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STRENGTHENING THE GLOBAL TRADE SYSTEM



The Decreasing Interest of Business in the WTO: Why Should We Care and How Can We Solve It?

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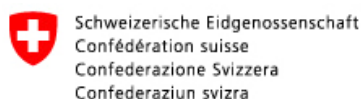
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ABSTRACT

The business community appears to have lost interest in the Doha Development Agenda (DDA) negotiations, the main reason being that the World Trade Organization (WTO) does not offer sufficient opportunities for business to get involved in its affairs in a meaningful way.

Another reason for the waning enthusiasm of business in the DDA is that new issues, which are of increasing importance for companies worldwide, are not part of the Doha agenda. Consequently, business representatives have been pushing policy-makers to explore venues other than the WTO to fulfil their trade policy needs. There has been a shift in lobbying efforts from multilateral trade deals to bilateral agreements.

If the WTO wants to reverse the trend of the business sector giving up on multilateralism, the organization needs to engage much more than it does at present with large and small businesses in developed and developing countries.

For an organization desperate for increased trust and confidence in its negotiating system, lack of support from the business community is bad news. The best way to ensure a more active and constructive involvement of the business sector with the WTO is to set up a system that enables the organization and business to interact much more systematically, and in a more structured manner than is currently the case.

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LIST OF ABBREVIATIONS

BAC	business advisory council
BBF	Bali Business Forum
BF	business forum
BIAC	Business and Industry Advisory Committee
DDA	Doha Development Agenda
ICC	International Chamber of Commerce
MC	Ministerial Conference
WTO	World Trade Organization

INTRODUCTION

It is widely acknowledged that the interest of the business community, and hence their willingness to invest time and resources, in the Doha Development Agenda (DDA) has eroded over time. The most obvious reason for this is the slow pace of World Trade Organization (WTO) discussions in general, and the lack of progress in the current Doha Round in particular. An additional reason for the waning enthusiasm of business in the DDA is that new issues, which are of increasing importance for companies worldwide, are not part of the Doha agenda. Partly as a result of these developments, business representatives have been pushing national policymakers to explore venues other than the WTO to fulfil their trade policy needs. Especially notable is the shift in lobbying efforts from multilateral trade deals to bilateral agreements (Davis 2009; Drezner 2006), as the latter take less time to negotiate and are usually shaped in such a way that they include more of the issues regarded important by the business community.

It is crucial for WTO to reverse this trend of decreasing business support for multilateralism, especially now. The head of WTO, Roberto Azevedo, has indicated that he is committed to finding a way out of the current impasse, and that there is a need to infuse trust and confidence into the WTO negotiating system. Putting in place arrangements that increase business involvement in WTO could play a critical role in re-energizing the Doha Round and making the organization more effective, and strengthening its legitimacy.

The rest of this think piece is structured as follows. The next section shows how far support of the business community for the DDA has eroded, and what has caused this. The following section discusses two possible ways to ensure a more active involvement of the business sector with the WTO—the establishment of a business forum (which should take place at the same time as the ministerial meetings) and a business advisory council. The conclusions are contained in the final section.

PROBLEM STATEMENT

It is clear to everyone who follows the DDA negotiations closely and talks to representatives of the business community that the interest of firms in the current trade round has diminished. Although it is difficult to measure the exact (lack of) commitment of business to the Doha Round, one can use the official participation of associations representing business interests during WTO Ministerial Conferences over time as a proxy (Figures 1 and 2). Figure 1 illustrates the development of total interest group participation (business, NGOs and labour unions) in WTO Ministerial Conferences in the 1996–2009 period. It shows that, after a peak at the Cancun Ministerial in 2003, the number of attending non-state actors decreased substantially.

Looking at the participation over time of each of the three earlier mentioned groups separately (Figure 2), we see that the attendance of business groups has gone down since Cancun.

The decreasing political activity of corporations and business associations in the Doha Round has been debated by academics and decision-makers. Some have argued that the lack of business interest in the DDA negotiations can be traced back to the satisfactory functioning of the WTO dispute settlement mechanism. That is, it may be that in a “number of countries, firms seem to have concluded that the technical, comparatively less public, disputes process offers better opportunities for their non-market strategy than supporting the negotiating process” (McGuire 2012, p. 332). It is, however, not very likely that there is a direct relationship between the use of the dispute resolution mechanism and support (or lack thereof) for the DDA. Dispute settlement provides sector- (or even company-) specific remedies that do not have broad applicability. Even what is probably the largest and most complicated case in its history—Boeing/Airbus—is of little interest to companies outside the aerospace sector.¹

Moreover, as Figure 3 reveals, the number of dispute settlement complaints has decreased, not increased, over time (with a record high of 50 complaints in 1997 and a record low of eight complaints in 2011), especially from 2003 onwards.

1

I thank Bill Reinsch for pointing this out to me.

Another often-heard explanation for the absence of business involvement in the Doha Round is that most of what matters to firms was achieved during the Uruguay Round. In other words, the decreased support of business for the DDA negotiations may be partly due to the fact that many firms nowadays take the free flow of goods and services for granted. Although it's probably true that complacency plays some kind of role here (mainly for developed country firms), this cannot explain why at first the interest of business in the Doha Round increased sharply. As Figure 2 shows, the attendance of business groups was high during the Cancun Ministerial (2003). It was only after the 2003 MC that the interest of business started to erode.

A more plausible explanation for the lack of business involvement in the Doha Round is that the business community sees the current round as a dead-end street and thinks that some of the new issues they care about most—such as digital trade, intellectual property rights protection,

issues related to state-owned enterprises, the functioning of global supply chains, and the increasing importance of electronic commerce—are not on the negotiating table at the moment. Why is the lack of business involvement a problem? For an organization desperate for increased trust and confidence in its negotiating system, lack of support from the business community (one of the groups most affected by decisions on global trade rules) is very bad news. If businesses have the feeling that their interests and concerns are not taken into account, they will not help to promote an understanding of the core principles of WTO, or invest resources in trying to overcome the current impasse. Moreover, by not engaging with business more, WTO is missing a great opportunity to tap the expertise and knowledge of the sector. The latter could help to enrich the nature and the quality of the information the organization receives, which in turn could help to solve some of the pertinent problems it faces at the moment.

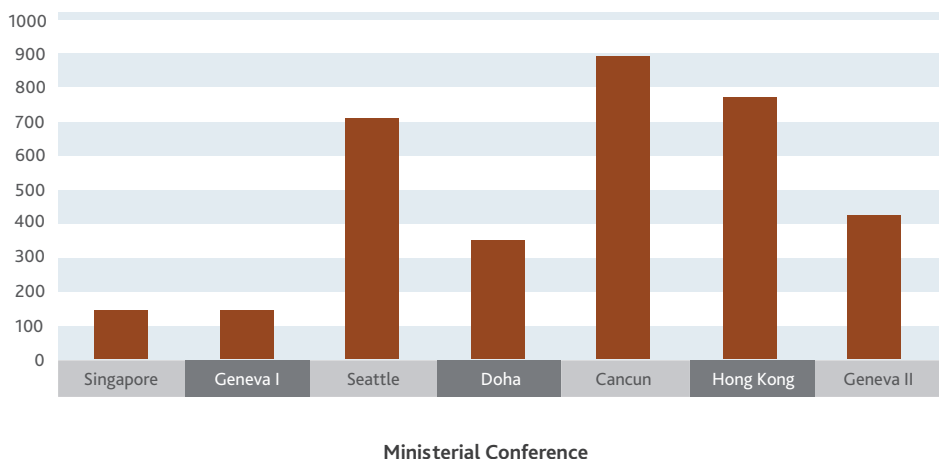


FIGURE 1:

Interest Group Participation During WTO MCs, 1996-2009

LEGEND:

Number of interest group

Source: De Bièvre and Hanegraaff 2011.

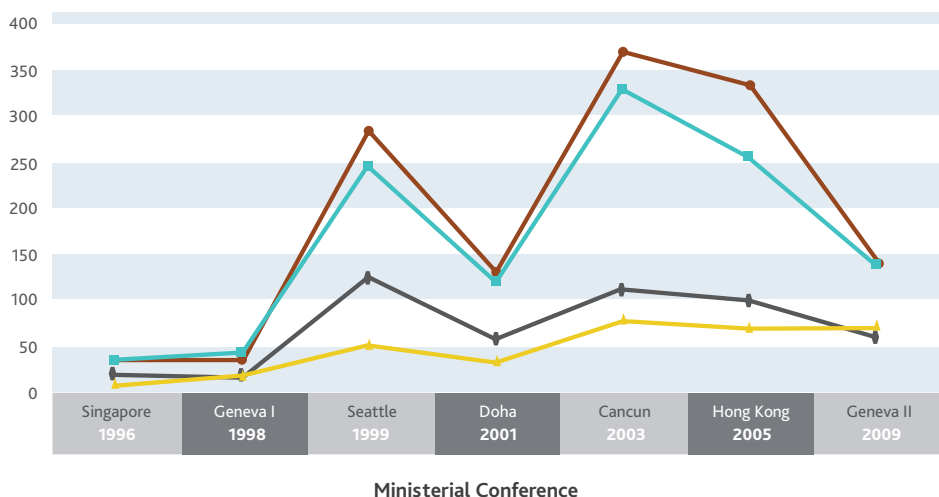


FIGURE 2:

Participation of Business, NGOs, and Labour Organizations at WTO MCs, 1996-2009

LEGEND:

Business
 NGOs
 Other
 Labour

Source: De Bièvre and Hanegraaff 2011.

RESPONSES

The best way to ensure a more active and constructive involvement of the business sector with WTO is to set up a system that enables WTO and business to interact much more systematically, and in a more structured manner than is currently the case. I suggest two ways in which WTO could try to accomplish this—a business forum (BF), and a WTO business advisory council (BAC). In the remainder of this section I will discuss both options. However, it is important to note that at present WTO is one of the few international/regional organizations that has no formal BF and/or a BAC. As Table 1 shows, most other organizations have at least one of the two, and in many cases, both. I have looked for inspiration at how the organizations mentioned in Table 1 have organised their BFs and BACs.

BUSINESS FORUM

The first idea would be to organise a formal BF at the same time as (or perhaps starting a few days earlier than) the Ministerial Meeting, where business leaders meet to share and learn from one another and advice the heads of state and government. The prime purpose is to present concrete suggestions to decision-makers. More specifically, like the B20 (an event organized during the G-20 meetings), "its main purpose consists in developing recommendations and issuing relevant commitments from the business leaders and business organizations to deal with nowadays issues."² Ideally, it will function as a reality check for governments, since they need business sector support for the negotiations as well as for the ratification of the results agreed.

The practical organization of the BF should be a joint initiative by the WTO secretariat and representatives of the business community. The International Chamber of Commerce (ICC) is a possible candidate to coordinate the work on the business side. The ICC, or a steering group composed of important business representatives, should be responsible for the content

of the programme and for inviting all participants. Presidents of business associations/chambers of commerce, preferably of all WTO members (or at least of all regions of the world), as well as chief executive officers (CEOs) and chairmen of a selected number of global companies from developed and developing countries should be present at the forum.

During the forum, members of the business community will meet in a number of thematic working groups, which could, for instance, be chaired by a company CEO and a president of a business organization, and come up with concrete recommendations. These proposals will be presented to the heads of state and government and should be addressed in the final conclusions of the Ministerial Meeting. Throughout the entire forum, there should be regular meetings between the participants and high-level government representatives.

I am well aware of the fact that many business representatives are sceptical when it comes to these types of forums. They are often seen as big show-off events, without much substance, during which business usually has no possibility of getting in touch with high-level decision-makers. That is why it is of utmost importance that the meetings have substance, are well structured, well prepared (that is, have a clear agenda), and that business is able to provide high-level input to the deliberations of the ministers, especially when it comes to 'agenda setting.' The forum should give the business community a possibility to be heard. Business would not appreciate, and therefore not participate in, a discussion of "done deals." Business should have a chance to have an interactive discussion with negotiators/ministers.

A promising first step on such a BF has already been taken. The ICC, the Evian Group, and the International Centre on Trade and Sustainable Development (ICTSD) organized a one-day event during the Ministerial Conference in Bali—the Bali Business Forum (BBF). Besides discussing the key issues on the international trade agenda, a key objective of the BBF was to identify "ways for the private sector to be more effectively engaged in WTO activities."

2 | See <http://www.b20businesssummit.com/b20/>, last retrieved 25 July 2013.

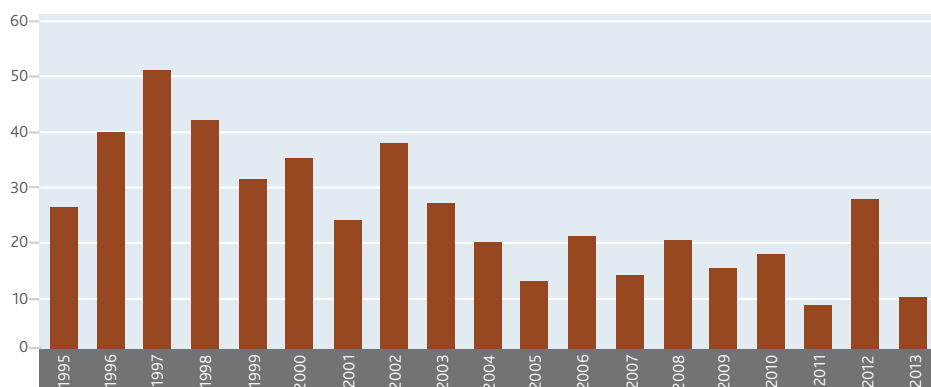


FIGURE 3:
Total Number of WTO Dispute Settlement Cases Per Year, 1995–2012

LEGEND:
■ Number of Complaints

Source: WorldTradeLaw.net. Figures for 2013 last updated on 31 July.

BUSINESS ADVISORY COUNCIL

A more far-reaching, and perhaps more controversial, proposal is to establish a WTO BAC. The BAC could promote the interests of the business community by engaging, understanding, and advising the WTO Secretariat and WTO Members on a broad range of issues. Ideally the BAC and the BF would be complementary, —that is, organizing the BF could be one of the key activities of the BAC. Other activities the BAC could undertake are:

- identify priority areas for consideration by WTO and its Members;
- advise on setting the agenda for the Ministerial Meetings;
- provide policy recommendations to WTO and its Members;
- provide WTO and its members with timely information on WTO policies and their implications for business and industry; and

- respond when the various WTO forums request information about business-related issues or to provide the business perspective on specific areas of cooperation.

Of course, the practical organization will be much more challenging than in case of the BF, and many key obstacles have to be overcome. Establishing a full-fledged BAC could take some time and should probably be seen as an incremental long-term process. A first step could be to indicate some key areas of interests and set up working groups that could meet regularly (and/or have an online platform for discussion). One option would be to start with meetings during the BF and, just like with the BF, the ICC could facilitate and organize this. Meetings can gradually become more regular and should ideally not be held at the same location every time. After the initial step of establishing working groups and organizing regular meetings, the BAC can be formalized step by step. The level of formalization is something that can be decided along the way. It is questionable if the BAC needs a formal secretariat in Geneva, but there should at least be some kind of coordinating body. It could be useful in this regard to compare the structures of the existing advisory councils mentioned in Table 1.

TABLE 1:

Overview of International Organizations with an Advisory Council and/or a Business Forum/Dialogue

Organization	Advisory council	Business forum/dialogue
African Development Bank (AFDB)	Private Sector Liaison Officers (PSLO) Network (See World Bank Group)	
Asian Development Bank (ADB)	Private Sector Liaison Officers (PSLO) Network (See World Bank Group)	
APEC	The APEC Business Advisory Council (ABAC)	APEC CEO Summit
ASEAN	ASEAN Business Advisory Council (ASEAN BAC)	ASEAN Business forum
European Bank for Reconstruction and Development (EBRD)	Private Sector Liaison Officers (PSLO) Network (See World Bank Group)	
G20		The Business 20 (B20) and Labor Union 20 (L20)
International Monetary Fund (IMF)		Civil Society Policy Forum (organized together with WBG)
MERCOSUR		Mercosur Business Forum
OECD	The Business and Industry Advisory Committee to the OECD (BIAC)	The OECD Forum
UNEP	Strategic Approach to International Chemicals Management (SAICM), for example	Business and Industry Global Dialogue
World Bank Group (WBG)	Private Sector Liaison Officers (PSLO) Network. Coordinated by the WBG Enterprise Outreach Services (EOS)	Civil Society Policy Forum (organized together with the IMF)

Another key question is who should become a member of the BAC and who appoints the members. Most organizations with a business council have a structure in which the Member States decide about membership of the council, and usually one (or more) business representative(s) of each country is/are included. However, all these organizations are much smaller than the WTO. In the case of WTO, with its 159 members, the question is whether it is feasible and practical to have a member of each country included. If indeed each country can “nominate” one member, it makes most sense to include the major business organisations of each country. Like in the BIAC, it is possible to also include some supranational business organisations. Alternatively, one could think of a structure with regional representation. Whatever structure is chosen, it is crucial to ensure that representatives of businesses in least developed countries, as well as SMEs, are not sidelined.

CONCLUSIONS

In this think piece I have argued that the business community has lost interest in the DDA negotiations mainly because WTO does not offer sufficient opportunities for business to get involved in WTO affairs in a meaningful way. Engaging the business community more in the work of WTO is important, as it could help to solve the challenges WTO faces today. If WTO wants to reverse the trend of the business sector partly turning its back on multilateralism, it seems vital for the organization to engage much more than it does at present with large and small businesses in developed and developing countries.

At the moment, business has the opportunity to get engaged in WTO affairs. The organization arranges a number of outreach events in which it engages with business, such as briefings for non-state actors on WTO council and committee meetings, plenary sessions of ministerial conferences and symposiums on specific issues, which representatives from the business sector and other non-state actors can attend, and the annual public forum, which the organization has been hosting since 2001. In addition, industry lobbying within the WTO takes place on a large scale during WTO trade rounds (Poletti 2012) and dispute settlement cases (Eckhardt and De Bievre 2013, Shaffer 2003). However, despite efforts by the organization to engage with the business community and the fact that industry lobbying is widespread in WTO affairs, the multilateral trading system still lacks, in the words of Deere-Birkbeck (2012, p. 123), “adequate routine mechanisms and processes for the constructive engagement of stakeholders, whether from unions, nongovernmental organizations, academia, or the business sector, in ways that feed into decision-making processes to ensure trade rules respond to public concerns and expectations.”

I have suggested two concrete initiatives that could increase business involvement: a business forum and a business advisory council. Of course, this will not solve all problems WTO is facing at the moment or immediately lead to an increase in business support for the DDA. But the business community will definitely appreciate the effort and be willing to listen and contribute to any effort taken in this direction. After all, business representatives have indicated time and again that, despite the problems of the last 10 years or so, they still see WTO as an important institution that deserves their full attention and support.

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