

The progress of trade: why Doha matters

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Some forty trade ministers are back in Geneva for a meeting on 21-26 July 2008 [1] in the effort to secure agreement in the Doha round after nearly seven years of talking. There has been much hype surrounding this latest gathering - billed as the very last chance for progress before critical elections in the United States and India, and before terminal disappointment sets in amongst the developing countries.

But how important is Doha? How much will it matter if the talks break down again - as they did at the full ministerial in Cancún in September 2003, and also in the more limited [4] meeting in 2007?

The answer is that these talks are important because they focus on issues that it is vital to resolve if the world-trade regime is to become more balanced and equitable. A historical perspective can help to illustrate this.

The road to Doha

The main reason why Doha matters is that authentic global trade negotiations, though relatively new, have been increasing [5] in their range and inclusiveness on a global scale. Doha [6] is the ninth round of talks, and significantly the largest. The first six, up to the Kennedy round which concluded in 1967, involved fewer than fifty countries, nearly all of them developed; Tokyo (1979) included 100 countries; the last, Uruguay round (1994) involved 125 countries. Doha now encompasses 153 states (its latest member, Cape Verde [7], gained accession on 23 July 2008). Moreover, it is the first round that includes China [8] - now representing the largest market for exports from developing countries - as well as some other major trading economies.

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[3]

Also by Stephen Browne in **openDemocracy**:

"G8 aid: beyond the target trap [3]" (6 June 2007)

"Whatever happened to 'development'? [3]" (17 April 2007)

"A green wall? Kenya, organics, and "food miles?" [3]" (25 January 2008)

All of the eight previous rounds were negotiated under the auspices of the general agreement on tariffs and trade (Gatt [9]), which was based originally on a "temporary" protocol on industrial tariffs established in 1947. Services - today's fastest growing trade domain - only came into play in the Uruguay round, which also added the vital issue of property rights to the agenda. A full-fledged global trade organisation, the World Trade Organisation [10] (WTO), came into existence in 1995 - nearly half a century after the International Trade Organisation founded through US Congressional neglect (see Peter Sutherland, "The man who built the WTO [10]", 12 January 2004). Developing countries now form the overwhelming majority of the 153-strong WTO.

The Uruguay round highlighted two issues that had accompanied the expansion of world trade negotiations. First, the round was unsatisfactory for the developing countries. Many of the richer industrialised countries of the global north had succeeded in growing their manufacturing sectors behind high tariff walls, and prevailed [11] on their weaker trading partners substantially to reduce their own levels of protection. Many, particularly in Latin America, did so unilaterally.

Second, the major anomaly of Uruguay was the absence of meaningful results in agriculture. This was despite (or more likely, because of) the large export subsidies and generous farm support provided by Japan, the European Union and the United States to their own domestic farming constituencies. This constitutes a huge handicap for the exports of developing countries, many of which remain heavily dependent on their primary sectors.

The growing influence of developing countries and the sticking-point of agriculture have come together to help shape the difficult course of the Doha round (see Alex MacGillivray, "The trade gangs of Hong Kong [11]", 22 December 2005). It has become increasingly intolerable for governments in the global south that their counterparts in the richest countries heavily subsidise their farming communities: for this both discriminates directly against imports from the south and floods developing-country markets with artificially cheap produce. The predicament of these countries as a result of these inequitable terms of trade is intensified by the global food crisis [11] of 2007-08.

A glaring example of such hurtful protectionism - one of many - is provided by US cotton subsidies, which amount to billions of dollars per year (see Caspar Henderson, "Cotton wars [11]", 29 April 2004). It has been estimated that the economies of the west African countries of Benin, Burkina Faso and Mali lose between 1% and 2% of their GDP as a direct result of these subsidies. As a whole, production and export subsidies in the rich countries amount to some \$300 billion per year (about three times official development assistance). Although there are some derogations for the poorest [12] countries, farming is also protected in the US, EU and Japanese markets by average tariffs of 20%. The EU taxes imports of competing cereals at rates of up to 180%. Japan places a virtual ban on rice imports. Moreover, tariffs escalate: if developing countries process their own produce, the resulting exports meet even higher tariff levels (see "Defrosting Doha [13]", *Economist*, 17 July 2008).

All this makes it unsurprising that agricultural trade has been so unbalanced. In the 2000s, the exports of food and agriculture from the European Union countries to their traditional trade partners in Africa, the Caribbean and the Pacific (ACP [14]) have increased by almost 40%; but exports of the same goods from the ACP countries to the EU have actually fallen in the same period (see Paul Collier & Kalypso Nicolaidis, "Europe, Africa and EPAs: opportunity or car-crash? [14]", 7 January 2008).

The decisive step

Doha - characterised as the "development round" - is the first chance to begin to dismantle these iniquitous [15] trading terms, of which agriculture is only the most prominent [16] example.

Also on the politics of world trade in **openDemocracy**:

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Tom Burgis, "The WTO's raw deal [11]" (19 December 2005)

Alex MacGillivray, "The trade gangs of Hong Kong [11]" (22 December 2005)

Paul Collier & Kalypso Nicolaidis, "Europe, Africa and EPAs: opportunity or car-crash? [11]" (7 January 2008)

The EU is offering to phase out agricultural-export subsidies and alter farm spending to limit trade distortions. The US may significantly reduce its cotton subsidies, and halve its general level of farm support. The recent substantial increases in global commodity prices are hugely advantageous in this respect. If levels of tariffs on agricultural and non-agricultural products come down significantly on both sides, there will be compensatory measures to protect sensitive products in the poorer countries. For the global economy, the overall gains have been calculated at over \$40 billion per year, for goods alone (more if services are included).

True, not all countries would benefit equally. Exporters in some of the poorer countries are held back by other factors than market access, so they will not suddenly prosper as a result of a change in the overall trade regime. But these negotiations are an indispensable ratchet for a general and universally applicable improvement in trading conditions, safeguarded through a global mechanism which works by consensus and whose membership is increasingly dominated in number and voice by developing countries (see Ehsan Masood, "Why the poorest countries need a WTO [16]", 13 December 2005).

The alternative is the status quo - only that is incrementally and messily altered through myriad bilateral and regional trade agreements. These "free-trade agreements" (FTAs) are often unbalanced in ways that replicate the effects of the earlier multilateral trade rounds; in many of them the stronger partner seeks - in return for market access - to impose on the weaker quid-pro-quo conditions, which are more invasive than those being negotiated multilaterally.

In this and other respects Doha is a true test of the resolve of the richer countries to commit to global development in ways which will be more sustainable than continuing aid. It will also reveal whether these countries are willing to practise their preaching of fair market economics.

Global trading conditions will still be unbalanced even with a successful outcome of the Geneva talks - which at the time of writing remain in the balance [17]. But this first full-fledged round is not like the eight which preceded it under the Gatt. With a completion of the Doha round, the world will after all have taken a significant and irreversible step towards a more equitable trade environment.

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