



“Governance of Economic Globalization” and “The Doha Round”

Prof. Carol Wise



The WTO and the Doha round



- Two major perspectives
 - **The “Enlightened Standard View”**
 - “The prevailing view... is that **integration into the global economy is an essential determinant of economic growth**... requires both enhanced market access in the advanced industrial countries and a range of institutional reforms at home to render economic openness viable and growth promoting”
 - **Alternative View**
 - “**questions the centrality of trade** and trade policy and **emphasizes instead the critical role of domestic institutional innovations** that often depart from prevailing orthodoxy”
 - “It is one that **evaluates the demands of institutional reform not from the perspective of integration but from the perspective of development**.”



Cohn: History of the WTO



- WTO formed in the Uruguay round of GATT, 1986-94
 - GATT was the vestige of the International Trade Organization
 - US never ratified ITO
 - Designed to promote trade – avoid WWII post-war protectionism
 - GATT was too weak and had coverage gaps -> upgraded in the Uruguay round to the WTO
 - Stronger dispute settlement system/enforcement mechanism
 - Trade in services, intellectual property rights, non-tariff barriers, investment

- The Uruguay round left much to be desired however
 - Developing countries felt that they had given up more than they got in return



Going into the Doha Round



- Context
 - Occurring after 9/11, located in the middle east – overt political tones
- Fault lines
 - North-South Relations - press own interests
 - Development Round – “the South realized belatedly that it ‘had accepted fairly weak commitments in agriculture and textiles’ in the Uruguay round”
 - South more organized – G-20
 - Need for transparency and legitimacy
 - Inclusion of south in decisions vs. unilateralism
 - North-North – need for leadership
 - US: wanted more concise and concrete negotiations
 - Trade deficits; NAFTA -> domestication of US trade issues
 - EU wanted a more encompassing agreement



Contentious Issues: South demands



- Liberalization of Agriculture
 - End of subsidies – developing nations more competitive
 - EU and US oppose this: national security and protect domestic producers
 - 2003 joint paper
 - North - did not provide enough flexibility for sensitive commodities
 - South – not ambitious enough
 - 2004 framework – “five interested parties”
 - EU, US, Brazil, India, Australia
 - elimination of export subsidies, reduction of trade-distorting domestic subsidies
 - Very general



Contentious Issues: South demands



- Special and Differential Treatment – SDT
 - Provides special concessions to developing countries (preferential tariff rates, not having to adhere to all of the anti-protection rules)
 - At the heart of development, especially after 1980s failure of ISI
 - Graduation principle = would eventually phase out
 - South declared a ‘need for clarification’ after Uruguay
 - Disillusioned with poor results, difficulty in implementation
 - Changes:
 - Greater flexibility in adherence to WTO obligations
 - Stricter rules to ensure the North is meeting their obligation to provide market access / procedures for monitoring, enforcement
 - Technical assistance from the North to help with compliance
 - North opposed
 - Middle income countries shouldn't receive such extensive SDT (China, Brazil, India)



Contentious Issues: South demands



- Technical Assistance and Capacity Building
 - North only provided SF1million in assistance after the Uruguay round
 - Not legally bound
 - Insufficient – trade negotiations more complicated
 - South wanted more assistance/ more time to fulfill commitments
 - Continue to disagree over level and purpose
 - Development vs. Doha specific
 - WTO's limited development experience doesn't help



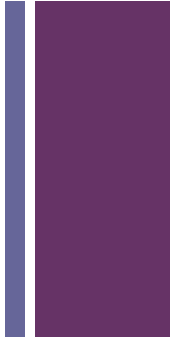
Contentious Issues: North Demands



- Singapore Issues – expansion of major WTO areas
 - Investment, competition policy, government procurement, trade facilitation
 - Differences WITHIN North and South – US and Latin America
 - South resists
 - Lacks the resources needed to negotiation
 - Fears it will be subject to trade sanctions when they can't meet obligations
 - Primarily the South taking on new obligations
 - Restrictions may hinder economic development – hinder ability to regulate and intervene in markets
 - Resolved once again by a poorly defined agreement



Contentious Issues: North Demands



- Nonagricultural Market Access
 - Benefits actually more for the South, yet the north has been the largest demander
 - South has linked it to progress in agriculture
- Services in Trade
 - North is impatient with the slow pace – complicated negotiations
 - South wants safeguards to protect infant industries



Failure of the Doha Round



- Suspended, failed to meet deadlines: 2001 -2006, 08, 11, 12....
- Able to agree only through using vague/general terms and delaying decisions
 - Both sides need to make more concessions
 - North can't dominate the Doha round, but needs to let the South have a substantial role
 - South has started to work as a bloc
 - Need to find a way to meet goals while still providing some flexibility
- The Doha round should be approached as a complete undertaking – agree on everything
 - Broad ranging negotiations likely to be the most successful because WTO members can point to some area of gains to make concessions more palatable



Prospects for the Doha Round



■ Complication of Negotiations

- “We can no longer speak... about relations between North and South; now it is between the North and Souths”
- The South, despite forming a bloc, is divided among itself – ‘porous’
- Expanding into behind the border issues

■ Continuing Issues

- US deficit -> protectionism
- Bilateral trade agreements
- Conflicts between the EU and US



Central Themes from Rodrik



- Trade becomes the lens through which development is perceived, rather than the other way around
 - “...better mix of enhanced market access and maneuvering room to pursue appropriate development strategies.”

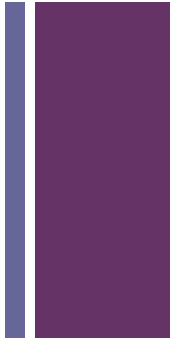
- “The trade regime has to accept institutional diversity, rather than seek to eliminate it, and that correspondingly it must accept the right of countries to ‘protect’ institutional arrangements”

- Vietnam/Haiti example:
 - Country A: engages in state trading, maintains import monopolies, retains quantitative restrictions and high tariffs (in the rang of 30-50 percent) on imports of agricultural and industrial products, and is not a member of the WTO
 - Country B: a WTO member, has slashed import tariffs to a maximum of 15 percent and removed all quantitative restrictions, earning a rare commendation from the US State Department



Central Themes cont.

- “...the relevant question for policymakers is not whether trade per se is good or bad—...-- but what the correct sequencing of policies is and how much priority deep trade liberalization should receive early on in the reform process”
 - “most sensible estimates suggest that complete trade liberalization...would produce a net gain to the developing world of one percentage point of their income or less- a meager impact that the World Bank and the WTO do their best to hide behind more impressive-sounding claims”
- “Viewing institutional priorities from the vantage point of insertion in the global economy has real opportunity costs”
 - Turkey in the 1990s
 - Brazilian AIDS program
 - Chilean capital controls
 - Domestic institutions require capital that is lost as a result of the trade liberalization and reduction in tariffs, etc.
- “Policymakers need to forge a domestic growth strategy relying on domestic investors and domestic institutions. The most costly downside of the integrationist agenda is that it is crowding out serious thinking and efforts along such lines”





Rodrik's Five Points

1. Trade is a means to an end, not an end in itself

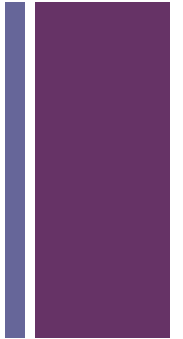
- Trade is only useful insofar as it serves broader developmental and social goals
- Developing countries should not be obsessed with market access abroad, at the cost of overlooking more fundamental developmental challenges at home

2. Trade rules have to allow for diversity in national institutions and standards

- “Market-based incentives, effective property rights, competition, macroeconomic stability are key everywhere”
- More broadly, political freedom, civil liberties, and human rights are universal principles

3. Nondemocratic countries cannot count on the same trade privileges as democratic ones

- National standards that deviate from those in trade partners and provide “trade advantages” are legitimate only to the extent that they are grounded in free choices made by citizens
- The point is simply that the presence of civil liberties and political freedoms provides a presumptive cover against the charge that labor, environmental, and other standards in the developing nations are inappropriately low





Rodrik's Five Points cont.



4. Countries have the right to protect their own institutions and development priorities

- Rodrik advocates for an extension of the “safeguard” principle

5. But countries do not have the right to impose their institutional preferences on others

- Using threats of trade sanctions, etc. to bring domestic institutions in other countries into alignment would be outlawed under the new system

■ Other development friendly measures

- Restricting the use of antidumping measures
- Mobility of workers
- Provide legal and fact-finding to developing countries in dispute settlement



Conclusions from Rodrik



- Traditionally, the agenda of multilateral trade negotiations has been shaped in response to a tug-of-war between MNCs and exporters in the advanced industrial nations
 - Development not central to the debate
- Regime must shift from a “market access” mind-set to a “development” mindset
- Rodrik doesn’t understand why there is such a large focus on agriculture in the Doha Round, when developing nations should be focusing on development in general
- Under the shift to a development mindset:
 - Countries would be able to use trade as a means for development rather than being forced to view trade as an ends in itself



Problems with Rodrik

- Advocates for diverse perspectives to enter the globalization debate:
 - And then restricts the parameters for the debate (limits the domestic political systems to democracies)
 - Counterexample: China
- Doesn't address central problem— **incentives**:
 - Developed countries will continue to look out for their own interests in the global trade and finance regime
 - Until they see development of other countries as essential to their own national interest, nothing will change
- New “safeguard” measure has the potential to exacerbate conflict over trade
 - How can you really tell why a country wants to limit imports?
 - Limitations could stem from national or cultural interests, but more likely to be perceived as economic in nature by competitors

