

## **A View from the Host Country Government**

I am delighted to have been invited to contribute to *The Road to Bali: ERIA Perspectives on the WTO Ministerial and Asian Integration*. This publication brings together the views and analyses of pre-eminent thinkers on trade and economics from across our region, and makes a significant contribution to our collective understanding of the WTO and its relevance to Asian countries.

In December 2013, Indonesia will host the Ninth WTO Ministerial Conference (MC9) in Bali, Indonesia, potentially one of the most important events in the WTO's history. We stand on the brink of an historic achievement. Success in Bali promises to deliver the first concrete outcomes as part of the WTO's Doha Development Agenda (DDA), under which negotiations in Geneva have failed to deliver any tangible progress since the launch of the DDA in 2001.

After more than 12 years of painstaking and at times acrimonious negotiations, the business community has lost faith in the ability of WTO Members to agree to reforms to the multilateral trading system. Now, under Indonesia's leadership, MC9 finally offers an opportunity to harvest real outcomes for the global economy and in particular for developing countries. Moreover, a modest yet credible package of agreements in Bali has the potential to rebuild confidence in the WTO as an institution and to reinvigorate its role as the pre-eminent forum for negotiating new trade rules.

Asia has a lot to gain from a successful MC9, particularly if it acts as a stepping stone to the conclusion of the broader DDA. It is estimated that the successful conclusion of all aspects of the DDA could boost world trade by around US\$360 billion, a potential gain that far exceeds those offered by the current proliferation of bilateral and regional free trade agreements (FTAs). In contrast to preferential trade deals, WTO rules automatically apply to all members, whereas to obtain the benefits of FTAs, businesses must meet specific rules and requirements that vary from one agreement to another. Multilateralism is the most effective way to ease the regulatory burden on businesses stemming from the increasingly complex "noodle bowl" of Asian FTAs.

While we are still some way from concluding the broader DDA, a successful "Bali package" of outcomes offers significant real-world benefits. An agreement on trade facilitation alone could boost the world economy by 40 billion US dollars, even if it

only results in a one percent reduction in the global costs of trading. Two thirds of this benefit would flow to developing countries. In addition, agreement at MC9 could see a relaxation in the rules that restrict developing countries' ability to use public stockholdings of agricultural products to tackle issues of food security and rural poverty – issues of great importance to Indonesia and countries across the Asian region. Development issues will also feature prominently at MC9, with least developed countries set to benefit from increased access to developed country markets for goods and services.

Together, Asian countries have become the economic engine of the world, contributing around 40 per cent of global growth in 2012. Asia's share of world trade has risen from around 13 per cent in 1960 to over 30 per cent in 2011 and, as the world's 15th largest economy, Indonesia has been at the forefront of Asia's success. By 2020, the share of global consumption in Asia's rapid growth markets (China, Hong Kong, Indonesia, Malaysia, Singapore, South Korea, Taiwan, Thailand and Vietnam) will rise to 25 per cent, up from 14 per cent in 2010. Over the next decade, Asia will become the world's fastest growing consumer market, driven by a growing middle class that will push up demand for increasingly sophisticated goods and services. Developing countries are now the biggest market for developing country exports, more than three quarters of which come from Asian countries.

Despite these promising forecasts, Asian countries, including Indonesia, cannot afford to become complacent. Much of Asia's dynamism is built on the increasing economic integration, trade and investment links that grow stronger year by year. Yet there remains scope for deeper integration. Part of the challenge is to utilize the multilateral trading system, with the WTO at the helm, to advance regional economic integration. In this context, *Road to Bali* offers many valuable insights into the nature of the DDA, the significance of MC9 and its broader implications for the Asian region.

I offer my sincere thanks to the editors and authors for their intellectual inputs into the challenging task that lies before us.

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November 2013