Trading System under Duress: Towards a Post-Doha Agenda

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May 25, 2009
Key points for discussion

- Forces in the global economy are compelling a revisions of governance of the trading system

- Doha marks a turning point, but its fate is far from decided

- Even if the DDA success, the post-Doha ways of negotiating, the topics chosen, and the WTO itself will have to change
World markets are rapidly becoming integration and developing countries -- BRICS – are major players

Exports from developing and developed countries, 1980-2030

US$ billion

1980 2005 2015 2030

China, India, and other developing countries will become centers of global demand over the next quarter century.

...and the share of developing countries in global output will rise...

Globalization will portend huge stresses as economies integrate into the world economy…

- Global integration – trade, finance, migration, and technology – creates economic spillovers and policy spillovers

- Twin pressures for rules at the international level and for policy convergence at the national level

- But existing governance mechanisms reflect antiquated arrangements
  - G-8
  - Ownership shares in IFIs
  - WTO
These forces are playing through the Doha negotiations...

- Decision to launch the round as a “development round”
- Formation of G20 in Cancun
- Key roles for Brazil and India at Potsdam and in G7 at July 2008 ministerial
- Martin (2007): Causes of delay?
  - Too many member?

<table>
<thead>
<tr>
<th>Dates</th>
<th>Length (months)</th>
<th>Tariff cuts a/</th>
<th>Round productivity b/</th>
<th>Number of GATT Members</th>
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<tbody>
<tr>
<td></td>
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<td>Average tariff cut per year of negotiations.</td>
<td></td>
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<tr>
<td>Geneva-I</td>
<td>1947</td>
<td>8</td>
<td>26.0</td>
<td>19</td>
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<tr>
<td>Annecy</td>
<td>1949</td>
<td>8</td>
<td>3.0</td>
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<tr>
<td>Torquay</td>
<td>1950-51</td>
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<td>4.0</td>
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<tr>
<td>Geneva-II</td>
<td>1955-56</td>
<td>16</td>
<td>3.0</td>
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<td>1960-61</td>
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<td>Kennedy</td>
<td>1963-67</td>
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<td>Tokoyo</td>
<td>1974-79</td>
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<td>Uruguay</td>
<td>1986-94</td>
<td>91</td>
<td>38.0</td>
<td>125</td>
</tr>
</tbody>
</table>

Import-weighted tariff cuts of industrial countries for industrial products (petroleum excluded).
The five first figures refer to the average tariff cuts of the only.
b/ Average tariff cut per year of negotiations.
c/ GATT Members at the end year of the negotiations (Source: WTO website).
d/ G77 membership is taken as a proxy for defining "developing" GATT Members.
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- Decision to launch the round as a “development round”
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- Martin (2007): Causes of delay?
  - Too many members?
  - Single undertaking?
  - Fading importance of strategic concerns?
  - Benefits low: Exhaustion of negotiating fuel?
  - BATNA not so bad: Proliferation of PTAs?

- Process of integration has created widespread uncertainties
  - Accelerating pace of technological change affects labor markets
  - Increasing “democratization” - participation
    - Among nations
    - Within nations
  - Complexity of issues… agriculture, mode 4
Doha: What to do?

- Abandon the round
  - Benefits of abandonment: frees members to do other things
  - Costs: “bicycle falls over”, perceived failure of multilateralism

- Doha lite: pare down agenda further

- Early harvest: DFDQ, Trade facilitation, PTA transparency

- Take advantage of the crisis
  - Crisis round: Subramanian
  - Negotiate a temporary standstill

- Circumvent agreement on modalities – go to scheduling
  - Take texts as guidance
  - Nothing is agreed until everything is agreed
  - Advantages: activates offensive interests, moves the political timetable, lays foundation for post-Doha club arrangements
  - Disadvantages: demise of coalition bargaining
Post-Doha: New forms of negotiation

- Abandon reciprocity in favor of unilateral measures
  - Get rid of tariffs of less than 5%

- Club arrangements
  - Critical mass of like minded trading partners
  - Apply agreements on MFN basis, perhaps with a short phase in

- Advantageous for services
  - Regulations could be negotiated in advance
  - Reciprocity possible: you join my club and I’ll join yours
Post-Doha: New forms of negotiation

- Who should be in the club? Clubs?
- Will the club be representative?
- Who will protect outsiders?
Post-Doha: Issues for negotiation

- Goods trade: Post-Doha issues

- Limit topics to where countries can trade bad policies in symmetrical way
  - Where trade sanctions are counter-productive… eg environmental and social regulations (Hoekman, 2002)
  - Enhance competition and efficiency (Low, 2009): standards as other bodies formulate
  - Avoid areas where other institutions have natural leading role

- Topics that meet these criteria?
  - Active trade policy monitoring?: clearly yes
  - Multilateralizing PTAs: clearly yes
  - Aid for trade?: Page (2008)
  - Environment?: CO2
  - Exchange rate imbalances: Mattoo/Subramanian (2009)
Policy space and developing countries

- Issues –
  - Need for industrial policies: WTO disciplines prevent sound development policies? (Rodrik, 2002)
  - TRIPs can impede public access to new technologies, e.g. medicines, environmental technologies
  - Problem with current SDT:
    - Many eligible countries are no longer developing countries
    - Many are large players whose participation is necessary

- Options -
  - Compensatory schemes for technology transfer
  - Define SDT based on development needs
  - DSU Apply development test
Missing middle: Need for discussion forums that do not involve negotiations, but build consensus

- Give Director General and secretariat much greater latitude to issue reports under their own responsibility
  - Trade policy monitoring
  - Policy research
  - Trade finance
  - Aid for trade
  - Environment
  - Labor standards

- Cottier (2008): Consultative Committee
Conclusions...

- Institutions governing trade are seriously lagging global integration...
- ...moreover, conventional initiatives are mired in political paralysis
- The current global recession offers an opportunity to move the system off dead center – and create movement toward institutional evolution
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