



ASEM leaders must make the case for open markets and free trade

By Shada Islam

Asian and European leaders must use their meeting in Brussels in early October to make a compelling case for open markets and an early conclusion of the long-stalled World Trade Organization (WTO) talks on global trade liberalisation.

The need for such a joint appeal – followed by joint action - is urgent. Both Asia and Europe have benefited enormously from the expansion of international trade in recent years. With the global economy facing an uncertain future, it is more crucial than ever to boost trade flows.

Clinching a new trade-expanding WTO trade agreement could add between 150-250 billion euros to global GDP every year, helping to speed up economic recovery and generate new jobs.

Injecting new momentum into negotiations on the WTO's Doha Development Agenda will not be easy, however. Launched in the capital of Qatar in November 2001, discussions in the "Doha round" have become mired in disagreements over eliminating agricultural subsidies and reducing industrial tariffs.

"Everyone agrees that no miracle solution is available," WTO Director General Pascal Lamy admitted recently. But he insisted: "nobody is contemplating dropping the ball."

That may be true but deadlines for securing a Doha deal keep slipping from year to year. Initially expected to be finalised in three years, the Doha round has now limped into its ninth year. Latest hopes that agreement could be reached by the end of 2010 have now been replaced by a growing consensus that a 2011 deadline would be more realistic.

Discord on key issues between leading trading powers, including the US, Europe, China, Brazil and India is part of the problem. Increasingly, however, trade experts are pointing a finger at Washington for failing to break the WTO impasse.

European and Asian officials say the administration of President Barack Obama is hamstrung by a strong domestic protectionist lobbies and has been unable to identify its main priorities in the Doha round. In addition, with mid-term elections coming up, US policymakers are even less anxious to make deals on trade. The key challenge therefore is to convince the US to actively engage on Doha.

The eighth Asia-Europe Meeting (ASEM) in Brussels on October 4-5 provides an important opportunity for just such a collective appeal for stronger US action on trade. With 46 partners, representing half of the world's GDP, almost 60 per cent of the world's population and 60 per cent of global trade, ASEM is well placed to take the lead on trade.

The Asia-Europe commitment to keeping "an open, fair, rule-based and stable multilateral system", made at the seventh ASEM summit in Beijing in 2008, helped deliver a reassuring message to nervous global markets.

The ASEM 8 meeting in Brussels should go further. Asian and European leaders should join hands not just in demanding US action – but also promising that their own governments will become more active, engaged and forthcoming in their negotiating positions within the WTO.

Leaders should follow up their promises with action - and they should stay on message, not just within ASEM, but also in other bilateral and multilateral fora, including the United Nations and within the increasingly influential Group of 20 (G20).

It is not difficult to make a strong case for concluding the Doha round as soon as possible.

First, more than other regions, ASEM members have a direct stake in further trade liberalisation. Asia may have weathered the 2008-2009 financial and economic crisis much better than expected but export-dependent Asia needs open world markets to sustain high rates of growth.

Significantly, for European governments faced with an alarming increase in sovereign debt, trade offers a sustainable, non-debt creating source of growth and development.

Second, a Doha agreement is vital to preserve the credibility of the WTO and the multilateral trading system. Despite slow progress in the Doha talks, the multilateral trading system has acted as a "shock absorber" during the economic crisis, preventing a descent into catastrophic full-scale protectionism.

Third, a Doha deal will provide new market opportunities through the reduction of tariff barriers and domestic subsidies as well as the streamlining of customs procedures and reduction in red-tape.

Fourth, as the world emerges from recession, a Doha agreement will provide more certainty in global trade, encouraging employers to create jobs, especially in the export sector. This is important: In Germany, 22 per cent of total employment depends on exports. Exports could contribute to about 40 million jobs in China. On the import side, In Australia, 1 in 10 workers were involved in import related activity in 2008.

Fifth, although full-scale protectionist measures have been avoided, a second wave of protectionist policies cannot be excluded in the face of continuing economic uncertainty. A recent European Commission report found that almost

280 trade restrictive measures have been put in place by major trading countries in the form of "buy national" campaigns, government procurement rules and other behind-the-border policies. The concern is that many of the new barriers may become permanent features of the world trading system.

Sixth, while the current fad for free trade agreements is unlikely to fade, a Doha deal is likely to stem the proliferation of "trade light" FTAs which are largely limited to tariff cuts and do not tackle non-tariff regulatory barriers in goods, services and investment. They are also bedevilled by complex rules of origin requirements.

Finally, the Doha negotiations must be concluded to allow the WTO to look beyond tariffs at an array of 21st Century issues, including non-tariff barriers, competition policy, government procurement, trade and environment and investments, which must be urgently addressed.

Political leadership for trade liberalisation has been absent for many years. It is time that Asia and Europe took up the challenge and put trade expansion back firmly on the global agenda.

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Note: **ASEM** was launched in 1996 as an informal forum for discussion between Asian and European countries. The current ASEM partners are: Austria, Belgium, Brunei Darussalam, Bulgaria, Cambodia, China, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, India, Indonesia, Ireland, Italy, Japan, Laos, Latvia, Lithuania, Luxembourg, Malaysia, Malta, Mongolia, Myanmar, Pakistan, Poland, Portugal, Republic of Korea, Romania, Singapore, Slovakia, Slovenia, Spain, Sweden, Thailand, The Netherlands, The Philippines, United Kingdom, Vietnam, the ASEAN Secretariat and the European Commission.

Shada Islam is a journalist in Brussels with a long experience of EU-Asia relations. This is a part of a series of articles being published by "Particip" an independent, internationally-recognised consultancy, which is under contract to the European Commission, to look at different aspects of the multi-faceted Asia-Europe relationship. This article represents the views of the author.

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