

A stylized world map in shades of blue and green, showing the continents. The map is centered on the Atlantic Ocean.

The Doha Development Agenda
Post Hong Kong
An OECD assessment

Jean-Marie Metzger
Director for Trade
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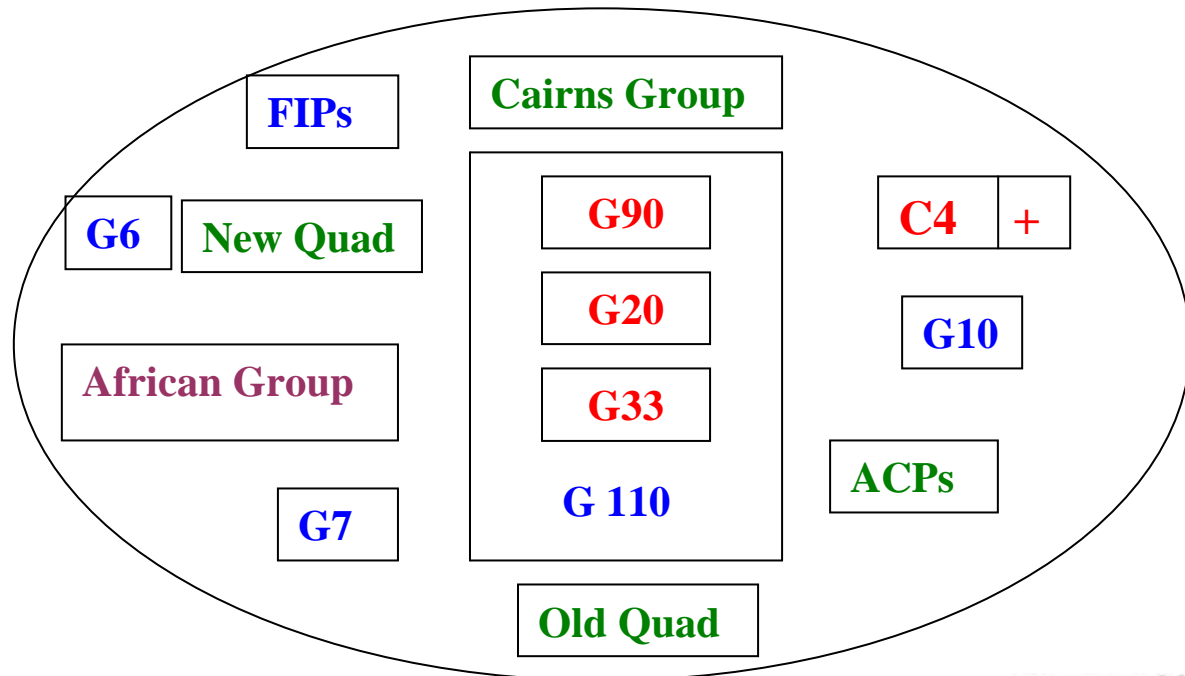
Under the protection of the police...



...and the spotlight of the media...



...with a flurry of diverse groupings





Was anything achieved in Hong Kong?


- Less than was expected in the lead-up to the meeting
- More than was expected at the start of the meeting after expectations had been recalibrated
- A tremendous task awaits negotiators both on substance and meeting of deadlines

Some positive results achieved before Hong Kong

- On agriculture, the report by the Chair referred to « genuine and material progress »
- On trade facilitation, the only report approved before Hong Kong stated that « good progress has been made in all areas covered by the mandate »
- Agreement was reached on TRIPS on imports of generic drugs by countries with insufficient manufacturing capacity
- Commitments to improve aid for trade by the US, Japan and EU

In Hong Kong actual negotiations focused heavily on a limited number of topics...

- Agriculture
- Cotton
- Services
- Access for LDCs



...but all the other DDA issues were addressed in the final declaration

- Market access
- Aid for trade
- Rules
- Special and differential treatment
- ...

ON AGRICULTURE

- Some progress was made on all three pillars
 - ✓ Market access : formalisation of the working hypothesis of the report (4 bands of reduction)
 - ✓ Domestic support : confirmation of the working hypothesis of the report (AMS in three bands)
 - ✓ Export subsidies : end date in 2013
- But much remains to be done before 30th April 2006
 - ✓ Formulas, liberalisation thresholds for developed and developing countries, sensitive products, Special Products, Special Safeguard Mechanism, food aid, export credits, state trading enterprises

ON COTTON

- Some positive decisions (but of little value?)
 - ✓ Market access: developed countries will grant duty free and quota free access for LDCs as of the conclusion of the DDA
 - ✓ Export subsidies: elimination in 2006 (essentially an effort by the US, but by large already engaged following the WTO Panel decision on the Brazilian complaint)
- But hard issues remain unsolved
 - ✓ On domestic support the only commitment is to engage in faster and deeper reductions than for general reductions on trade-distorting subsidies

ON SERVICES

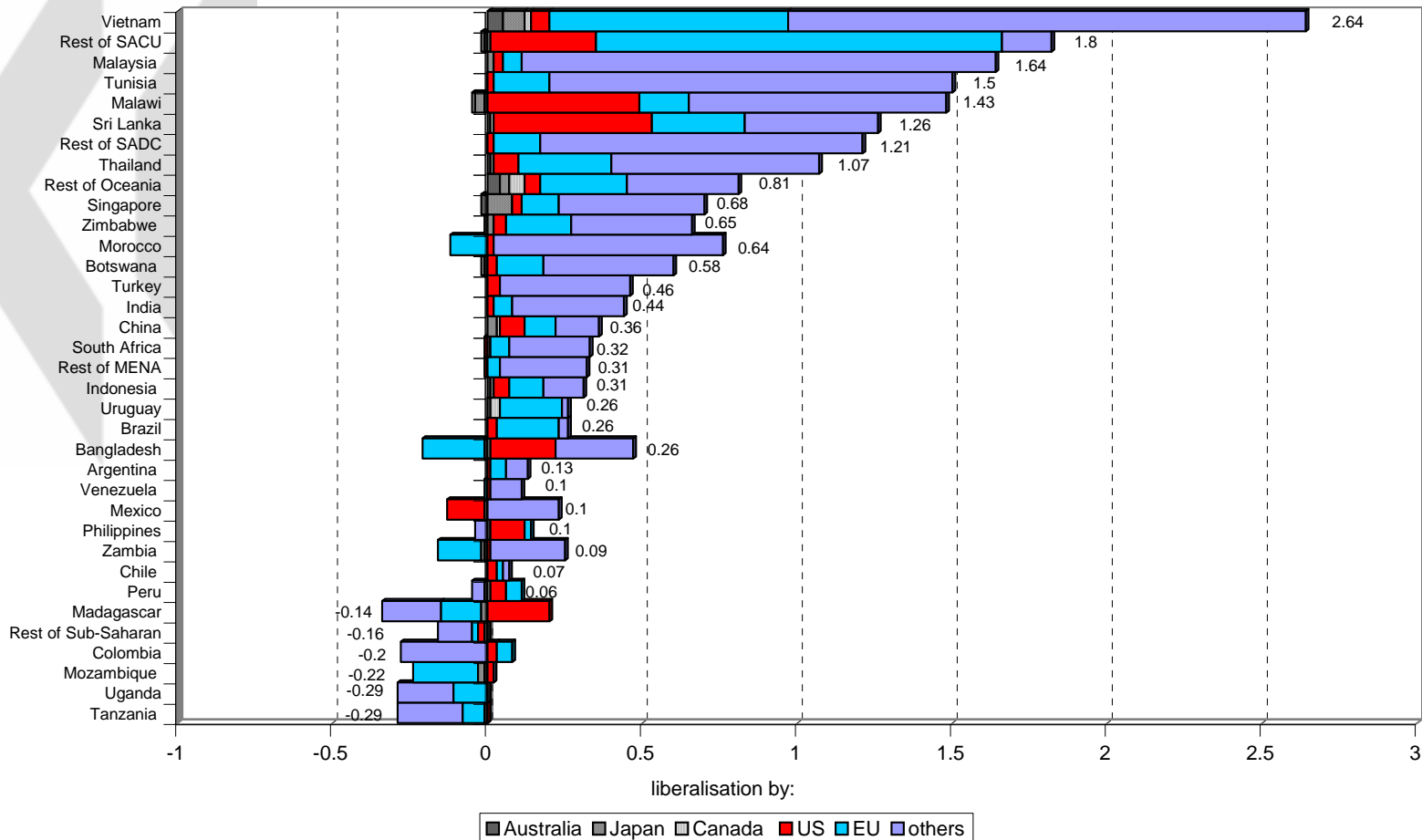
- Not much progress, rather a step backwards
 - ✓ In refusing to be explicit on the necessity to engage, where appropriate, into plurilateral negotiations developing countries are not doing themselves a favour.
 - ✓ Much of the opposition to the Annex C on services came from CSOs who probably saw there an opportunity for demonstrations, otherwise captured on agriculture by Korean farmers
 - ✓ None of the ideas which could have helped move forward the process of trade liberalisation has been advanced (plurilateral groups with shared sectoral interests, regulatory approaches as embodied in the Basic Telecoms and Financial Services agreements, quantitative targets)

ON MARKET ACCESS FOR LDCs

- Duty-free and quota-free market access to be granted by developed countries and « developing countries in a position to do so » by « 2008 or at the latest at the beginning of the implementation period of the DDA » a lasting basis
- But large possibilities of exemption remain
 - ✓ 3 % of total tariff lines can be exempted for duty-free quota-free access. This is important and could keep out of one market all products on which LDCs are competitive.
 - ✓ There is no end-date for the phasing out of these exemptions, an issue which could be raised in the coming weeks by LDCs

ON NAMA

- Two rather positive developments
 - ✓ A commitment to a « Swiss formula » with bigger cuts for higher tariffs
 - ✓ A linkage between the level of ambition between Agriculture and NAMA (though this could as well play on the negative side), specifying that this is to be achieved in a balanced and proportionate manner consistent with the principle of special and differential treatment
- But much remains to be done before 30th April 2006
 - ✓ Coefficient for the formula are an essential part of the negotiations.
 - ✓ The meaning of « less than full reciprocity »
 - ✓ The development of sectoral initiatives
 - ✓ The treatment of preference erosions



Per capita welfare gains from a simultaneous 50% reduction in tariffs by the Quad countries & Australia (percentage change in per capita welfare)

ON TECHNICAL ASSISTANCE AND AID FOR TRADE

- Commitments on technical assistance, including financial commitments, have been reaffirmed and enhanced
 - ✓ US to double its aid by 2010
 - ✓ EU to step up annual spending to €2bn by 2019
 - ✓ Japan announced a \$10bn programme
- Establishment of a task force to operationalise Aid for Trade

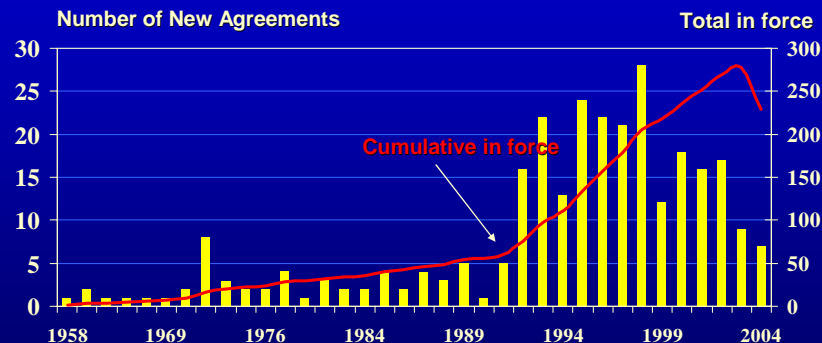
WHY IS PROGRESS SO DIFFICULT?

- Complexity of issues
- Greater diversity of negotiating parties
- Spoiling role played by many NGOs
- Lack of political will
- Fear and complacency

THE RISKS AHEAD – AN ENFEEBLED MTS?

- What if the deadlines are not met?
- Nature hates a vacuum

Regional Trade Agreements are proliferating...



...and now potentially cover more than one-third of global trade

HOW MUCH IS AT STAKE?

- Will the world fall apart?
- Probably not but the cost will be real in terms of:
 - ✓ Opportunities foregone
 - Agriculture, NAMA, Services, Trade facilitation
 - ✓ Systemic strains
 - Entrenchment of existing market distortion, downsides of bilateralism, pressures on the dispute settlement

OPPORTUNITIES FORGONE: AGRICULTURE

- A re-assessment of potential gains
- Concentrated among a small group of countries
- 75% of reduction in tariff protection and domestic support + elimination of export subsidies would raise developing countries by some \$23 billion, with GDP rising by 0.3% in Latin America, South Asia and Sub-Saharan Africa (Kym Anderson & Will Martin)
- Identifying the source of gains is important: one half of developing countries gains come from their own liberalisation
- 90% of gains come from tariff cuts

OPPORTUNITIES FORGONE: NAMA

- OECD has estimated that gains from full tariff liberalisation from industrial goods under NAMA would be \$97 billion
- \$68 billion would accrue to developing countries
- Fully unrestricted access to all (old) Quad countries would lead in Sub-Saharan Africa to a 14% increase in non-oil exports, boosting real income by about 1%
- Of course the question of preference erosion must be addressed, but more along its economic reality than its perceived political importance

OPPORTUNITIES FORGONE: SERVICES

- Measurement of potential gains from services liberalisation is still in its infancy
- Gains in the area of services could exceed gains in the area of goods by a factor of five
- Developing countries stand to be amongst the major beneficiaries as exporters of services
- But it may be through the opening up of **imports** that the greatest welfare gains will be realised - or forgone - from services liberalisation
- Modelling suggests that greater gains are likely to come from liberalisation of market access than from the provision of national treatment, though GATS negotiations focus on the latter rather than on the former

OPPORTUNITIES FORGONE: TRADE FACILITATION

- A 1% reduction of trade transaction costs worldwide would yield about \$42 billion, out of which 2/3 would accrue to developing countries
- If OECD countries alone were to reduce these costs, trade diversion would cause a 3% income drop in developing countries
- Trade facilitation has a cost which should not be overlooked, but experience shows that it brings quick savings and generates new government revenues

SYSTEMIC STRAINS: ENTRENCHING MARKET DISTORTIONS

- This is especially true in agriculture where 30% of OECD farmers' receipts come from a combination of governments intervention in markets and budgetary payments.
- Three quarters of this support comes from the most trade-distorting types of policy instrument.
- These instruments are neither efficient nor equitable:
 - ✓ In the OECD area one dollar spent on price support adds a mere 25 cents to farm income
 - ✓ In the EU 25% of the largest farms receive 70% of all farm support. In the US the figure is 90%

SYSTEMIC STRAINS: THE DOWNSIDES OF BILATERALISM

- Not a totally black or white issue
- Regional trade agreements can be more ambitious than the WTO
- Regional and bilateral deals can introduce strains through the diversion of trade or through the increased costs imposed on business by the proliferation of rules of origin and product standards
- Sectors hard to liberalise at the multilateral level are likely to prove just as intractable regionally or bilaterally

SYSTEMIC STRAINS: THE DISPUTE SETTLEMENT

- Risk of litigation rather than legislation
- Dispute settlement has been relatively successful
- But dispute settlement cannot operate in a policy vacuum

WHAT ARE THE AMBITIONS OF OECD?

- As an organisation OECD does not participate in the negotiations, so it can have the highest degree of ambitions
- But negotiators, in the months ahead, may stitch together a deal that will, through scaled down ambition, avoid a total setback and keep the train on the track. But this will not fulfill all the promises of the DDA
- Back to political will:
 - ✓ Market opening works best in a coherent policy environment;
 - ✓ Trade reform can be promoted as a necessary tool of growth and development rather than a concession paid to others

THE MAIN OUTCOME OF HONG KONG...

- ...was a strengthened commitment to the development dimension of the DDA and to the need for “Aid for Trade”
- But the fact remains that the best way to lift countries out of poverty is through reduced trade barriers to market access
- This should include developing countries’ own barrier reduction, as an exercise of enlightened self-interest in a framework of domestic policy coherence
- Improving market access continues to be a very elusive goal and **failure to seriously address this goal was undoubtedly Hong Kong’s biggest shortcoming**

IN CONCLUSION...





Acknowledgement to Ken Heydon, Deputy Director for his paper
« After the WTO Hong Kong Ministerial Meeting; What is at
stake? » (OECD Trade Policy Working Paper n°27)

For more reading:

<http://www.oecd.org/trade>

Jean-Marie.Metzger@oecd.org