

# Open Letter from Dr Jean-Pierre Lehmann

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Dear Friends

The reason we must all take an active interest in global trade policy generally and specifically the current Doha Round is that the implications and consequences go well beyond purely commercial activity and indeed beyond economics.

In 1937, Cordell Hull, at the time President Roosevelt's Secretary of State, wrote of his "belief that enduring peace and the welfare of nations are indissolubly connected with friendliness, fairness, equality and the maximum practicable degree of freedom in international trade". This has often been quoted, including in communiqués from The Evian Group, but it is worth quoting over and over and over again. Indeed, I would like to think of a world where all political leaders would have these words engraved and prominently displayed.

Part of the problem for the malaise in which we find ourselves is that there seems to be fairly widespread ignorance of history, specifically with respect to the origins of the global rules-based multilateral trading system. Following the Great Depression of 1929, countries engaged throughout the 1930s in extensive trade wars, leading to lawless international economic anarchy, which in turn caused growth to plummet and unemployment to surge.

From the ashes of World War Two, the architects of the global trading system sought to prevent a repetition of what had occurred mainly through the strengthening of both principles and institutions of international economic activity.

To that end, the principle of non-discrimination, which is THE core principle embedded in the GATT and the WTO, has been rightly described as perhaps the most enlightened, innovative and radical contribution to global governance that occurred in the whole of the 20th century.

As we stand on the threshold of the 21st century, perhaps one of the greatest causes for alarm is the erosion of the principle of non-discrimination and indeed the acute intensity of discrimination in many different pernicious ways.

Let me give three of the more flagrant and alarming:

#### **1. Discrimination Against Developing Countries**

This point does not require too much elaboration as it is - or certainly should be! - well known. The playing field is heavily tilted against developing countries in all sorts of ways, by no means only in agriculture, but also in labour intensive products. There is in fact here a double-discrimination. Poor countries are discriminated against because of high tariffs and other barriers, while poor citizens of industrialised countries are made to pay more for essentials (such as clothes) than would be the case if tariffs were lower. Just one out of countless examples: in 2002, imports of gems and jewellery into the US amounted to \$17.1 billion for which tariffs of \$181 million were paid; in the same year, imports of baby clothes amounted to \$1.9 billion, for which tariffs amounted to \$187 million. This is wrong, wrong and wrong. Gems and jewellery are luxuries, baby clothes are essential. Economics cannot be divorced from ethics. Every effort must be made by everybody (including you!) to press governments to cease these discriminatory practices.

## 2. Discrimination Through Growing Bilateralism and Preferential Trade Agreements (PTAs)

There has been an immense proliferation of these PTAs in the last few years, partly due to the understandable deep frustration with the apparent paralysis of multilateralism. However, just as multilateralism aims to uphold the principle of non-discrimination, PTAs are by definition discriminatory. The spread of PTAs intensifies discrimination against poorer countries. Thus, in South-East Asia, for example, all trading powers will be keen to sign a PTA with Singapore (as many are doing), but Laos and Cambodia will be shunted aside. The same applies to Chile in Latin America as opposed to Bolivia or Paraguay. In an article in the Financial Times ("Bilateral deals destroy global trade", 4 November, 2005), Dr Victor Fung, Chairman of Li & Fung and Co-Chairman of the Evian Group, pointed out how "bilateralism distorts flows of goods, throws up barriers, creates friction, reduces flexibility and raises prices". The most likely scenario of a continued stalemate of Doha will be the replacement of the non-discrimination based multilateral system with a plethora of discriminatory PTAs. Is this what we want? If so we should be clear that we will be perilously regressing to a 1930s scenario.

## 3. Discrimination Against Youth

Perhaps the greatest failure of 21st century governance is in respect to youth. While the recent riots in France in the immigrant ghettos reveal abysmal unemployment rates of 30-40% or more, in fact throughout the country, whereas the overall unemployment rate stands at a high 10.8%, youth unemployment is 25%. The situation in most developing countries is even more preoccupying. As Evian Group communications have repeatedly emphasised, in the course of the first decade-and-a-half of the 21st century, approximately 1 billion young people will be entering the labour market, overwhelmingly in developing countries. In many developing countries, in the Arab Region, for example, youth unemployment rates are already in the 30% range. This is something that policy makers should have uppermost in their minds, which of course they do not. So we need to remind them, especially those of us who are fortunate to be young and employed or who have children in that category. In that context, I was extremely proud that some 36 MBA participants at IMD, where I teach, got together to write a letter to the Financial Times to press the case for inclusive growth oriented trade liberalisation and therefore the successful conclusion of the Doha Round and the forthcoming Hong Kong WTO ministerial meeting. I have copied the letter below. Please, youth needs to be mobilised to express concern for their future. As I have said on a number of occasions, if youth does not have hope in the 21st century, there can be no hope for the 21st century.

With the continued paralysis of Doha, we have been told to lower our expectations significantly! This is devastating.

My appeal to all of you is: No, we must maintain pressure on policy makers and tell them our expectations are that they will do what is necessary to uphold the principle of non-discrimination and that they will in particular pay serious attention to the three areas of discrimination cited above. Among the 36 IMD MBA signatories of the letter to the FT, a number have also written to their local papers and contacted their local politicians. We all need to do this. We need pro non-discrimination activism from all of you and for you to tell others to do the same. Keep up the pressure!

With my best personal wishes.

Jean-Pierre

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## **Doha deal is no panacea but alternatives are frightening**

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From 36 MBA students at IMD

Sir, You say ("Challenge the EU by making trade offers", November 9) that the letter to the Financial Times by 62 senior executives should "be only the start of a sustained effort to make the public case for Doha". We agree and wish to add our voice.

We are members of the graduating MBA class at IMD, in Lausanne, Switzerland. As mid-level executives, we expect to be building our careers over the next quarter of a century. Many of us already have small children and we think of their futures and the world that awaits them. We represent more than 20 different nationalities, yet we share common concerns, including the immediate impact that Doha (success or failure) will have on the global business environment. But we are even more concerned by the lack of business and political leadership on what we see as the most pressing issues of our time.

As populations of the industrialised countries age and their markets stagnate, the developing world will see some 1bn new entrants into the labour market. Much of the growth will occur in regions, such as the Middle East and sub-Saharan Africa, that are marginalised from the global market economy.

As the markets of the industrialised countries mature, we see the emergence of significant new actors in global business, notably China, India and Brazil, but also many others including Turkey, Russia, Mexico, Chile, Indonesia, Thailand and Malaysia. As development patterns diverge, we fear that poverty, especially in certain parts of the world (Africa, many countries in Latin America, in south Asia and in the Middle East) may become worse.

These patterns may bring significant social, political, economic and environmental costs. However, while these threats loom on the horizon, unprecedented opportunities exist. Technology and innovation can act as important drivers of global market development. Business models can evolve to capture the benefits of globalisation for both producers and consumers in emerging and developed markets. A global policy environment of inclusion and integration can foster sustainable growth and more equitable development patterns.

It is in this context that we see Doha as a landmark event, which can either intensify the threats or unlock the opportunities. The sweet rhetoric of the Doha declaration notwithstanding, what we have seen in recent years is that the Doha process has generated far more exclusion and disintegration.

We, therefore, call on policymakers and elected officials from industrialised and developing countries to demonstrate leadership as we head into Doha. Developed countries must eliminate harmful agricultural subsidies and tariffs. Developing countries must ensure greater transparency and more even distribution of wealth. Enlightened members of the business community must engage in the policy process.

We know that trade liberalisation is not a panacea for the world's economic problems, but we are also certain that the failure of Doha will exacerbate them. We

do not pretend that achieving inclusive and integrative growth is easy, but the alternatives are frightening.

The full list of signatories may be found at [www.ft.com/doha](http://www.ft.com/doha)