

Scapegoat for failed domestic policies

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Sir, The letter signed by 142 civil society organisations (November 15) was good in that it highlighted some facts and problems currently facing the world. But it was wrong to make global trade a scapegoat for domestic policy failure. Most of these problems arise from domestic unwillingness and incapacity to respond to the opportunities and challenges that trade liberalisation brings.

Drawing from history, trade is the single most important means to improve productivity and investment efficiency, satisfy consumption preferences, increase technology innovation and extend its life cycle, enhance multicultural exchange and harmony, and contribute to the international interdependency that is crucial for security.

There are no such things as winners or losers arising automatically from trade liberalisation; those who do lose are those who are oblivious to change. Policy matters. For an economy, you can win if you are well prepared and continuously gearing up; and you lose if you are not. The east Asian tigers have been good models to that effect.

Unfortunately, despite the huge benefits they have enjoyed, leading developed economies are reluctant to undertake substantial domestic policy reforms. The agricultural subsidies in the European Union, the US and Japan are astonishingly high. Notwithstanding a decade adjustment period for free textile trade, the EU and US are still blaming liberalisation for job losses in the textile industry and crying for discriminatory treatment against textile exports from China and other developing countries. Beyond manufacturing, there are also concerns among some industrial groups about outsourcing in the services industry to developing countries.

Currently, selective trade liberalisation by the EU and US is endangering trust in the multilateral system among developing countries. A widespread sentiment is arising from the failure of the negotiations and recent ministerial meetings that developed countries are only intent on manipulating the World Trade Organisation as a tool to open overseas markets but protect their domestic markets.

This policy will damage the interests of developed countries in three aspects. First, a growing trade protectionist mentality in the north will make developing countries more reluctant to open their own markets. Second, the developing countries' attempts to benefit from global trade and economic growth will be hindered so that market opportunities in developing economies hence will diminish. Third, protectionism is so infectious that both developing and developed countries might retreat to beggar-thy-neighbour policies, which could develop into an economic scenario reminiscent of the Great Depression.

The EU and the US should undertake more robust domestic reforms and upgrade their economic structures, including by opening further to international competition, and helping people to adjust through training programmes.

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