bring business and responsible civil society more into the process. Regularize discussions – whether formal or not.
- 13) Market the WTO more effectively to the business world.
- 14) Bear in mind that the long issues I mentioned in the first portion of this presentation will eventually enter the international policy framework and begin the search for coherence. Have regular (and perhaps institutionalized) discussions with business and civil society thought leaders on some of these issues – reach beyond the political leadership.
- 15) **Development does not occur rapidly without business initiatives. It is time to think outside the box – this means bringing business more into the box.**