Doha Development Agenda (DDA) 
state of play

6th ARTNet Capacity Building Workshop for 
Trade Research 
Vientiane, 21 June 2010
Outline

• Introduction
• Principal elements of the DDA
• State-of-Play in the negotiations
• The process ahead
• Why we need a successful Doha Round
• Beyond Doha
  – Future challenges to the international trading system
What do we need trade agreements and multilateral negotiations for?

• Modern rationale for trade agreements
  – Avoid the prisoners’ dilemma of a terms of trade war (Bagwell and Staiger, 2002)

• Rationale for periodic rounds of negotiations
  – Trade cooperation is dynamic and characterized by continuing negotiations (Klimenko et al, 2008)
  – Continuing negotiations involving deeper commitments and expansion of areas of trade cooperation
Government motivation

• Several assumptions are possible:
  – Governments maximize economic welfare
  – Governments are mercantilistic (“exports are good and imports are bad”)
  – Governments are hostage to vested interests (Helpman and Grossman, 1994)

• Approach taken
  – Governments try to maximize economic welfare but face political constraints - need to alleviate concerns of import competing sectors and to cultivate support of export sector (Baldwin, )

• Implications
  – Delicate balancing required (“offensive” and “defensive” interests) but not in all cases
Background to Doha

- Multilateral round of negotiations launched in November 2001 in Doha
  - Doha Declaration (WT/MIN/(01)/DEC/1)
    - Negotiation mandates + other work = Doha Development Agenda
- Ninth round of negotiations since founding of GATT in 1947
- Background: limits of Built-in-Agenda, Seattle failure (in 1999) and attacks of 9/11
Principal elements of the DDA

• Greater liberalization, strengthening of WTO rules and inclusion of new areas of cooperation
  – Agriculture (cotton subsidies added in 2003)
  – Non-agricultural Market Access (NAMA)
  – Services
  – Trade Facilitation (added in 2004)
  – Special and Differential Treatment for developing countries
  – WTO Rules (anti-dumping, countervailing duties, safeguards and fishery subsidies)
  – TRIPS (Register for GIs on wines and spirits)
  – Trade and Environment
  – Dispute Settlement Understanding (outside single undertaking)

• DDA is a “single undertaking”
Single undertaking and “balance”

<table>
<thead>
<tr>
<th>SECTORS</th>
<th>US</th>
<th>EU</th>
<th>Japan</th>
<th>China</th>
<th>India</th>
<th>Brazil</th>
<th>South Africa</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agriculture</td>
<td>D</td>
<td>D</td>
<td>D</td>
<td>D</td>
<td>D</td>
<td>O</td>
<td>O</td>
</tr>
<tr>
<td>NAMA</td>
<td>O</td>
<td>O</td>
<td>O</td>
<td>D</td>
<td>D</td>
<td>D</td>
<td>D</td>
</tr>
<tr>
<td>Services</td>
<td>O</td>
<td>O</td>
<td></td>
<td></td>
<td></td>
<td>D</td>
<td>D</td>
</tr>
<tr>
<td>Facilitation</td>
<td>O</td>
<td>O</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Development</td>
<td>O</td>
<td>O</td>
<td>O</td>
<td>O</td>
<td>O</td>
<td></td>
<td>O</td>
</tr>
<tr>
<td>Rules</td>
<td>D</td>
<td>O</td>
<td>O</td>
<td></td>
<td>O</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Environment</td>
<td>O</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Legend: O – offensive, D – defensive
... but not always

- LDCs – require flexibility in undertaking new commitments but want more market access for their exports (“duty free, quota free”)
- Africa, Caribbean and Pacific (ACP) countries – concerned that preferences received from EU may be eroded by DDA
- Recently acceded members (RAMs) – feel that they have already opened up considerably in their accession to the WTO and do not want to make more concessions under the DDA
- Duty-free city states Singapore and Hong Kong are strong supporters of DDA
Agriculture - Key Issues

• Reform in three principal areas:
  – Domestic support (tiered reduction in support)
  – Market access (tiered reduction formulas)
  – Export subsidies (elimination of all export subsidies)

• The fundamental trade-off:
  – Cuts in domestic support (advanced countries) in return for market access (developing countries)

• Flexibilities from tariff reduction commitments:
  – Sensitive Products (largely for developed countries)
  – Special Products exclusively for developing countries

• Special Safeguard Mechanism (SSM) for developing countries

• The magnitude of the cut in cotton subsidies
Special safeguard mechanism

• Allows a developing country to increase its duty on agricultural imports if there are import surges or price falls:
  – Import volume trigger: if import volume increased by at least 110% of base level
  – Price trigger: if c.i.f. import price falls below a price equal to 85 per cent of the average monthly MFN-sourced price

• Key disagreement:
  – by how far can the duty be increased (could it breach pre-Doha rates)?
NAMA – key issues

• Tariff reduction principle: highest rates get cut more (use of Swiss formula)

• Flexibilities to deviate from formula, e.g.
  – Proposed coefficients of 20, 22 and 25. At 20, countries apply half the formula cut on 14% of tariff lines or no cut to 6.5%. With 22 it would be 10% with half cut and no cut with 5%. No flexibility with 25
  – Additional flexibilities to some countries (e.g. South Africa)

• Sectorals for deeper market access– voluntary, but some see as potential solution to higher coefficients. Basically creating duty free sectors
  – automotives, bicycles, chemicals, electronics/electrical, fish and fish products, forest products, gems and jewellery, hand tools, healthcare, industrial machinery, raw material, sports equipment, textiles, clothing & footwear, toys)
NAMA – formula approach

• Agreed Swiss formula for (bound) tariff reductions:

\[ t_1 = \frac{8 \times t_0}{8 + t_0} \quad \text{for developed countries} \]
\[ t_1 = \frac{a \times t_0}{a + t_0} \quad \text{for developing countries} \]

Where:
\[ t_1 = \text{final bound duty} \]
\[ t_0 = \text{base rate of duty} \]
\[ a = \text{coefficient applicable to developing countries (choice of 20, 22 or 25)} \]

Note: coefficient is equal to maximum level of final bound duty
Swiss formula
Services - Key Issues

• Limited traction in negotiations
  – done bilaterally or request-offer method (around 30 countries active in the negotiations)

• Not a North-South Issue
  – Mode 4 demands by developing countries in such areas as IT, accounting, etc.
  – Developing country financial institutions increasingly global

• Given the importance of services in the world economy, this area seen by many as integral part of a break-through package

• Sequencing/links with Agriculture and NAMA modalities
Development Dimension - Key Issues

• Agreement specific S&D proposals totalling 88. Three categories -- 32 agreed.

• Special and Differential Treatment – included in every segment of the negotiations;

• Capacity Building/Aid for Trade

• Trade Facilitation formula for linking implementation to reception of technical assistance
From Doha to today

• After Hong Kong Ministerial Conference little appetite for another negotiation style meeting.
• While important results at Hong Kong on agriculture, TRIPS etc. Members only inching slowly closer to agreement. Some negotiating fatigue.
• July 2008 mini-ministerial nearly produced an agreement on “modalities” but stumbled over the issue of the special safeguard mechanism in agriculture.
• World Leaders at G20 meetings have called for 2010 conclusion. Now longest multilateral negotiation ever.
**CURRENT NEGOTIATIONS**

Pre-history (before UR): only goods

1995 Uruguay Round agreements,
new WTO: goods, services, intellectual property

Now: revised rules
new commitments

2000 Agriculture, services talks start March

2001 Doha Agenda launched November

2003 Cancún ministerial fails September
2004 Frameworks 1 August

2005 Hong Kong ministerial Dec
2006 talks suspended 24 July ...
2007 talks resume 31 January

2008 – July Mini-Ministerial fail

Future: rules revised again, more commitments

2010 March stocktaking
Why has it been so difficult?

- The issues
  - large number of issues
  - complexity
- The level of ambition
  - Too much for some
  - Too little for others
- Decision-making process
  - Consensus (153 members)
  - Single Undertaking
- Complications arising from economic crisis
The political economy of Doha: US

• New administration has many important issues on its plate: health reform, financial reform, immigration and climate change

• Mid-term elections coming up

• International economic front
  – China currency issue
  – A number of already concluded FTAs have stalled in Congress (Colombia, Panama and Rep. of Korea)
  – Welcome (?) sign of trade interest is Pres. Obama’s announced goal (State of the Union speech) to double US exports in five years
Developing country interests - not one size fits all

- Solidarity among developing countries, but differences clear: LDCs, SVEs, emerging economies, newly acceded countries.

- Divide among developing countries:
  - Preference erosion (e.g. ACP countries)
  - Agricultural exporters (Brazil) vs Importers (India)
  - Those seeking ambitious outcome in manufacturing/services versus those who take a more defensive position
  - Newly acceded countries
What Next?

• 80% of technical negotiation done, but Agricultural and NAMA “Modalities” still bogged down; Services also progressing slowly.
• Economic crisis in 2008-9 saw first contraction (12%) in global trade for 50 years, some protectionist measures;
• ...but crisis focused minds of WTO Members on other roles of the Multilateral Trading System – e.g. monitoring;
• Ministerial Conference in Nov/Dec 2009 discussed crisis, but not specific outcome;
• AT MC7 WTO Members focused on 2010 as deadline, but will be difficult;
• March 2010 stocktaking – some technical progress, but key political will absent.
• G20 in Canada June 26-27 – focus likely on international financial system and reform
Why is it necessary to successfully conclude the Round?

• Positive welfare benefits
  – There are gains globally, although they are not particularly large
  – Emerging Asia appears to be a winner

• Positive boost to global economic recovery

• Antidote against protectionism
Estimates of welfare gains

- Some latest estimates from major institutions
  - IFPRI (Mirage): $59 billion (0.09% change)
  - CEPII (Mirage): $57 billion (0.08% of GDP)
  - Peterson Institute: $114 billion
  - World Bank (Linkage): $96.1 billion (0.23% of GDP)
  - Carnegie: $58.6 billion (0.14% of GDP)
- **Bottom line**: there are global gains but they are not spectacularly large
- However, these estimates do not include gains from services, trade facilitation and strengthening of WTO rules
- Furthermore, these estimates may understate the true gains from the DDA since a successful round can constrain protectionism
  - IFPRI calculates that if countries resorted to protectionism (by increasing their applied tariffs to the bound rates), global welfare falls by $353 billion.
## Impact on Emerging Asia

### USD Billions

<table>
<thead>
<tr>
<th>Country</th>
<th>(A)</th>
<th>(B)</th>
<th>(C)</th>
</tr>
</thead>
<tbody>
<tr>
<td>ASEAN</td>
<td>-</td>
<td>-</td>
<td>5.7</td>
</tr>
<tr>
<td>Asian NIEs</td>
<td>-</td>
<td>3.8</td>
<td>-</td>
</tr>
<tr>
<td>Bangladesh</td>
<td>-0.1</td>
<td>-0.1</td>
<td>-</td>
</tr>
<tr>
<td>China</td>
<td>1.7</td>
<td>14.5</td>
<td>-0.8</td>
</tr>
<tr>
<td>India</td>
<td>2.2</td>
<td>3.1</td>
<td>2.4</td>
</tr>
<tr>
<td>Indonesia</td>
<td>1.0</td>
<td>0.9</td>
<td>-</td>
</tr>
<tr>
<td>Japan</td>
<td>23.7</td>
<td>8.0</td>
<td>11.1</td>
</tr>
<tr>
<td>Korea</td>
<td>-</td>
<td>-</td>
<td>3.4</td>
</tr>
<tr>
<td>Korea &amp; Taiwan</td>
<td>15.0</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Rest of ASEAN</td>
<td>-</td>
<td>2.6</td>
<td>-</td>
</tr>
<tr>
<td>Rest of South Asia</td>
<td>-</td>
<td>0.4</td>
<td>0.4</td>
</tr>
<tr>
<td>Singapore &amp; Hong Kong</td>
<td>1.5</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Taiwan</td>
<td>-</td>
<td>-</td>
<td>1.5</td>
</tr>
<tr>
<td>Thailand</td>
<td>2.0</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Viet Nam</td>
<td>-0.5</td>
<td>2.4</td>
<td>-</td>
</tr>
</tbody>
</table>

### Sources:

(A) Anderson, Martin and van der Mensbrugghe (2005), Table 12.10.

(B) Polaski, S. (2006), page 98.

Trade policy response

• Overall assessment of trade policy response (WTO-OECD-UNCTAD) :
  – “We have not observed widespread resort to trade or investment restrictions as a reaction to the global financial and economic crisis” (September 2009)
  – “There has been no indication of a significant intensification of trade or investment restriction since the last Report to the G20 in September 2009. .” (March 2010)

• This is not to say that there has been no increased trade restrictions
  – AD initiations increased by 28% between 2007-2008

• Rising unemployment suggests the need for vigilance
WTO monitoring mechanism: the coordination problem

• WTO monitoring solves a coordination problem.
• If all trade partners of a country resist protectionism, its best response is also not to restrict trade. (Outcome 1)
• If, however, all trade partners of a country are imposing trade restrictions, the country’s best response is also to impose protection. (Outcome 2)
• For all countries, outcome 1 is preferable to outcome 2.
• If countries are unable to communicate or coordinate their actions, they may end up in outcome 2 instead of the preferred outcome 1.
Illustrating a coordination problem

<table>
<thead>
<tr>
<th></th>
<th>Country 2</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2</td>
</tr>
<tr>
<td>1</td>
<td>No protectionism</td>
</tr>
<tr>
<td>No protectionism</td>
<td>2, 2</td>
</tr>
<tr>
<td>Protectionism</td>
<td>0, 0</td>
</tr>
</tbody>
</table>

Country 1
Lessons and questions for the future?

• Many new trade issues beyond Doha
  – Legacy measures from global crisis (bailouts, subsidies)
  – Rising price of food, agriculture and natural resources; border adjustment measures and climate change, etc.

• Is this the last comprehensive multilateral negotiation?

• What if Doha does not conclude by 2010? Do we move on or do we continue with Doha negotiations?
  – Answer 1: A decade spent on Doha is enough. Let us move on to address new challenges.
  – Answer 2: If international cooperation to conclude Doha is lacking, why do we think we shall have enough to deal with more difficult future challenges
Research issues

• Doha related questions:
  – How can we model and measure the gains from Doha that involves changes to WTO rules?
  – How will countries in the Asia-Pacific region be affected?

• Crisis-related questions
  – Global rebalancing and Asia Pacific region (including exchange rate question)
  – What changes in trade patterns – intra-AP and extra-AP – are we likely to see in the aftermath of the crisis?
  – To what extent are the crisis responses likely to lead to trade conflicts in the future?

• Forward looking issues
  – Where to Asian regionalism?
  – Climate change and trade restrictions