

Figuring Out the Doha Round



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Doha in Distress

- ▶ After almost 9 years, Doha Round is neither ripe for harvest nor ready for burial.
- ▶ We assess the trade and GDP gains from “what’s on the table” in agriculture and Nonagricultural Market Access (NAMA), plus the value of “top up” liberalization in NAMA, services, and trade facilitation.
- ▶ The current Doha package is neither ambitious enough nor balanced enough to garner political support in major economies. The “top up” package might succeed.
- ▶ The formula tariff cuts yield limited US trade gains—this explains tepid private sector support. The “top up” package is more attractive.
- ▶ A “top up” package will deliver much larger GDP gains for developing countries, meeting the “Development Round” goals.

Is the Round worth saving?

- ▶ **Yes.** To harvest the gains from tariff and subsidy reforms already on the table, and to lock in trade facilitation commitments.
 - Doha “formula cuts” in agriculture and NAMA yield global export gains of \$93 billion and import gains of \$87 billion. In total, this generates \$63 billion increase in global GDP.
 - Countries benefit from increased exports AND increased imports: trade flows in both directions contribute to GDP gains.
- ▶ **Yes.** To ensure the viability of rules-based multilateral trading system. If Doha continues to drift, countries will turn to import barriers, subsidies for farmers and industry, and bilateral/regional trade pacts.
- ▶ **Yes.** Drift will cause irreparable harm to the WTO’s credibility as a negotiating forum, which will undermine its valuable dispute settlement mechanism.

Overview of Benefits

Country	“On the table” cuts in Agriculture and Nonagricultural Market Access (NAMA)				Add “Top up” reforms: Services, Sector Initiatives, and Trade Facilitation			
	Trade gains (billions of dollars)		GDP gains		Trade gains (billions of dollars)		GDP gains	
	Exports	Imports	Billions of dollars	Percent of GDP	Exports	Imports	Billions of dollars	Percent of GDP
United States	7.6	14.2	9.3	0.1	39.4	45.9	36.2	0.3
European Union	13.4	26.3	16.3	0.1	62.7	53.5	45.6	0.3
Japan	8.1	4.9	5.6	0.1	30.6	13.7	18.6	0.4
Brazil	2.7	1.0	1.5	0.1	6.0	13.9	8.9	0.7
China	16.8	6.9	9.7	0.3	55.7	68.4	52.7	1.6
India	1.9	0.7	1.1	0.1	7.7	20.3	11.8	1.0

Source: Authors' calculations.

Doha Development Agenda

Group	“On the table” cuts in Agriculture and Nonagricultural Market Access (NAMA)				Add “Top up” reforms: Services, Sector Initiatives, and Trade Facilitation			
	Trade gains (billions of dollars)		GDP gains		Trade gains (billions of dollars)		GDP gains	
	Exports	Imports	Billions of dollars	Percent of GDP	Exports	Imports	Billions of dollars	Percent of GDP
Developed Countries	48.7	32.6	34.0	0.1	147.6	129.7	113.9	0.3
Developing Countries	35.2	17.5	21.5	0.2	131.8	181.9	134.9	1.3
Sample Countries total	67.7	66.1	55.5	0.1	280.4	311.6	248.8	0.5
World total	92.8	86.9	63.0	0.1	384.1	409.9	282.7	0.5

Source: Authors' calculations.



Doha Rehab: The PIIE Prescription

- ▶ Doha package needs to be “topped up” by the major trading nations. Doha success requires increments in market access commitments.
- ▶ Progress on services is a prerequisite for success: requests and offers for negotiations are needed among major trading nations.
- ▶ Even if negotiators achieve only half of our “top up” gains, the Doha results would be more than twice as large as the current package.
- ▶ As well, a larger share of the gains will go to developing countries—resulting in a better “Development Round.”



Agriculture

- ▶ Agricultural negotiations seek to eliminate export subsidies, reduce tariffs and domestic farm subsidies, and expand tariff rate quotas.

	Bound Tariff Rates in Agriculture		Applied Tariff Rates in Agriculture	
	Pre-Doha	Post-Doha	Pre-Doha	Post-Doha
All 22 countries	25.0	18.2	7.6	5.3
European Union	7.8	4.2	6.0	3.4
Japan	10.7	4.5	10.4	4.5
United States	3.0	1.6	1.3	0.7
Brazil	40.6	31.0	4.1	3.9
China	16.1	14.7	9.6	8.9
India	167.0	130.4	60.2	55.7

Source: Authors' calculations.

Potential Gains from Liberalization in Agriculture

Country/Group	"On the table" cuts in Agriculture			
	Trade gains (billions of dollars)		GDP gains	
	Exports	Imports	Billions of dollars	Percent of GDP
United States	3.8	1.6	2.2	0.02
European Union	2.8	15.3	7.8	0.05
Japan	0.5	2.4	1.3	0.03
Brazil	2.3	0.01	0.9	0.07
China	1.3	0.2	0.6	0.02
India	0.4	0.2	0.2	0.02
Developed Countries	9.5	19.2	12.3	0.03
Developing Countries	7.7	1.4	3.6	0.03
Sample Countries total	17.1	20.5	15.9	0.03

Source: Authors' calculations.



Nonagricultural Market Access (NAMA)

- ▶ Products in the NAMA basket account for 90 percent of world exports.

	Bound Tariff Rates in NAMA		Applied Tariff Rates in NAMA	
	Pre-Doha	Post-Doha	Pre-Doha	Post-Doha
All 22 countries	8.6	3.7	2.4	1.8
European Union	2.4	1.2	1.5	0.8
Japan	5.7	1.9	0.9	0.5
United States	4.2	1.6	1.4	0.7
Brazil	30.3	12.4	7.0	5.9
China	4.1	2.9	3.5	2.6
India	30.4	11.8	7.8	7.7

Source: Authors' calculations.

Potential Gains from Liberalization in NAMA

Country/Group	"On the table" cuts in NAMA			
	Trade gains (billions of dollars)		GDP gains	
	Exports	Imports	Billions of dollars	Percent of GDP
United States	3.8	12.7	7.1	0.05
European Union	10.6	11.0	8.5	0.05
Japan	7.5	2.5	4.2	0.10
Brazil	0.4	1.04	0.6	0.04
China	15.6	6.7	9.2	0.28
India	1.6	0.5	0.9	0.08
Developed Countries	23.1	29.5	21.7	0.06
Developing Countries	27.5	16.1	17.9	0.17
Sample Countries total	50.6	45.6	39.5	0.08

Source: Authors' calculations.



Reciprocity Measure

- ▶ Change in revenue from tariff cuts and the revenue equivalent of concessions on nontariff barriers (NTBs), namely agricultural tariff quotas, domestic support, and export subsidies.

Country/Group	Gains in Agriculture (billions of dollars)						Gains in NAMA (billions of dollars)	
	Total cuts		Tariff cuts		Nontariff barrier cuts		Tariff cuts	
	Given	Received	Given	Received	Given	Received	Given	Received
All 22 Members	22.7	15.9	7.4	5.9	15.3	9.9	42.4	37.6
Developed (7)	21.1	8.5	5.9	3.4	15.2	5.1	26.9	16.4
Developing (15)	1.6	7.4	1.5	2.6	0.1	4.8	15.5	21.2
United States	1.4	3.2	0.4	0.8	1.0	2.4	11.7	2.5
European Union	14.5	1.8	2.1	1.2	12.4	0.6	10.0	7.1
Japan	3.0	0.5	2.5	0.05	0.5	0.5	2.3	6.2
Brazil	0.01	2.1	0.01	0.6	0	1.6	1.0	0.2
China	0.2	1.1	0.2	0.5	0	0.6	6.1	12.2
India	0.2	0.3	0.2	0.1	0	0.2	0.5	1.3

Source: Authors' calculations.



Services

- ▶ Doha Round services talks have not been fully engaged even though services are 70 percent of modern economies.
- ▶ WTO members blundered by deferring services negotiations until completion of agriculture and NAMA modalities.
- ▶ Based on Wang, Mohan, and Rosen (2009), we estimate the impact of a 10 percent reduction in the level of restrictiveness of services trade barriers.



Tariff Equivalent of Service Barriers

Country	Current Tariff Equivalent (percent)	Tariff Equivalent After 10% Cut (percent)
Argentina	33.1	29.8
Australia	16.1	14.5
Brazil	55.5	50.0
Canada	15.4	13.9
China	67.9	61.1
Colombia	40.9	36.8
EU	6.7	6.0
India	68.1	61.3
Indonesia	67.9	61.1
Japan	16.8	15.1
Korea	25.0	22.5
Malaysia	28.8	25.9
Mexico	44.3	39.9
Norway	0	0
Pakistan	68.1	61.3
Philippines	55.4	49.8
South Africa	39.7	35.7
Switzerland	3.4	3.0
Thailand	44.1	39.7
Turkey	43.9	39.5
USA	6.0	5.4

Sources: Wang, Mohan, and Rosen (2009); Authors' calculations.



Potential Gains from Liberalization in Services

Country/Group	"Top up" reforms in Services			
	Trade gains (billions of dollars)		GDP gains	
	Exports	Imports	Billions of dollars	Percent of GDP
United States	13.1	3.1	6.1	*
European Union	17.4	5.2	6.9	*
Japan	3.8	3.5	2.7	0.1
Brazil	0.8	2.8	1.6	0.1
China	4.4	12.0	7.1	0.2
India	2.6	7.2	3.6	0.3
Developed Countries	38.9	14.5	18.5	*
Developing Countries	16.1	35.3	21.5	0.2
Sample Countries total	55.0	49.8	40.0	0.1

* indicates that the GDP percentage is positive but less than 0.05 percent.

Source: Authors' calculations.



Additional NAMA Liberalization

- ▶ Estimated value of sectoral liberalization beyond formula cuts in 3 areas:
 - Chemicals – harmonization at 0 percent, 2.5 percent, and 5 percent
 - Information Technology, Electronics and Electrical Goods – 0 percent average applied tariffs
 - Environmental Goods – 0 percent average applied tariffs on World Bank list of products



Potential Gains from Sectoral Liberalization

Country/Group	“Top up” reforms in Sector Initiatives: Chemicals, Electronics, Electrical, and Environmental goods			
	Trade gains (billions of dollars)		GDP gains	
	Exports	Imports	Billions of dollars	Percent of GDP
United States	8.2	5.5	5.4	*
European Union	15.5	4.7	7.0	*
Japan	11.1	0.2	4.5	0.1
Brazil	0.3	5.4	2.6	0.2
China	14.6	17.4	12.1	0.4
India	0.7	3.3	1.8	0.2
Developed Countries	36.7	12.1	18.2	*
Developing Countries	33.2	45.1	31.5	0.3
Sample Countries total	70.9	57.2	49.7	0.1

* indicates that the GDP percentage is positive but less than 0.05 percent.

Source: Authors' calculations.



Trade Facilitation

- ▶ Trade Facilitation: one of the most promising areas in the Round.
- ▶ Doha talks focus on: (1) port efficiency; (2) services sector infrastructure; (3) customs administration/enforcement; (4) transparency and anti-corruption regulatory policies
- ▶ Our estimates cover only (3) and (4) to avoid double counting.
- ▶ Even if the trade facilitation negotiations are highly successful, full implementation will take years.
- ▶ But trade facilitation is key to boosting global commerce, and gains will be very large, especially for developing countries.



Potential Gains from Liberalization in Trade Facilitation

Country/Group	“Top up” reforms in Trade Facilitation			
	Trade gains (billions of dollars)		GDP gains	
	Exports	Imports	Billions of dollars	Percent of GDP
United States	10.5	23.0	15.4	0.1
European Union	16.3	17.2	15.4	0.1
Japan	7.5	5.1	5.8	0.1
Brazil	2.2	4.67	3.2	0.2
China	19.9	32.0	23.9	0.7
India	2.6	9.1	5.4	0.5
Developed Countries	39.5	54.5	43.2	0.1
Developing Countries	47.3	84.0	60.4	0.6
Sample Countries total	86.8	138.5	103.6	0.2

Source: Authors' calculations.



Conclusion: The G-20 needs to lead by example

- ▶ United States: tighten discipline on farm subsidies, bring cotton programs into WTO compliance, eliminate zeroing, top up offer on duty-free, quota-free (DFQF) treatment for least developed countries.
- ▶ European Union: deepen prospective cuts in farm tariffs and subsidies, and broaden commitments to reform trade and investment in services.
- ▶ Major developing countries: increase offers in NAMA sectors, services, and trade facilitation and place limits on special safeguards mechanism (SSM).
- ▶ China: substantially cut its already low NAMA applied tariffs.
- ▶ Brazil and India: augment their NAMA and services offers across key sectors.