

# International Business Conference on Global Economic Governance and Challenges of Multilateralism

## Dhaka, Bangladesh



### SPECIAL SUPPLEMENT: GLIMPSES OF THE CONFERENCE

The two-day International Business Conference on "Global Economic Governance and Challenges of Multilateralism" organised by the ICC Bangladesh at the Bangladesh-China Friendship Conference Centre on January 17-18, 2004 heard some stalwarts involved in the on-going multilateral trade negotiations speaking on the problems and prospects of having a trade deal acceptable to both rich and poor nations. It provided a unique opportunity to delegates to share their views on policy matters relating to some of the most critically important aspects of world trading system, the role of good governance, market access, supply-side capacity building and dispute settlement. At the conference there was a general agreement that the developing nations in general and LDCs in particular are having a unfavourable dispensation of the share under the so-called free-trade regime. The conference underscored the need for globalisation to evolve with a human face. Given below are the abstracts of the proceedings of the inaugural as well as business sessions of the conference:

#### Inaugural Session

Bangladesh Prime Minister Begum Khaleda Zia, MP, inaugurated the conference while Prime Minister of Thailand Dr. Thaksin Shinawatra delivered the keynote speech. Other dignitaries who spoke at the inaugural session included, Commissioner for Trade, European Union (EU) Pascal Lamy, Director General, World Trade Organisation (WTO) Dr. Supachai Panitchpakdi, Commerce Minister Amir Khosru Mahmud Chowdhury, MP, Foreign Minister M. Morshed Khan, Chairman of ICC Jean-Rene Fourtou, and Secretary General of ICC Mrs. Maria Livanos Cattau. ICCB President Mahbubur Rahman delivered the address of welcome while ICCB Vice-President Latifur Rahman made closing remarks. Besides, at the inaugural session, a written message of UN Secretary General Kofi A. Annan was presented.

#### Begum Khaleda Zia, MP, Prime Minister, Bangladesh

The ICC is a unique institution that brings together the private sector and provides a forum to interact with the government as well.

Today, we confront critical challenges to global economic governance and multilateralism. Events like these provide valuable opportunities for interaction among business leaders and industrialists of participating countries and also for exchange of views between governments and business leaders.

Globalisation holds out promise, but with contrasts. It represents prosperity for the few and despair for millions. The world witnessing an unprecedented wave of progress, while millions are mired in extreme poverty. Today, global economic governance is generating inequitable outcomes.

The backlash against globalisation draws its force from such inequalities. We have to search for ways to bridge this gap.

It is also a fact that developing countries like ours gain less from trade than do developed countries. Our products often do not get meaningful access to other markets. Subsidies in developed countries distort markets while helping few and the inefficient in their countries. The world would be a much better place without such trade-distorting subsidies.

The Doha Round of trade negotiations holds great promise. Cancun may be considered a setback, but we still have the opportunity to turn things around.

At the same time, we urge that there be freer movement of the other factor of production-labour. Through the temporary movement of skilled and less-skilled labour, we can provide services that many other countries, developed and developing, require. The potential benefit of such schemes, to both the sending and recipients countries, is immense.

Countries and institutions that are able to influence the process of globalisation must ensure that their policies support our development objectives. Stability of the global economy is not enough; along with it must come poverty alleviation on a massive scale. There are some of the challenges to global economic governance that we must address. Multilateralism must be made to work for the good of all.

#### Dr. Thaksin Shinawatra, Prime Minister, Thailand

The West has done much to make the world a better place to live. But the West, too is now in trouble due to an internal contradiction in the capitalist model it has been following.

For decades, most of the world has embraced free market capitalism. Some developing countries have taken the free market so much to heart that they have become victims of their own success. China's huge and growing trade surplus with much of the world has resulted in pressure for China to revalue its currency. India and other English-speaking developing countries have been highly successful in attracting white-collar jobs.

Multinational corporations have set up manufacturing subsidiaries in developing countries in order to export back to the markets of developed countries. The result is that consumers are happy with the cheaper products, MNCs are happy with the fatter bottom lines and developing countries are happy with the increased tax revenues and technology transfer.

Asia has been preoccupied with the old economic model of exporting and saving. Asian firms would take any price they could get for products that can be mass replicated anywhere. Consumption in Asia has been suppressed so that there can be more exports and more saving. We have kept costs low to attract foreign direct investment and to increase our cheap exports to developed country markets. So, to some extent, Asia has, in effect, been subsidizing the high living standard of the West.

To compound matters, when Asia makes money from such exports, we pour our savings, which account for more than half of the world's total reserves, into US treasury bonds and other foreign assets. This has contributed toward a golden age of growth and consumption in the US and some parts of the West, while much of Asia remains mired in poverty.

It is therefore clear to me that this economic model has now reached its limits. It used to be said that "what is good for the General Motors is good for America". However, we are now entering a world where corporate growth may not contribute to employment, but may actually come at the expense of employment. The West will therefore have to come up with a new economic model if it is to extricate itself from this dilemma.

Globalisation has been released from the box, boundaries have been blurred and shifting to a new economic model will not come without political consequences. For this reason, East and West need to begin a serious dialogue on these macro-level changes and how to cope with them.

#### Kofi Annan, Secretary General, United Nations

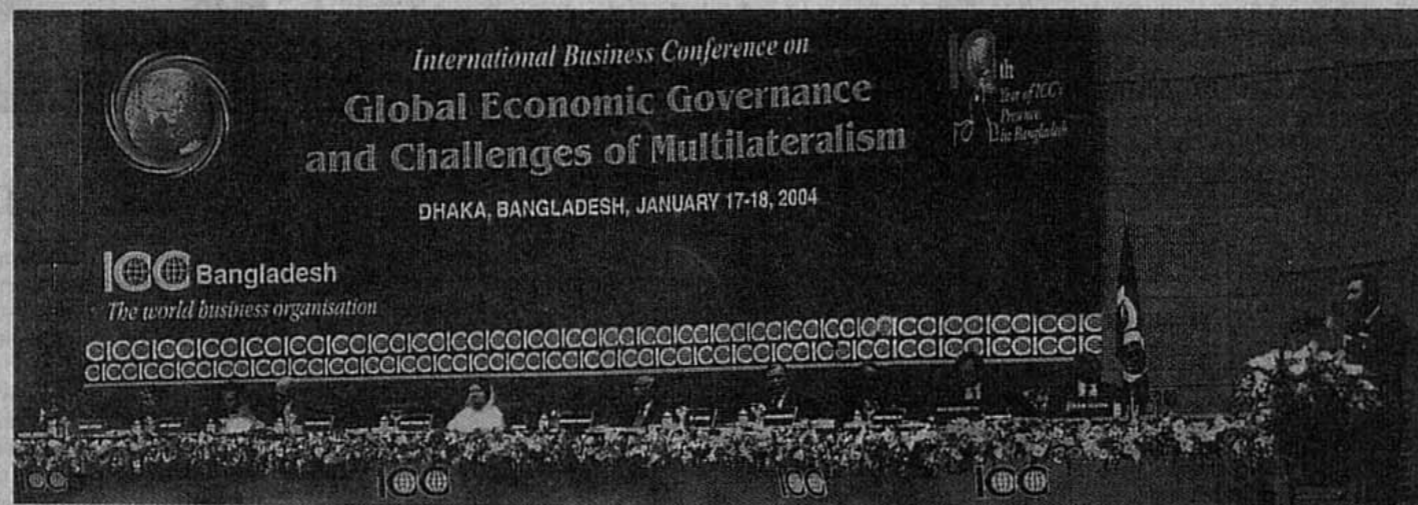
In September 2000, world leaders adopted the Millennium Declaration, in which they committed themselves to address common threats to peace and security, to meet agreed development goals and to advance human rights and democracy. While that vision remains valid, recent events - from the war in Iraq to the setback in trade talks in Cancun - have upset the consensus behind it. Deep grievances of opinion have emerged on the challenge we face and on how best to address them.

Many people have come to see the dominant threats to peace and security as terrorism and weapons of mass destruction. They worry that the international architecture is not up to meeting them. But for many other people, especially in poor countries, the threats that really destabilize lives are quite different: civil war fought with conventional, even low-tech weapons; poverty, AIDS and environmental degradation; and a trading system that seems to deny them a fair chance to compete. They worry that these issues are being neglected, despite promises made at world conferences.

A world not advancing towards the Millennium Development Goals will not be a world at peace. And a world awash in violence and conflict will have little chance of achieving the goals. We need to consider whether the United Nations itself is well-suited to the challenges ahead.

#### Dr. Supachai Panitchpakdi, Director General, World Trade Organisation (WTO)

The support of the business has been central to the huge success of the multilateral trading system over the past half century. It is you who breathe life and purpose into what is agreed at the WTO. It is you who benefit from the predictability and stability of the rules-



Prime Minister of Thailand Dr Thaksin Shinawatra is seen speaking at the Inaugural Session of the International Business Conference on Global Economic Governance and Challenges of Multilateralism held at Bangladesh-China Friendship Conference Centre on January 17, 2004. Prime Minister of Bangladesh Begum Khaleda Zia is also seen in the picture, among others.

Average tariffs on manufactured goods in industrialised countries are under one-tenth of their level half a century ago. Today, business is conducted in trade in goods and services at the pace of one billion dollars an hour, every hour of the day and every day of the week.

In spite of our hopes, the Doha Development Agenda negotiations have not progressed as far or fast as we had expected. We must also remember that all multilateral negotiations have been tortuous, lengthy and politically difficult.

Only the multilateral trading system can provide the broad-trade offs that make trade liberalisations possible. Only a multilateral negotiation can ensure that poor and vulnerable countries are not left out in the cold.

Developed countries need to see further opening of their markets to exports of developing countries not as altruism or charity but as being in their own enlightened self-interest.

Likewise, developing countries need to approach these negotiations with a view to integrating themselves into the multilateral trading system - rather than shielding themselves indefinitely from competition.

#### Pascal Lamy, Commissioner for Trade, European Union (EU)

The multilateral route is not always the easy one and can sometimes fail with disastrous consequences.

The WTO and its precursor the GATT, set the rules and conditions that govern world trade in goods and services and thus plays together with other international institutions (WB, IMF) an essential role in global economic governance.

Since the Uruguay Round world trade has doubled from USD 45 billion in 1994 to 85 billion in 2000. It is clear that some countries have reaped benefits from this formidable expansion more than others, in particular the developing and least developed countries.

I do not belong to the school of thought, which believes that the market should be left to regulate itself and that all it takes to make people happy is unfettered access to that market.

Since there is a collective interest among WTO members to ensure further liberalisation and the development of existing and new rules that acceptable to all and from which all can gain. The failure in Cancun was of course a great disappointment, but it was neither the first nor the last time the WTO experiences a crisis.

#### M. Morshed Khan, Minister for Foreign Affairs, Bangladesh

It is imperative to restore the spirit of cooperation and accommodation in multilateral fora to ensure that global economic governance is sustained on pragmatic lines. The global institution - the World Bank and IMF as well as institutions like the GATT, WTO's predecessor, and the UN-affiliated bodies had successfully conducted global economic relations. It is crucially imperative on our part to overcome all impediments to the new rounds of trade liberalisation.

#### Mahbubur Rahman, President, International Chamber of Commerce-Bangladesh

The ICC Bangladesh is committed to fostering partnership between the government and the private sector. In making this partnership work, the private sector of Bangladesh remains fully cognizant of the corporate social responsibilities that we all have towards our nations and our people and we are committed to uphold those noble principles.

The global economic architecture we see around us today has emerged in response to a need of the few. Those with capital and financial resources adapted the rules governing the flow of capital across countries. The question we ask is whether these rules best serve the interests of the developing world, more particularly its least developed partners. Recent development history unequivocally shows that poor countries are being further marginalised, the poor within the poor countries are being further excluded. Least developed countries, including Bangladesh require the umbrella of a multilateral framework to pursue our economic and social development objectives. A rules-based trading regime shields from the inherently inequitable relationships that may emerge between unequal players. The global community of developed nations must not only accept our special and differential status, but also support it with adequate technical and financial capacity building assistance.

#### Latifur Rahman, Vice-President, ICC Bangladesh

A credible monitoring mechanism with requisite powers to secure compliance should be the centerpiece of global economic governance. In fact, a proposal for such a monitoring mechanism was expected in the Doha Round negotiations, but did not materialise. Resumption of meaningful negotiations in a transparent and inclusive manner is essential.

Globalisation will expand the range of choice, improve product quality and exert downward pressure on prices. It is also likely to deliver significant benefits to workers, by raising the real value of their wages. Thus the stake in globalisation is much more serious than it may appear.

#### Business Session on Multilateral Trade Regime in Post Cancun Perspective

This session focussed on the developments at the Cancun Ministerial Conference and its consequences for developing countries and recommended actions to go forward.

At this session:

- Speakers noted that the Cancun failure had caused a weakening of the move towards a deepening of globalisation and increased concerns towards the process of the multilateral trading system.
- Some of the speakers identified the issue of agricultural subsidy as the reason for Cancun failure. Other reasons that were pointed out included the followings: (a) the mismatch of ambitions, (b) time constraints and (c) too much of diversion during the conference.
- Remarks were made that though the conference was not a complete success but the discussions were really useful for further negotiations.
- Outcome from the December Meeting
- Though expectations were not met in the December meeting in Geneva, the participants agreed that all the countries wanted to continue with the negotiations.
- The speakers recommended that the countries must go back and do more analysis on their respective stance in the WTO.

#### State of Multilateralism

- Arguments were put forward for increasing the usefulness of multilateralism and the interest of the world poor.
- The issue of poverty, unfair trade practices, unequal distribution of wealth, if not handled adequately now, only would bring unprecedented catastrophe to world peace, stability and prosperity.
- Regional trade was said not to be an alternate to multilateralism rather the starting, and bilateral and regional trade agreements are considered as developments.
- The fact that the USA and the EU, two major economic players in the global trade arena, are putting political agenda on trade discussions does not bode well for world trade. Such issues must be subordinate to economic and strategic issues for multilateral trading system to achieve success.
- The opposition to WTO arises from the fact that there is a perception among the people living in LDCs that their leaders will not be able to convey their concerns properly in the WTO negotiations. The challenge is how to convince these people that trade and globalisation benefits them just as well.

#### Agriculture

- Speakers opined that the Derbez text is a complete and balanced one to start with for all the countries; while some speakers disagreed.
- EU had a full-fledged revised position in all of the issues. They wanted to offer the rich countries access at zero duty for 50% of their imports from poor countries and want a special safeguard for food security.

#### Market Access

- Two issues under market access, one, market openings should be progressive with reduction in tariff and two, south - south trade should be boosted.
- Market access, which is a very important issue for the LDCs, should be addressed very clearly and clear choices should be made for further development.
- Speakers also strongly emphasised on the need for increased exploitation of the South-South trade opportunities.

#### Singapore issues

- The EU has offered to put investment and competition in the backburner, and concentrate on trade facilitation and transparency of government procurement.

#### Other and New Issues

- For the solution of the Trade and Environment issue, it was noted that it was necessary to take into consideration the situation in different countries and the level of implementation of different criteria in assistance for developing and poor countries.
- Some speakers wondered whether new issues should be taken up at all in view of the fact that still much remains to be done about the old issues in the agenda.

#### Steps to be taken

- The voices of the developed and developing world need to be more equal and they should be prepared to overcome deadlock through dialogues, founded on trust, and clear exchange of information among the countries.
- Speakers said that countries from North as well as South, should commit to a new sense of unity to human solidarity and purpose as the lasting foundation for the well-being of all people in every corner of the globe.
- All countries will have to show flexibility and seek common ground, without lowering ambitions.
- Some speakers stated that choices must be made very clearly without any ambiguity.

#### Governance

- The internal governance structure and processes of powerful institutions like the WTO must be radically changed which will include developing countries as active and equal participants.

#### Business Responses

- The business needs to respond to the three following messages:
- Respond to the Director General's invitation to participate in the next round and make their views known to their respective governments.
- Stressed the need for business putting pressure

on their respective governments, so that they can negotiate by taking cognisance of business interests. And they should start to do so now.

- Like the NGOs, the businesses must also make their views known to public.

#### Concluding Remarks

- Breakthrough in 2004 is essential for the multilateral trading system.
- Governance, especially in the political arena, needs to improve as well for LDCs to achieve full benefits of trade.
- Liberalisation needs to show real results for it to progress further.
- The market access issues are often clouded by tariff issues.
- The emphasis for now needs to be changed: cotton issue should be discussed along with agricultural issues, non-agricultural market access issues need more clarity, and Singapore issues should be dealt with.
- The point of reference for the further negotiations should be from where Cancun had ended.
- The issue of governance in WTO should be given just as much emphasis as is given to rule making.
- Mainstreaming trade into national development plan of a country is important.
- The presence of growth at the fundamental level of poverty alleviation should not be dismissed.
- LDC interests should be given prominence.

#### Abridged versions of the statements delivered at the Business Sessions

##### Amir Khosru Mahmud Chowdhury, Minister for Commerce, Bangladesh

The interpretation of the Doha agenda by all sides must be put very clearly. The choices before the ministers should also be put very clearly.

Market access is a very strong instrument. And for the players who are weak, smaller economies or LDCs, the market access is number one, number two and number three. And the human issue also very important issue. All these have to be recognised very clearly. So the frame work or the basis of negotiations has to be clear.

On agriculture, the choices have to be very clear. Like the cotton issue, it is not just an economic issue, it is also a human issue.

On services, it is the most growing area of business today. And we must know what we do with the service sector. In Bangladesh, for example, we have opened our door in the service areas like the shipping, banking, insurance and consultancy. I think, you will find 80 to 90 per cent is taken over by foreign businesses.

##### Jean-Rene Fourtou, President, International Chamber of Commerce

Making a success of the Doha Round is crucial for the future health of world economy - that is the firm belief of the International Chamber of Commerce as a representative of world business. Continued trade liberalisation is a way of strengthening multilateral trading system that has served the world so well in achieving unprecedented economic growth. Political commitment must now be translated into genuine give and take at the negotiating table for the common good of all.

Perhaps the best thing the rich countries can do for the poor countries is to open up their market to them and to refrain from the farm export subsidies that are doing damage for farmers in the developing world.

##### Dr. S. C. Mumbengewi, Minister for Industry, Zimbabwe

A commitment by developed countries to immediately phase out all subsidies that generate surpluses and finance export dumping in cotton and other products of interest to developing countries is required for achieving success in implementing the Doha round.

There could be no real progress on lowering barriers to trade in industrial goods and services without any progress on farm reforms.

##### Rini M Sumarno Soewandi, Minister for Industry and Trade, Indonesia

Hopefully, we all learned from Cancun that the voices of the developed and developing world need to be more equal and that we are prepared to overcome deadlock through dialogue, translating our desire to liberalise global trade into concrete progress.

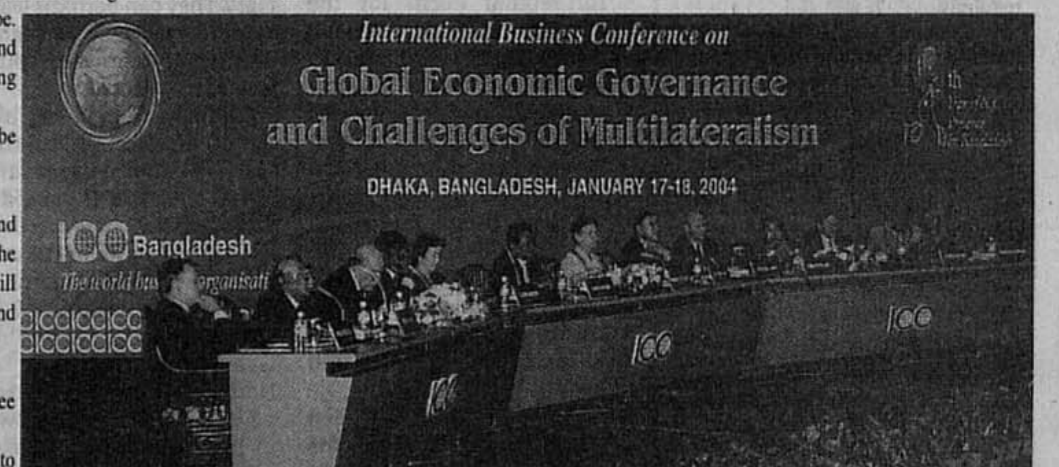
We need to resolve concerns on a number of pending issues. These include improved and secured market access for non-agricultural products for developing countries. We need agreement that higher levels of protection for traditional agriculture products of the developing countries are fair and reasonable.

We need to address the issue of protectionism by industrialised countries and regions and of the habit of the rich countries of dumping agricultural commodities on international markets at prices below the costs of production along with other unfair trade practices. We need to look again at patent rules that deny poor countries access to affordable medicines.

##### Maria L. Cattau, Secretary General, International Chamber of Commerce, Paris

With the recent failure of trade talks in Cancun, this conference in Dhaka exactly the shot in the arm that the multilateral trading system needs. ICC throws its full weight behind the efforts of the WTO members to reach a successful conclusion of the Doha Development Round.

I am hopeful that this conference, with its impressive line-up of world business and political leaders will go a long way to achieving that way.



ICC Secretary General Maria Livanos Cattau is seen presiding over the Business Session on "Multilateral Trade Regime in Post Cancun Perspective" on January 18, 2004