

d·i·e

Deutsches Institut für
Entwicklungspolitik



German Development
Institute

Osama bin Laden and the WTO Development Round – the end of terror or terror without end?

By Dr. Jürgen Wiemann,
*Deutsche Gesellschaft für Internationale
Zusammenarbeit (GIZ)*

The Current Column

Of 16 May 2011

Osama bin Laden and the WTO Development Round – the end of terror or terror without end?

Bonn, 16 May 2011. At first sight, it may seem far-fetched to see a link between the icon of Islamist terrorism and the WTO Development Round. But let us not forget that a mere three months after the terrorist attacks on New York and Washington on 11 September 2001, for which Osama bin Laden claimed responsibility, the first multilateral round of negotiations in the WTO, the World Trade Organisation, newly established in 1995, began in Doha, Qatar. The international community felt the need to express its solidarity with the USA and to demonstrate that the world economic order and its institutions were able to function. At the same time, the fear of global recession was to be countered with a further round of trade liberalisation.

At the previous WTO Ministerial Conference held in Seattle in 1999 the attempt to launch a new round of multilateral trade negotiations had been thwarted by the opposition of the developing countries. They had demanded an adjustment to the outcome of the previous round, the final round in GATT, which had not been to their advantage, before they would agree to participate in negotiations on new rules and agreements. However, by promising to make those talks a “development round,” the USA and the EU were able to overcome the developing countries’ resistance to the launch of a new round, especially in the globally inflamed climate following 9/11. If the attacks had not taken place, the developing countries would presumably have again refused to give their consent in Doha. In this respect, then, Osama bin Laden can be regarded as the involuntary “mid-wife” of the WTO Doha Development Round.

Development Round or business as usual?

Ten years on, the possibility of this being a miscarriage cannot be ruled out. Even WTO Director-General Pascal Lamy recently recalled the link between 9/11 and the Doha Round and blamed the confusion between the attacks and the Ministerial Conference for the fact that more time and energy were not devoted to drawing up a less controversial mandate for the negotiations between industrialised and developing countries. And on an earlier occasion Charlene Barshefsky, then the

United States’ Trade Representative, had said it had been a mistake to overburden the new round of talks with the label “Development Round.” Neither the USA nor the EU had seriously prepared themselves to accommodate the developing countries’ demands without again demanding something in return. The longer the round continues and the more its founding act is forgotten, the more difficult it will be to abandon the usual bargaining modus of trade negotiations.

Trade policy, of course, is negotiated not only between nations, but to an even greater extent on the domestic stage between the likely winners and losers of trade liberalisation and of new rules and agreements on international trade in goods and services. If the US President wants to open up the American market or reduce agricultural subsidies, he can win the approval of the Congress only by holding out the prospect to the export-oriented branches of the economy of new export opportunities generated by equivalent offers of market liberalisation measures by other industrialised countries and, above all, the emerging economies. But unless and until the emerging economies relent and open their markets to the extent demanded by the USA, the Doha Round will not succeed.

WTO without an intellectual compass?

One cause of the stalemate in the WTO Round is the growing weight carried in the global economy by the large emerging economies, Brazil, China and India, which are acting in concert and know they have the backing of most of the smaller and less developed countries. Another is the erosion of economists’ age-old belief in the free-trade doctrine and the trade policy recommendations to industrialised and developing countries derived from it. A growing number of internationally renowned economists are questioning the compatibility of pure free-trade doctrine with development, citing the experience of Japan and the South East Asian newly industrialising economies from the 1960s to the 1980s, of China since 1978 and of India since 1991. These countries have driven on their export-oriented industrialisation with, on the one hand, a neo-mercantilist blend of

government export promotion through subsidies and undervalued currencies and, on the other, supportive protection against imports for new industries trained to be internationally competitive by industrial policies. (Germany's economic miracle in the 1950s and 1960s was, incidentally, based on a similar policy mix.) This policy mix differs fundamentally from the recommendations for liberalisation and privatisation forming part of the Washington Consensus, which even the World Bank's Chinese chief economist has renounced.

For the WTO's world trade order the intellectual denunciation of the Washington Consensus is of the utmost importance in that some of the new WTO agreements and rules originating from the Uruguay Round greatly reduce the scope for neo-mercantilist industrial policy and export promotion. Critical economists agree with the critics of globalisation in civil society that the transition from GATT to WTO and the deeper integration associated with it have gone too far and that it is now time to restore the balance between global rules and national sovereignty over economic policy.

Until the fundamental dissension between the industrialised countries and the developing and

emerging nations, and also between the orthodox and heterodox schools of economic thought, over the effect on development of trade liberalisation versus protectionist industrial policy has been overcome, there will be no conclusion to the Doha Round that satisfies everyone. Now that the "midwife" of the Doha Round has been eliminated, the industrialised countries should waste no further time in laying their cards on the table and either offering asymmetric concessions, thus turning the talks into a development round after all, or finding the courage to clarify the misunderstanding that they were really trying to launch a development round in 2001. This would open the way to a genuinely fresh start in the WTO, whose reputation and effectiveness would be unnecessarily impaired by any further prolongation of the stalemate, not to speak of the associated risk of growing protectionism on a global scale. After the Doha Round has concluded, steps could at last be taken to deal with such new trade policy challenges as trade measures and climate protection or export restrictions on scarce raw materials and foodstuffs, which are leading to excessive price rises in world markets.



Dr. Jürgen Wiemann
*Deutsche Gesellschaft für Internationale
Zusammenarbeit (GIZ)*