



World Business Council for  
Sustainable Development

### A call to action

Geneva, 30 June 2006 - The Doha Round of trade negotiations must be brought to a successful conclusion that lives up to the promise that trade liberalization should help drive development as agreed by governments when they began discussions in 2001; and meets the commitment by developed country governments to liberalize in those areas that will help developing countries achieve the Millennium Development Goals.

We are members of the World Business Council for Sustainable Development (WBCSD), a group of leading international companies that share a commitment to the principles of sustainable development through economic growth, ecological balance and social progress.

For some years now, many WBCSD members have been doing business with low-income communities in the developing world in ways that benefit the communities and benefit the companies. This is real business, not philanthropy, for only real business can flourish and have a lasting impact on sustainable development.

In some developing countries these efforts may be restricted by poor framework conditions, e.g., inadequate systems of finance, credit, laws and property rights. Therefore, at the United Nations 2005 World Summit, we issued a report that called upon policy makers to promote strong regulatory and legal frameworks, build the capabilities of local enterprises and improve core infrastructure.

Having encouraged the governments of some poorer countries to improve, we feel that we must also call upon the governments of wealthier countries to improve that most important framework condition: the international trading system.

Whilst there has been significant progress in creating an effective international trading system, there are still too many countries that are disadvantaged by the present regime. Governments could do much more to ensure the trading regime promotes sustainable economic growth throughout the developing world.

For example, the import tariffs imposed by developed countries on manufactured products from developing countries (that can be 10 times higher than those imposed on similar goods from other developed countries), render the developing countries non-competitive and force them to rely on maximizing production of primary resources. This encourages over production, often stressing the environment and depressing the prices of the very commodities they are producing, it prevents the development of higher value products, it restricts employment growth and it limits diversification of the economy.

The challenge goes both ways...

As business leaders we are being asked more and more by governments, the World Bank, the United Nations, etc. to play a more active and focused role in helping poorer countries develop. While there is a will to do so, the business opportunities are limited while governments insist on maintaining barriers to economic development in the form of tariffs and subsidies that help the world's richer nations compete even more successfully against the world's poorest.

There is a lot at stake...

By 2050, 85% of the planet's population will live in what we call "developing countries" today. If these people are not engaged in the global marketplace, neither our companies nor the world economy will be able to prosper.



And everyone stands to benefit from this. World Bank President Paul Wolfowitz estimates that full liberalization of trade could generate US\$300 billion a year in additional production for the world economy; developing countries would gain about one-third of this.

Such estimates are changing frequently. But they are not really the point. The point is that the Doha Round is an acid test of whether developed country governments are committed to helping developing countries achieve the Millennium Development Goals (MDGs).

What needs to be done...

Freer, fairer trade is a necessary condition for development but it is no panacea. Trade liberalization can lead to long-term economic growth, but as EU Trade Commissioner, Peter Mandelson puts it, "this depends on many different factors such as the capacity of the existing businesses to move up market or a region to integrate and establish new sources of competitive advantage." Many countries will require capacity building, technical assistance and financial assistance to take advantage of a new trade regime. It is encouraging that the WTO (Aid for Trade), EU (Trade Sustainability Impact Assessments), and the Investment Climate Facility for Africa have implemented programs to address some of these issues. We encourage more such initiatives.

A call to governments to act...

At the UN Millennium Summit in 2000, world leaders committed to reducing poverty by half by 2015 and added the goal of "an open, rules-based, predictable, non-discriminatory trading and financial system". In 2002, at the Monterrey Conference on Financing for Development, world leaders agreed to a new partnership between rich and poor nations to spur development. Progress so far has been slow.

Recent studies indicate that the key economic gains for developing countries will come from progressive liberalization of trade in industrial goods and services. Yet the political issues around domestic support to agriculture and export subsidies are diverting attention from this important area.

The World Trade Organization (WTO) is a trade negotiating body, where national trade negotiators "negotiate" the terms of the Doha Development Round. We believe that presidents and prime ministers must take the lead in ensuring that the negotiations deliver the agreement as promised.

Now is the time for governments to act so that business everywhere might play its role of being the engine of sustainable economic growth.

***Signatories:***

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