



DOING DOHA IN 2010

Why China should care

By Professor Jean-Pierre Lehmann- April 2010

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We live in very exciting, but equally very perilous times. This was already the case since at least the beginning of this millennium, but is even more so since the Global Economic Crisis of 2008/09. The crisis has indeed been more than “just” economic: it is above all a systemic crisis.

Because of the profound transformations the global economy is witnessing – transformations arising out of new actors on the central arena of the global market economy and out of the amazing new information and communications technologies – there is an imperative need for efficient and equitable global governance, robust global cooperation, strong institutions, leadership and perhaps especially a powerful global rule of law.

As global economic crisis, the paralysis of the WTO Doha Round and the confusion of Copenhagen amply demonstrate, the world is in very short supply of all of these necessary attributes.

Though action is needed on many fronts, it seems especially important that we should focus as much effort and energy as possible on getting the Doha Round concluded this year. And China should be particularly pushing for this outcome.

The multilateral rules-based trading system was established in the wake of World War II. The war itself had been preceded by the Great Depression in 1929 and the very intensive trade wars that ensued in the 1930s. There were no international trade rules, hence anarchy prevailed. The struggle for global geopolitical and military power followed a struggle for global economic power, including over access to energy and natural resources. Whether a global rules based system would have prevented the war can only be pure speculation; however, the system that was established after World War II was based on a philosophy that open and fair trade between nations constituted a critical means of establishing peace between nations and promoting prosperity.

The system has been far from perfect, but still in the course of its 60 years of existence it has acted as a major force for peace and prosperity and has allowed or perhaps more accurately significantly contributed to the emergence of new global trading powers, especially from East Asia, notably South Korea and Greater China – including Hong Kong, Taiwan and of course now the People’s Republic, the world’s biggest trading nation.

As tortuous as some of the earlier GATT rounds may have been – GATT was the predecessor institution to the WTO – nothing could quite compare to the mess that the Doha Round is in.

The Round was launched in Doha, the capital of Qatar, in December 2001, the year that China joined the WTO. An attempt to launch a Round two years earlier, in Seattle, had been a dismal failure. Much of the problem arises from the reticence of the “established” trading powers, mainly the EU, Japan and the US, to meet the demands of the rising new trading nations or of the Least Developed Countries that want to level the playing field. Alas, the launching of the Doha “Development” Round has not narrowed the gap.

This is not to say that the Round has totally disappeared from the global trade policy agenda. In all major global or regional meetings, as part of an invariable ritual, commitment is made to the conclusion of the Doha Round. The G20 in this respect has taken up where the G7 left off. Thus at the Washington G20 summit in November 2008 the commitment was made to conclude the Round that year. This failed. At the London G20 summit in April of 2009, commitment was made to conclude it in 2009. By the time the Pittsburgh Summit was convened in September, it was clear it would fail again; hence the Summit concluded that the Round should be concluded by 2010.

As the Round remains paralysed, there is increasing global trade tension generally and between China and the US especially.

It is essential that the Round should be concluded for mainly two reasons: 1) we need a robust institution and rule of law in international trade, ie the WTO must be strengthened, and nothing would do so more than successfully concluding the Round, as the more time passes, the weaker it gets; 2) we need, as noted, stronger and more cooperative global governance: by failing to meet its commitments, the very legitimacy of the G20 is brought into question as is the capacity of countries to cooperate.

The G20 Summit will be held in Seoul in November. I know South Korea well, having been there for the first time in 1967. It was at the time one of the world's poorest countries. Its rise to prosperity has been remarkable. It has been mainly driven by trade. It would be highly appropriate that the announcement of the conclusion of the Doha Round should be made in Seoul in November. This would be an extremely positive and indeed highly reassuring step for the world.

With China still engaged in seeking to bring prosperity to all of its people, a stable, robust and dynamic rules-based global trading system is of vital importance. China should be actively committed to concluding the Doha Round in 2010.

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