

*The Doha Round of Trade
Negotiations:
An Agenda to Promote
Development and Facilitate
Adjustment*

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1

The need for a development round:
(i) Redressing past imbalances

- Expected benefits of Uruguay Round weren't delivered
 - More than 70% of gains to developed countries
 - Almost all of the rest to a few middle income countries
- Many of the poorest countries are likely to be worse off
 - Sub-Saharan Africa worse off by \$1.2 billion a year
 - 48 least developed countries as a whole were worse off
- OECD countries' protection discriminates against imports from developing countries
 - OECD tariffs are four times higher on developing countries imports than on those from other OECD countries
 - OECD subsidies are concentrated in the goods exported by developing countries

2

The Uruguay Round agenda was biased

- Issues of interest to developed countries were on the agenda; issues of interest to developing countries were not.
 - Services—but not unskilled labor intensive services
 - Subsidies—but not agricultural subsidies
 - Intellectual property
- The few reforms that favored developing countries have proceeded slowly

3

The need for a development round: (ii) Unfinished business

- Agricultural reform is important for development
 - Agriculture is 40% of developing country GDP, 35% of exports, 70% of employment
- The current system needs reform
 - subsidies remain huge, depressing prices and hurting agricultural producers in developing countries
 - Europe and US have shifted export subsidies into production subsidies without reducing total assistance
 - transfers still 48% of all OECD farm production, only 3% lower than in 1986-1988

4

The need for a development round: (ii) Unfinished business

- While agricultural subsidies continued, industrial policies by developing countries were seemingly restricted
- While movement into new areas was thus impaired, restrictions in old areas continued: ten year horizon in textiles “to provide time for adjustment”*but in first 9 years, almost no adjustment*

5

The need for a development round: (iii) New areas of importance

- Services:
 - increasing importance in developed countries
 - but focus is on financial services— US comparative advantage
 - less attention given to low-skilled labor intensive services like maritime and construction

6

The need for a development round: (iii) New areas of importance

- Intellectual Property Rights:
 - IPR rules should not have been included
 - IPR rules have global distributional consequences (unlike typical trade measures, which are win-win)
 - The north-south “knowledge gap” needs to be closed
 - IPR rules can have huge public health effects
 - IPR is depriving developing countries of life-saving medicines
 - Indigenous knowledge needs to be protected. Threat of bio-piracy needs to be addressed
 - Basmati rice
 - Use of turmeric in wound healing

7

Trade Liberalization Has Not....

- Trade liberalization has not produced the expected benefits
- Even EBA (Everything But Arms) did not lead to significant increases in exports partly because of rules of origin requirements
- AGOA has only benefited a few countries—and even those benefits will diminish as restrictions (e.g. use of U.S. cotton) come into force

8

NAFTA ten years later

- Growth lower than earlier in century
- Greater dependence on US lead to new volatility
- Finding it difficult to compete with China
- Real wages actually declined over the decade
- Some of poorest people hurt as a result of agricultural subsidies hidden in NAFTA
- Chapter 11 included an anti-regulatory (including environment) agenda showing that trade liberalization by itself is not enough

9

Development Round: Is it Only a Rhetoric?

- Demand for development round arose to rectify imbalances of past - At Doha, US and EU agreed
- But did the agenda of 'Development Round' reflect real concerns and interests of developing countries?
- Or was the rhetoric hijacked, with the proposed agreement actually making developing countries worse off?
- What would a development agenda really look like?
- **Conclusion:**
- **THE AGENDA AS IT EVOLVED WAS NOT PRO-DEVELOPMENT**

10

Development Round: Is It Only a Rhetoric?

The agenda of the 'Development Round' as it evolved did little for the developing countries

AGAIN, BOTH WHAT WAS ON AGENDA AND WHAT WAS NOT ON AGENDA REFLECTED INTERESTS AND CONCERNS OF THE ADVANCED INDUSTRIAL COUNTRIES

- It did little to address concerns in agriculture
- It did little to address problems posed by non-tariff barriers
- It went only a little way in addressing concerns about intellectual property
- It did little to advance a developing country service sector agenda
- There were no reforms in basic procedures

11

Development Round: Is It Only a Rhetoric?

The proposed agenda's new issues were not those of central concern to the developing world

- Procurement—developing countries unlikely to be successful in procurement (e.g. defense) in advanced industrial countries, *but*
- Developed countries sought to make inroads in government procurement in developing countries

12

Development Round: Is It Only a Rhetoric?

The proposed agenda's new issues could have made life worse for developing countries

- US wanted capital market liberalization as part of investment agreement, even though weight of evidence was that capital market liberalization did not promote growth but did lead to more instability
- Under competition policy, rather than creating a true competitive environment—hindering use of dumping duties as protectionist devices—there was fear of restricting development and socially oriented preferences

13

Principles of a Development Round

1. A trade agreement should be assessed in terms of its impact on development
2. An agreement should be fair
 - It should have fair *outcomes*

14

Principles of a Development Round

3. An agreement should be fairly arrived at
 - Current procedures put developing countries at a disadvantage
 - Developed countries have resisted more fundamental reforms
 - Increase openness and transparency of negotiations
 - Symmetric enforcement system

15

Principles of a Development Round

4. It should be limited in scope
 - Expansive negotiations put developing countries at a disadvantage
 - Principle of conservatism. Only issues that 1) are relevant to trade flows, 2) are development-friendly, 3) involve a rationale for collective action
 - Since decision processes are not democratic, and there is some loss of sovereignty, there should be positive benefits *for developing countries*: negotiations should focus on areas that are of essential concern (e.g. where cooperative action is necessary)

16

Eleven Priorities of a Development Round

1. Liberalization and protection of labor flows (especially unskilled labor) and labor intensive services
 - More important for global efficiency than capital market liberalization
 - Without imposition of adverse risk effects
 - Improves living standards through remittances
 - \$32 billion in remittances in 2002 in Caribbean and Latin America far greater than total ODI and only slightly less than FDI

17

Ten Priorities of a Development Round

2. Liberalization of agricultural market, *especially of those goods for which there will be limited adverse consumption effects*
3. Liberalization of industrial goods, elimination of tariff peaks

18

Eleven Priorities of a Development Round

4. National treatment of anti-competitive practices
 - Eliminating discriminatory treatment against foreign producers through dumping duties
 - Single regime for anti-competitive practices for both foreign and domestic firms
5. Explicit recognition of rights to use industrial and other development policies
 - Including access to capital at “reasonable” interest rates
 - Including use of “CRA” requirements to ensure access to finance

19

Eleven Priorities of a Development Round

6. Restrictions on tax competition to attract investments
7. TRIPS minus—rebalance intellectual property rights
 - Foster the transfer and dissemination of technology
 - Protection of traditional knowledge

20

Eleven Priorities of a Development Round

8. Fairer mechanism for enforcement
 - Threat of small, LDCs imposing trade sanctions against US not very effective
 - Trade losses compensated with financial payments or from international auction of retaliatory rights
9. Anti-corruption policies and arms sales restrictions
 - International non-bribery legislation
10. Extend “unilateral disarmament” (Everything But Arms agreement) but make it meaningful — rules of origin

21

Eleven Priorities of a Development Round

11. Institutional reforms
 - More transparency
 - Principle of representativeness
 - Independent office for the assessment of the impact of proposed trade provisions on development and developing countries and assessment of ‘trade diversion’ vs. ‘trade creation’ affects of bilateral and regional agreements

22

Other Structural Reforms

- Independent body to assess countries in crisis— in order to allow to impose trade restrictions ('safeguard measures')
- Independent body to look at dumping charges, countervailing duties, and phytosanitary conditions
- International research funds to finance research on life saving drugs (including, but not limited to, epidemics)

23

Other Structural Reforms

- International funds to assist developing countries not just to implement trade regulations, but to take advantage of trade liberalization measures
- International body to assess that policies imposed/advocated by other international institutions are such as to help developing countries in process of liberalization (e.g. interest rate policies.)

24

Adjustment costs

- Much larger for many developing countries than for advanced industrial countries
 - Developing countries are vulnerable to policy shocks because their export industries are least diversified
 - Developing countries need to make the largest changes to comply with regulations
 - The trade structure is most distorted in the industries of importance for developing countries
 - Small countries will face the erosion of preference margins

25

Adjustment Costs

- Tariff reduction has *serious fiscal consequences* for many developing countries
- Developing countries face *high implementation costs*
 - Sometimes significant fraction of entire development budget
 - Taking away resources needed elsewhere

26

Adjustment costs

- But developing countries are much less able to bear those costs
 - Developing countries have the weakest credit markets and people are more vulnerable to adjustment costs

27

Adjustment assistance

- Adjustment costs impact on the poorest people and divert resources from other development priorities
- Provision of compensation wins political support for reform
- Technical assistance is needed to improve trade performance through policy and institutional strengthening
 - Technical assistance commitments were non-binding for developed countries
 - And many countries did not live up to the commitments

28

Conclusions

- The round of trade negotiations that began in Doha does not deserve epithet of a “Development Round”
- In the present set-up, for developing countries, no agreement may be better than a bad agreement
- International community should resolve to have a true development round
- International community needs to provide the assistance both to help developing countries to adjust and to take advantage of new opportunities

29

Conclusions

- International community should reform procedures of negotiations
- Such reforms are likely to lead to a reform in outcomes—to outcomes that are fairer to developing countries and more likely to promote rather than hinder their development

30