

Doha Must Deliver for Developing Nations

World Bank Vice President Danny Leipziger will lead the Bank's delegation to the Doha world trade talks in Hong Kong bearing a clear message: "The Doha round was a development round and the interests of developing nations must be front and centre of the negotiations."

Leipziger, head of the Bank's Poverty Reduction and Economic Management network, says "to be credible as a multilateral round of negotiations, the Doha round of talks must allow developing nations to feel they can materially benefit from globalization. The rules by which countries trade have to be fair and have to be ones that allow developing countries to benefit."

The Hong Kong Ministerial meeting was meant to deliver the outlines of a deal cutting tariffs and subsidies in farm trade, manufactured goods and services. However, in the face of continued disagreements - including over agriculture - members of the World Trade Organization (WTO) have now lowered expectations for Hong Kong – although the overall ambitions for the Doha Round remain unchanged. WTO members also remain committed to concluding the talks by the end of next year.

High Stakes for Developing Nations

World Bank President Paul Wolfowitz, says the stakes for the poor and for the world economy are too big to allow the Doha Round to fail.

"The stakes are too high- not just for the poor, but also for the global economy—to let the trade talks conclude without real progress. The Doha Round presents an opportunity to rewrite the rules of an unfair trading system that holds back the potential of the poorest people," Wolfowitz says.

"Seventy percent of the world's poor live in rural areas. They depend on agriculture to earn a living and feed their families."

Reducing agricultural protection is vital, as research at the World Bank shows that two thirds of the gains from full merchandise trade liberalization would be in agriculture. There are a number of sectors in OECD countries which are still protected and these are usually in areas where developing countries would have a comparative advantage – such as in agriculture. For this reason, unlocking agriculture is vital.

Distortions from agricultural protection also hamper efforts by developing countries to diversify and add value to their exports. Tariffs that increase with the degree of processing are identified as a significant cause. This tariff escalation is one reason, for example, that 90% of the world's cocoa beans are grown in developing countries, but those developing countries only produce four percent of the world's chocolate.

The Bank argues for real cuts in trade distorting agricultural subsidies. Cotton subsidies, for example, may be less than US\$5 billion a year, but they cost West African cotton producers US\$150 million a year – equal to about 10% of their total merchandise exports.

Getting Back on Track

Leipziger says the onus is now on all countries to overcome the bottlenecks to striking a deal.

“Now that Hong Kong is upon us, it’s clear there is a need to take stock of progress made, and to very quickly in 2006, get back on some of the bottleneck issues and try and reach very firm agreements, commodity by commodity, and tariff line by tariff line,” he says.

While, Hong Kong may not be a milestone, it must be a stepping stone. It will be important to see progress in the first couple of months of 2006 in order to successfully bring this round to a conclusion.

Aid for Trade

The Bank believes additional development assistance – or aid for trade- is a key complement to ambitious trade liberalization under the Doha round - as many of the world’s poorest countries are unable to take advantage of new trade opportunities because of lack of the basic machinery for trade, lack of efficient trade institutions and poor regulation.

Aid for trade can help countries address these supply-side constraints and help countries who need assistance with the transitional adjustment costs associated with trade liberalization.

The Bank expects firm commitments by the richer countries to the enhanced Integrated Framework (IF), which provides trade-related assistance to least developed countries. It hopes to get further indications from donors that they will support the enhanced framework, to ensure that whatever openings there are in trade negotiations, countries – particularly the poorer ones – have the help they need to take advantage of those.

“We also expect that there will be other proposals to benefit developing countries, particularly the least developed countries,” noted Leipziger. “This support should be consistent with the ultimate aim of the round – to bring tariffs and non tariff barriers down in agriculture, manufactures and services. Doha should be a really successful development round that opens up new opportunities for the full range of developing countries – the Brazils of this world, the least developed countries and all those in-between.”

ends