The WTO after Doha: Prospects for the New Trade Round

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Outline

- Uruguay Round Agreement
- The Crisis in Seattle
- Confidence-building in Geneva
- Doha Outcome
- Agricultural Component
- Agricultural Talks
- Prospects for Success

Pre-Uruguay Round GATT

- Limited scope of trade rules
  - limited to goods
  - weak on agriculture
  - textiles limited by quotas
- Ineffective dispute settlement process
- Membership incomplete
- “Codes” not universally accepted

Uruguay Round Outcome

- TRIPS
- TRIMS
- Services (GATS)
- Textiles
- Agriculture
- DSU
- SPS and TBT Agreements
- WTO Established as Successor to GATT

The WTO and the Multilateral Trade System

- Widened the scope of trade rules to include services and intellectual property as well as trade in goods.
- Replaced a series of *ad hoc* plurilateral agreements with a comprehensive "single undertaking" incorporated in the Marrakesh Treaty.
- Established a quasi-judicial system for resolving trade disputes.

The Incorporation of Agriculture in the Trade System

- All non-tariff trade barriers were converted to tariffs;
- export subsidies were disciplined and cannot be increased;
- those domestic subsidies that are most trade-distorting were constrained; and
- countries agreed to use science-based risk assessment to set domestic regulations for the protection of plant, animal and human health.

The Implementation of the Commitments

- Tariff ceilings have not been breached,
- tariff-rate quotas have been made available, if not always filled,
- export subsidies have come down on schedule despite very weak world markets, and
- domestic support in most countries is well below allowable limits.
- The process of notification and monitoring has been thorough

The Crisis in Seattle

- No agreed text before Ministerial, Dec 1999
- Disagreement among members on scope of New Round
- Developing Countries unconvinced on need for new Round
- US Leadership and Presidential Intervention
- Union Marchers and Democratic Party Politics
- Anti-Globalization Protests in the Streets
- Ministerial ends in failure

Picking up the Pieces in Geneva (2000-2001)

- Attempts to respond to Developing Country concerns about implementation of UR
- Attempts to mend PR with NGOs
- Attempts to gain support for new round
- Start of talks on agriculture and services (Built-in Agenda)

Developing Countries Emerge as Key Players in WTO

- More active participation
- More obligations mean seat at table
- Leadership by India, Brazil, Egypt
- Develop “Positive Agenda”
- Request for Technical Assistance for Standard Setting, Trade Negotiations, Disputes, etc.

Challenges from Civil Society more Restrained and Focused

- Doha less accessible than Seattle
- NGOs wanted to avoid the "terrorist" label
- Focus on TRIPS and access to pharmaceuticals
- Democratic Accountability somewhat less contentious given increased Developing Country role

Launching a New Round of WTO Talks

- Ministerial in Doha, Qatar
- EU wanted broad agenda
  - Competition policy
  - Environment rules
  - Investment Policy
- US wanted narrow agenda
  - Agriculture
  - Tariffs
- Developing Countries wanted Implementation issues to be dealt with first
  - TRIPS
  - Textiles

Outcome

- Ministerial Declaration on Work Program and Organization (i.e. to start a new round)
- Ministerial Declaration on TRIPS and Public Health
- Implementation Decision (on developing countries and the Uruguay Round agreements)

Outcome

- Developing Countries gained major concession on TRIPS
- EU gained promise of future negotiations on Competition, Investment
- US and Cairns Group gained strong language on agriculture
- Japan gained some advantage on anti-dumping

Negotiations mandated

- Agriculture
- Services
- Non-Agricultural Tariffs
- TRIPS- global system for wines and spirits
- “Clarification and Improvement” of
  - Anti-dumping
  - RTAs
  - DSU
  - Subsidies Agreement

Negotiations Delayed

- Trade and Competition
- Trade and Investment
- Government Procurement
- Trade Facilitation

Working Groups to Report

- Trade, Debt and Finance
- Committee on Trade and Environment
- Transfer of Technology
- Trade and Competition
- Trade and Investment
- Government Procurement

Address in Councils

- Trade Facilitation
- E-Commerce
- Small economies
- Other TRIPS/GI issues
- Report from DG on Technical Cooperation
- Report from DG on Least Developed Countries

What was missing?

- No talks about Trade and Labor
- No mention of multifunctionality
- No endorsement of precautionary principle
- No discussion of GMOs

Doha or Bust?

- With Failure, WTO could have become ineffectual
  - another failed Ministerial
  - resurgence of bilaterals, regionals, unilateral action
  - disillusion of developing countries in Asia and Latin America
  - Reduced confidence in global markets

WTO Redux

- But success has given WTO new lease of life
  - successful launch of broad round
  - developing country support
  - EU-US apparent accord
  - China and Taiwan in as members
  - Less public criticism (at least for now)

After Doha

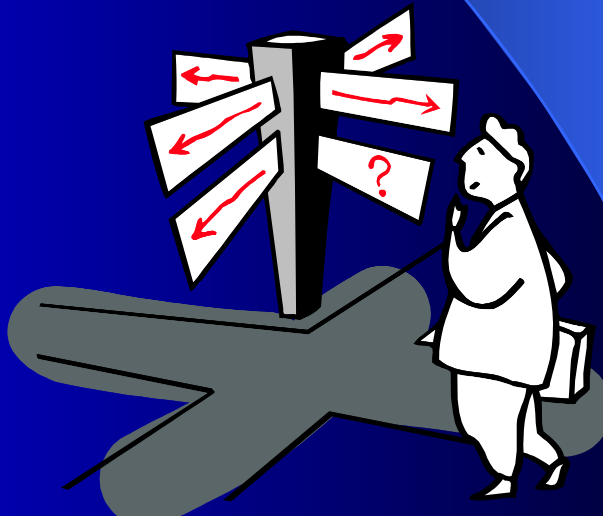
- Starting Negotiations is not same as finishing them
  - Aim to have report at next Ministerial (Nov 2003)
  - Special Session to wrap up talks by January 2005

Agriculture in the New Round

- **Continuation of the Uruguay Round agricultural trade reforms**
- **Tidying up rules on the basis of experience with URAA**
- **Preventing backsliding by protectionist countries**

Market Access

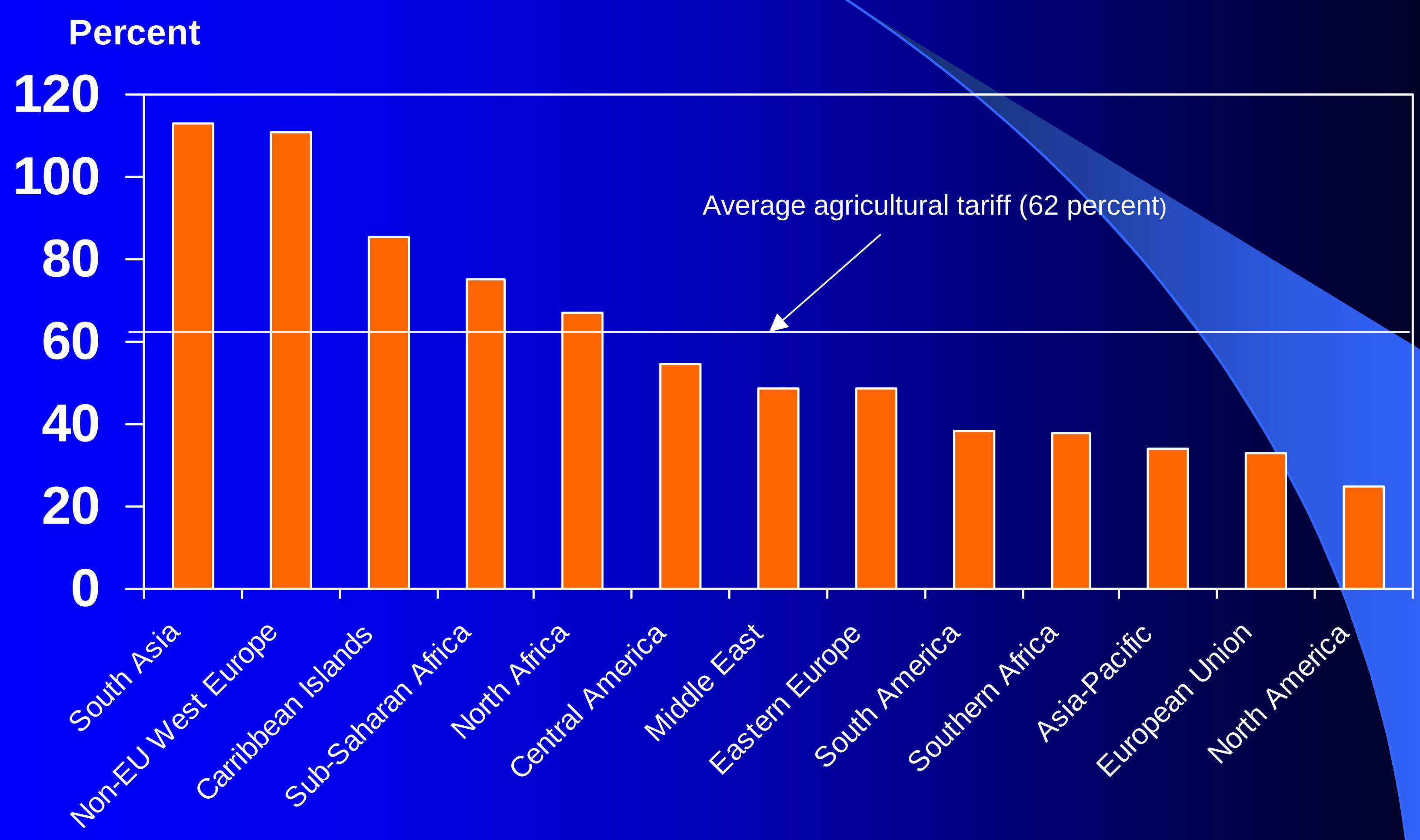
- Tariffs
- TRQ volume
- TRQ Administration
- Safeguards
- STE Importers



Current Situation: Tariffs

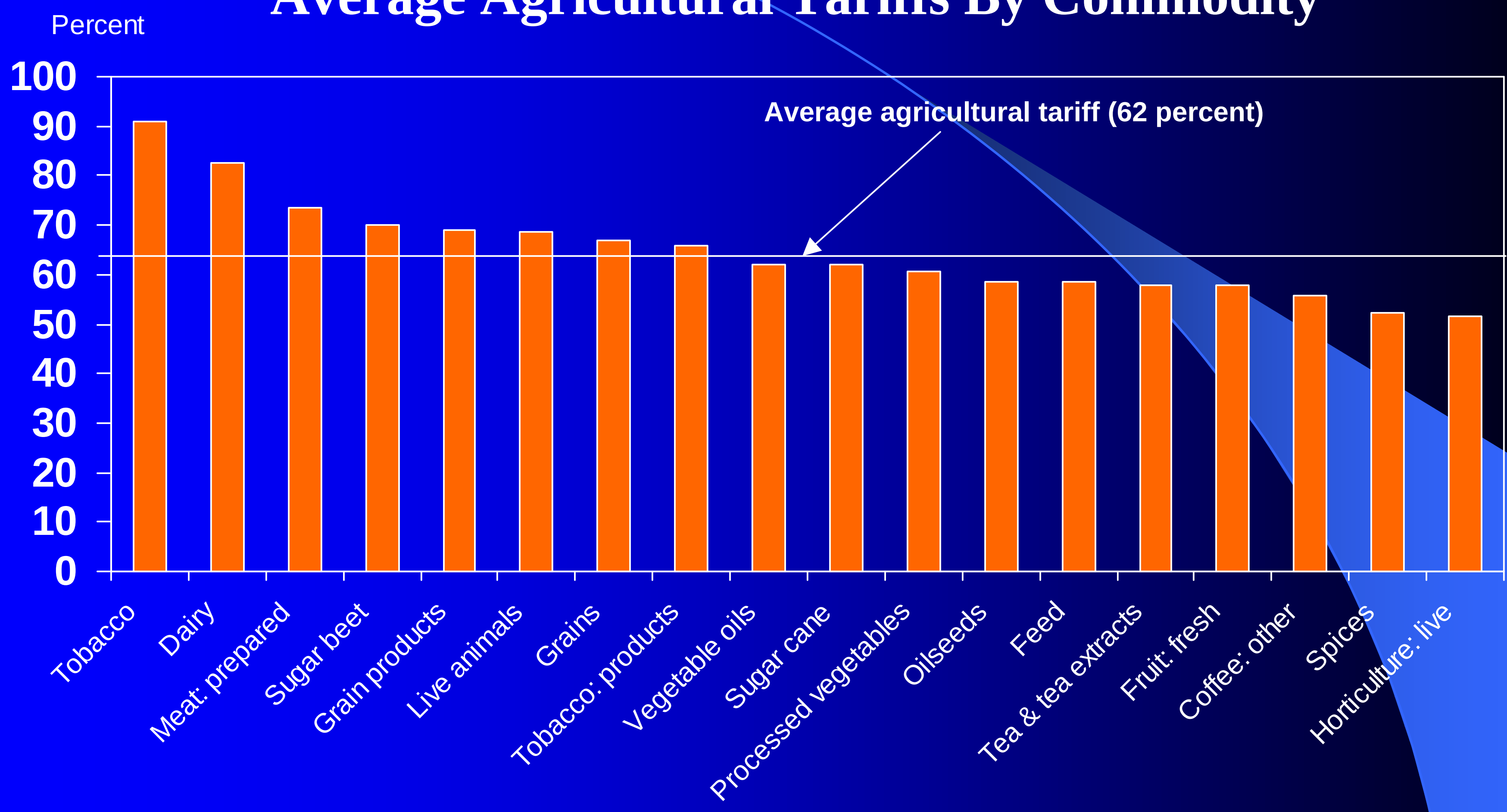
- **Bound agricultural tariffs (global average of 62 percent) are about 15 times higher than for manufactured goods**
- **A large number of nuisance tariffs (under 10%) exist in the schedules of many developed countries. Mega tariffs (over 100%) are few but important**
- **Bound agricultural tariffs in most developing countries are higher and more uniform than in developed countries**

Average Agricultural Tariffs By Region



Tariff bound MFN rates based on final URAA implementation.
Source: Economic Research Service, USDA.

Average Agricultural Tariffs By Commodity



Tariff bound MFN rates based on final URAA implementation.
Source: Economic Research Service, USDA.

The Remaining Agenda for Agriculture

- The Cairns Group, of medium sized agricultural exporters, argues for the substantial reduction of tariff barriers by a formula that would in particular cut "mega-tariffs", the elimination of export subsidies, the further disciplining of domestic support and the removal of rules such as the "special" safeguard in place for agriculture in some countries.

Agenda, contd.

- At the other extreme, Japan and Korea are strongly against any major cuts in tariffs across the board and will resist pressures to cut domestic support, on the grounds that agriculture plays an important societal role.
- Many developing countries will side with the Asian industrial countries in resisting deep tariff cuts.

Agenda, contd.

- US and the EU, perhaps not so far apart from each other as in previous negotiations.
- Both are committed to tariff reductions, though the US may push for deeper cuts:
- both will be constrained by domestic pressures from opening up sensitive markets.
- The EU has put a price on its agreement to reduce and possibly eliminate export subsidies:
- the US will have to rein in its export credit programs.

Agenda, contd.

- On domestic support, both are looking for ways to redefine permissible domestic policies in such a way that their own emerging programs can be sheltered from challenge.
- In the case of the EU, these programs include rural development, environmental subsidies, animal welfare measures and regional aid schemes.
- In the US, the package will include some combination of conservation, rural development, income insurance and counter-cyclical measures.

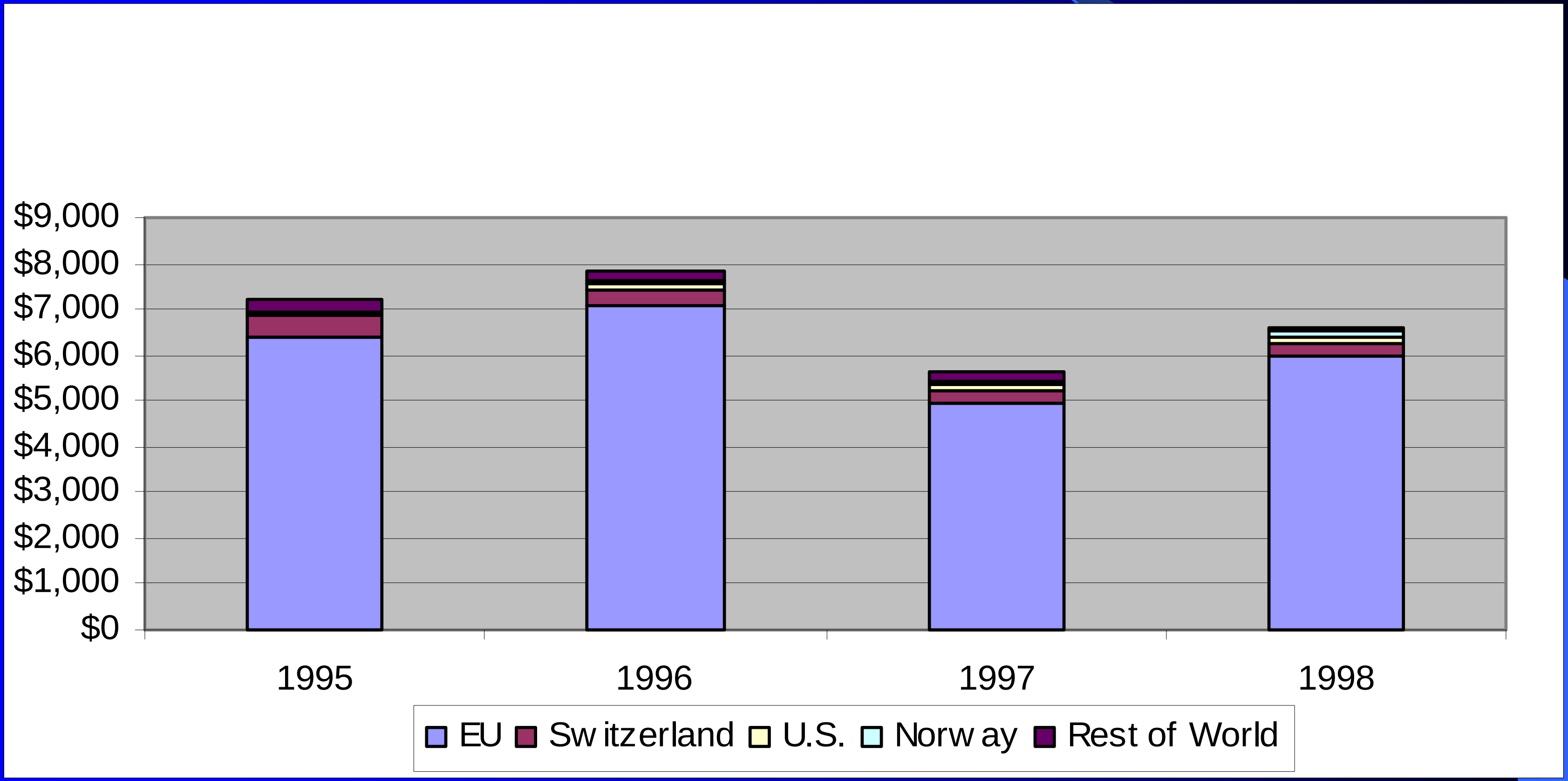
Agenda, contd.

- On the issue of health and safety regulations, the EU would like some recognition of the “precautionary principle” in the WTO agreements.
- Reopening the Sanitary and Phytosanitary Agreement is strongly resisted by the US and the Cairns Group, but some flexibility exists with respect to interpretive notes
- Demand by several countries, not just the EU, that the treatment of the products of biotech in the WTO agreements be clarified.

Current Situation: Export Competition

- EU accounts for 90 percent of expenditures on export subsidies; global expenditures are greatest for dairy (34 percent)
- US accounts for 88 percent of export credit subsidies; bulk cereals received more than one-third of subsidies in 1996-97. OECD negotiations on disciplines stymied
- Use of export taxes by developed countries of concern to NFIDC

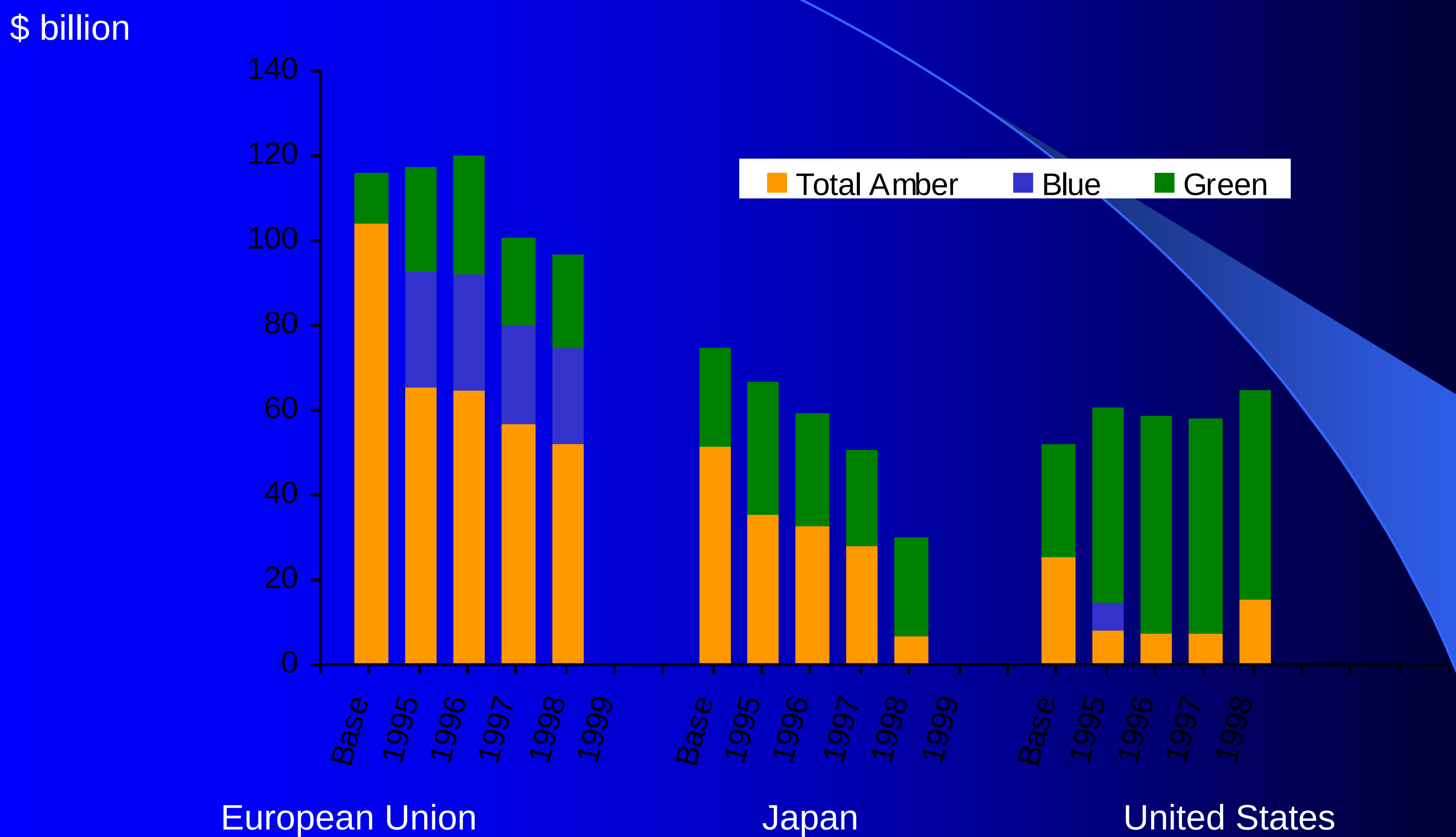
Export Subsidy Expenditures by Country, 1995-98 ($ million)



Current Situation: Domestic Support

- US, EU, and Japan account for 90 percent of global AMS. Declining trend in EU and Japan, but increasing trend in the United States.
- Concerns about Domestic Support:
  - Commitment on Total Support not product specific
  - Trade distortions from Blue & Green Box policies?
  - *De minimis* provisions provide loophole for wealthy nations
  - Role of Peace Clause and inability to countervail

WTO Domestic Support Notifications



Amber box values before "de minimis" exemptions. The U.S. base was revised to include revised crop insurance which was de minimis. Any blue box values were included in the AMS in the base year 1986-88.
Source: WTO Notifications.

Current Situation: Product Attributes Issues

- **Adequacy of multilateral rules under question given new production technologies, disease outbreaks, and demands for regulation**
- **18 WTO disputes relating to product attributes during 1995-2000. First three were SPS cases. Avalanche of undisciplined regulations has not materialized, as was feared by many**

Negotiations so far

- Discussions on further reform and liberalization of agricultural trade have been going on in Geneva since March 2000.
- Nearly 50 countries have presented proposals

Options: Tariffs Reduction

- Cut tariffs
  - Harmonization (Swiss) formula
  - Establish ceilings
  - Bring closer to average for manufactures
  - Eliminate nuisance tariffs
- Base for cuts
  - Cuts from applied or bound rates
  - First or final year of the Uruguay Round
- Eliminate complex tariffs and convert to *ad valorem* equivalents to maximize transparency

Country Positions: Tariff Reductions

Canada	Treat single-stage and two-stage tariffs separately: - formula reductions for single-stage tariffs - rules approach for two-stage tariffs
EU	Balanced reductions - flexibility required in lowering tariffs
Japan	Modest reductions on a product-by-product basis
US	Substantial reductions or elimination of disparities in tariff levels among countries

Options: TRQs

- Expand access by a common percent of domestic consumption
- Establish transparent procedures for quota allocation, with auction or resale markets in import quota rights
- Tariff reductions for in-quota tariffs
- Establish common level of product aggregation and a common base period for minimum access commitments

Country Positions: TRQ Volumes

Canada	ª Expand to a common percent of domestic consumption ª New TRQs if single-stage tariffs are above a specific level ª Over quota tariff reductions should take account of the amount of minimum access
EU	ª Make sure current concessions are realized
Japan	ª Increases should reflect the circumstances for each individual commodity: ª update current consumption base: ª apply same rules to all
US	ª Substantial increases in TRQs

Country Positions: TRQ Administration

Canada	Binding rules for TRQ administration
	eliminate with-in quota tariffs
	review country specific allocations
EU	Improve fill rates and clarify rules
Japan	No uniform rules:
	transparent administration
US	Improved functioning of TRQs
	create a specific mechanism to correct for underfill

Current Situation: Other Market Access Provisions

- **Variable duties:**
  - **EU Margin of Preference**
  - **Latin American price bands**
- **Special Safeguards:**
  - **38 countries reserved the right to use SSG**
  - **US, EU, and Japan account for a majority of the 649 SSG actions**

Country Positions: Safeguards

Canada	Not indicated
EU	Retain
Japan	Retain and expand to include new rules for seasonal and perishable products
US	Eliminate

Options: State Trading Import Enterprises

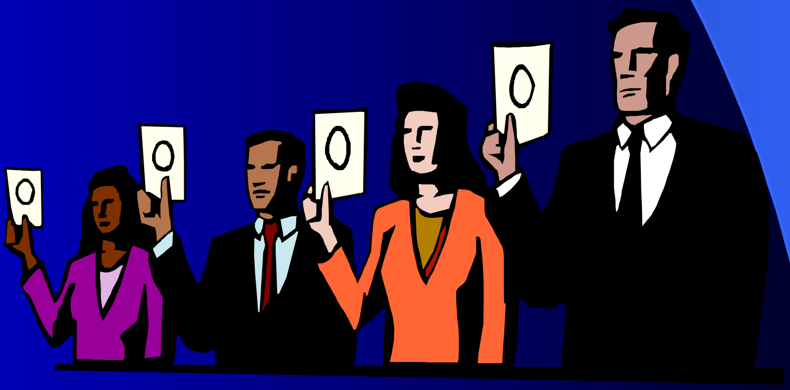
- Address importer issues as restrictions on market access
- Improve transparency and notification

Country Positions: STE Importers

Canada	Enforce existing disciplines
EU	Not indicated
Japan	Different rules for state trading importers and exporters
US	End exclusive rights of state trading importers and improve transparency

Options: Export Competition

- Export Subsidies
- Export Credits
- STEs Exporters
- Food Aid



Options: Export Subsidy Reductions

- Eliminate all export subsidies by date certain
- Further reduce bindings on the volume and value of export subsidies
- Constrain per unit value
- Eliminate ability to “rollover” unused subsidies to future years

Country Positions: Export Subsidies

Cairns Group	Eliminate
EU	Reduce export subsidies provided export credits and food aid are disciplined
Japan	Reduce export subsidies provided all export credits and food aid are disciplined Ban “rollover,” binding export subsidy unit values and reduce them progressively Strengthen disciplines on export subsidies for products and markets in which developing countries are participants Discipline domestic support policies that have the effect of export subsidies
US	Eliminate

Options: Export Credits

- Limit term length of export credits
- Count government budgetary outlays as export subsidies
- Consider differential treatment for developing country recipients
- Link with food aid needs

Country Positions: Export Credits

Cairns Group	Term length for export credits should be limited to one year
EU	Export subsidy negotiations must address the export credit issue, as well as other forms of implicit and indirect subsidies
US	Any loans by state traders be classified as officially supported export credit and so be reported to the WTO as well as subject to WTO disciplines

Options: State Trading Enterprises

- Address exporter issues as export subsidies
- Consider market power issues in the context of broader competition policy
- Improve transparency and notification

Country Positions: STEs Exporters

Canada	ª No need to discipline these institutions
EU	ª Abolish cross-subsidization and price pooling, and other unfair trade practices ª Subject STEs to mandatory notification with respect to acquisition costs and export pricing ª Enact disciplines to limit the anti-competitive effect of STEs
Japan	ª Quarterly notification of the amount and price of exports, the procurement price and so forth ª Prohibition of financial assistance from the government ª Contribution to the stabilization of the international market through, for example, obligating minimum exports and stockholding in preparation for unforeseen circumstances
US	ª End exclusive import or export rights to ensure private sector competition in markets controlled by single desk traders ª Establish WTO requirements for single desk exporters to notifying acquisition costs, export pricing and other sales information ª Eliminate the use of government funds or guarantees to support or ensure the financial viability of STEs

Options: Domestic Support

- Amber Box
- Blue Box
- Green Box
- Development Box

Options: Domestic Support

- Reduce AMS by same percentage as tariffs
- Consider limits on product-specific basis
- Abolish *de minimis* provisions for developed countries
- Establish clearer criteria for Green Box
- Constrain Blue Box expenditures
- Clarify requirements for production limitations
- Eliminate Peace Clause
- Confine provisions to Green Box Policies

Country Positions: Amber Box

Cairns Group	Formula approach to deliver major reductions in trade and production distorting domestic support, including AMS, leading to the elimination of such support
Canada	overall limit on the amount of support of all types (green, blue and amber)
EU	further reduction in the total AMS starting from the Final Bound Commitment level, further strengthening of the rules concerning non-product specific domestic support, reduction of the *de minimis* clause for developed countries. Specific discipline be applied to variable “amber box” subsidies which boost export performance through providing compensation for variations in market prices.
Japan	unreasonable to set the level of AMS as a fixed percentage of each Member’s total agricultural production. The base level of the total AMS should be equivalent to the final commitment level in the year 2000
US	Members with a final bound AMS in their schedules to commit to reduce the level of non-exempt support. Reductions from the final bound AMS and be reduced to a fixed percentage of the members’ value of total agricultural production.

Country Positions: Blue Box

Cairns Group	Formula approach to reducing blue box, leading to the elimination of such support
Canada	Overall limit on the amount of support of all types (green, blue and amber) provided to agriculture
EU	The concept of the blue box should be maintained.
Japan	The “Blue Box” measures, which are exempt from the reduction commitment, should be maintained.

Country Positions: Green Box

Cairns Group	Review criteria to ensure that all green box such domestic support meets the fundamental requirements of no, or at most minimal, trade-distorting or production effects.
Canada	Support meeting Annex 2 criteria should be permanently recognized as not countervailable.
EU	The concept of the green box must be maintained. Criteria for the "green box" be revisited to ensure minimal trade distortion whilst at the same time ensuring appropriate coverage of measures which meet important societal goals.
Japan	Requirements for decoupled income support should be improved. Ease the requirements on measures, such as income insurance and income safety-net programs, as well as the restriction on the rate of compensation concerning those measures.
US	Domestic support disciplines simplified into two categories: support exempt from any reduction commitment and support that is not exempt from reduction commitment. Exempt support would have no, or at most, minimal trade distorting effects or effects on production

Options: Product Attributes

- Focus future international efforts on
  - Equivalence
  - Harmonization
  - Regionalization of regulatory standards
- Provision of technical assistance to developing countries to strengthen regulatory regimes and meet higher standards

Country Positions: Product Attributes

EU	Negotiations should: –clarify the application of the precautionary principles; –ensure that labeling schemes are appropriately covered by the WTO; Ensure that trade does not undermine efforts to improve the protection of animal welfare Safeguard food specificity and fair competition: – to prevent the usurpation of names of food and beverages; – to ensure that producers are not prevented from the rightful use of denominations; –and to establish labeling rules which protect consumers against deception
Japan	A review should be conducted to examine whether the existing agreements are sufficient to respond to new issues that have emerged since the UR agreement Appropriate international rules for the labeling of GMOs should be established by Codex WTO policy reform must account for consumer concerns, thereby linking food production to cultural and/or ethical issues including food safety and quality
US	Ensure the processes covering trade in products developed through new technologies are transparent, predictable, and timely

Ingredients for a Successful Outcome

- **Address interests of developed and developing countries**
- **Provide balance between importing and exporting countries**
- **Achieve balance among commodities**
- **Obtain balance among instruments within the negotiated package**

The Chances of Success

- Until the reality-check of the abortive Seattle Ministerial two years ago, the WTO looked unstoppable. A new round started at the height of the economic boom could possibly have yielded relatively rapid results.
- A combination of events derailed the train, and the last two years has seen a downsizing of expectations as well as a more cautious approach to further enterprises.

The Chances of Success

- Agricultural trade reform remains on a relatively slow track with somewhat modest improvements the best that can be expected in the near or medium term from the current talks.
- This could translate into cuts in tariffs of, say, 30 percent on average;
- a modest expansion of TRQs and some disciplines on their administration;
- continued cuts in export subsidies but not their elimination;
- and further clarification on the green box criteria for domestic support.

The Chances of Success

- Agriculture could be a big winner in this revival. Developing countries would expect improved access to US and EU markets for their farm products as well as an end to export subsidies and constraints on domestic support.
- In turn the high levels of protection that still obtain for manufactured goods as well as for agriculture in the developing world could come down significantly.

Timing of Outcome?

- Depended on Doha
  - Without a round: quick minimal agricultural outcome
  - With a round: more ambitious outcome but longer negotiation period
- Depends on political will and election cycle
- Progress in regional trade negotiations
- Influence of world economic and political conditions