Payoff from the World Trade Agenda 2013

Report to the ICC Foundation

June 14, 2013

Gary Hufbauer and Jeffrey Schott
Peterson Institute for International Economics

Introduction

The Doha Development Round is not a lost cause

- But 2013 is shaping up as the “make or break” year. The Bali Ministerial in December is critical
- Seven agreements are feasible and can be endorsed as multilateral or plurilateral deals at Bali. They should not be linked as an “all or nothing” package.

Calculating potential global payoffs

- We use three metrics to measure permanent annual gains:

  (1) Export gains

  (2) Jobs supported

  (3) GDP gains (or losses averted)

WTO Recovery Package – Global Payoffs

Agenda topic	Export gains (billions)	Export jobs supported (millions)	GDP increase ($ billions)
1. Trade facilitation	1,043	20.6	960
2. International services	1,129	8.6	1,039
3. International digital economy	178	3.7	147
4. DFQF market access	8	0.7	7
5. Agricultural subsidies	5	0.1	5
6. Food export controls*	n.a.	n.a.	45
7. Environmental goods and services	10	0.3	9
Total	**2,374**	**34.1**	**2,212**

n.a. = not applicable

*GDP gains calculated as losses averted.

Largest global payoff

Trade Facilitation Agreement

- Moving goods quickly and cheaply means more trade and higher incomes. Average world tariffs are 5% *ad valorem*, but average trade costs are 10% *ad valorem*.
- If countries improved trade facilitation halfway to the region's top performer, the payoff: export gains of $1 trillion; 21 million jobs supported; and GDP increases of $960 billion.

International Services Agreement

- Expanded services trade should drive world commerce. Among advanced countries, over 70% of private employees work in services; among emerging nations, between 30% and 65%.
- However, for the US, the exports-to-sales ratio for tradable business services is only 0.04 compared to a ratio of 0.20 for manufactures.
- If barriers to services trade were slashed and the exports-to-sales ratio increased to 0.10, the payoff: export gains of $1.1 trillion; 9 million jobs supported; and GDP increases of $1 trillion.

Smaller global payoff – but important

Duty-Free Quota-Free Market Access for LDCs

- LDCs account for only 1% of global trade.
- WTO members have committed to 97% DFQF market access, but for many developed countries, 3% of excluded tariff lines cover over 90% of their imports from LDCs.
- If OECD and emerging nations expanded to 100% DFQF, the payoff: $8 billion LDC export gains; 746,000 jobs supported; and GDP increases of $7 billion.
- Simplified rules of origin should be part of the deal.

Agricultural Export Subsidies

- Agricultural export subsidies can result in dumping of surplus production on world markets and depressing world prices.
- Eliminating export subsidies would lead to: $5 billion additional export revenue for developing countries; 142,000 jobs supported; and GDP increases of $5 billion.

Three other promising deals for Bali

International Digital Economy

- $178 billion export gains; 4.7 million jobs supported; $147 billion GDP gains.

Limits on Food Export Controls

- Save importing countries $45 billion in the next food crisis.

Environmental Goods & Services

- $10 billion export gains; 300,000 jobs supported, $10 billion GDP increases.

****

TRADE MINISTERS BEWARE: DON’T COME HOME FROM BALI WITHOUT A DEAL!