

# 11.9 Should Not be Defeated by 9.11

By Noboru HATAKEYAMA

Ten years ago, on 9.11, terrorists destroyed the World Trade Center in New York. At that time the World Trade Organization was considering holding its ministerial meeting for the first multilateral trade negotiations since its establishment in 1995. There were opinions opposing this meeting because of 9.11. However, the then leaders of the world decided to start the Doha Development Round because, if it had not started, it would have meant that the market economy had virtually been destroyed by terrorists. The aim of the terrorists in destroying the World Trade Center buildings in New York was not only to destroy the buildings physically but also to destroy capitalism as symbolized by those Twin Towers. It was also said that the terrorists got their instructions from Osama Bin Laden, who was killed last May by US forces. The Doha Development Round started from 11.9 ten years ago. This date is easy to remember because it is the figures of 9.11 in reverse. These two challenges, namely two wars and the DDA, have not yet been resolved on their respective ten-year anniversaries.

Let's assume that 9.11 represents progress toward world security and democracy.

Then, we can see lots of progress on the 9.11 front. People on the streets in Tunisia and Egypt have started expressing dissatisfaction with their leaders who were in those positions for too many years, and successfully ousted them in Tunisia, Egypt and Libya. Regarding the DDA, which has made less progress, we may see the first fiasco in multilateral trade negotiations called a certain round such as the Tokyo Round or the Doha Round. Like people on the street in the Middle East, we have to have the courage to face reality.

Today, negotiations for FTAs are more active in the world than multilateral negotiations.

We have to acknowledge this solemn fact and establish policies geared to this change. I have two modest proposals to advance progress.

First, there must be a division of labor between the WTO and FTAs. Formally, the WTO has at least two functions: the legislative function and the judicial function. Of these two, part of the legislative function should be conceded to FTAs.

Then the WTO's main role will be its judicial function, carried out by the dispute settlement panel and appellate body. The WTO's legislative function will only work in the case of FTAs not being available. In this regard rules and tariff concessions

negotiated in Geneva will become marginal and subsidiary. In order to clarify this aspect, we have to amend the WTO rules by incorporating, if necessary, part of the rules in the FTAs, with the final judge being the appellate body of the WTO. Even if the role of the WTO is thus qualified, it will continue to be very important.

My second proposal is to approve product- or service-specific FTAs enjoyed by members only, not necessarily based on MFN in principle. Let me explain how I reached this provocative proposal. The reasons that the DDA negotiations have been stagnant are: 1. there are too many members in the negotiations, and 2. their scope is too wide. Therefore, we have to reduce the number of members by limiting them to a group of like-minded countries (LMC) and narrow the scope by allowing them to pick up specific items in the FTA.

The problem of 1. above is resolved by choosing an FTA instead of the WTO. The problem of 2. above has been solved thus far by extending such outcomes as tariff elimination of a specific item to non-members also. A typical example of LMC is the Information Technology Agreement (ITA) concluded in 1996.

However, my proposal is to limit the beneficiaries of tariff elimination of a specific product or deregulation of a specific service to members only. This is an outrageous idea and there may be many side-effects that have not been noticed yet. The main reason that we have not had such LMC thus far is because they would enable one member to discriminate against other members, leading to a situation that could create an economic bloc. Therefore, if we approve such discrimination, we need to have a clear article in the WTO rules with certain rather severe conditions. Those conditions would be, for example, 1. a country wishing to join such LMC should be admitted for sure, 2. the period when non-MFN is allowed would be limited to the first five years and then MFN should be applied, 3. those liberalization measures already taken before on an MFN basis should be kept at least as they are, and 4. tariffs to be decided as a result of the negotiations on specific products should be made 100%-zero immediately instead of admitting an interim period for ten years. Regarding services, we have to come up with an equivalent discipline. **JS**

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