

# Trade Developments in the World Economy and Progress in the Doha Round

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# Main Issues

- Effects of economic downturn on trade
- Effects on trade policy
- Trade financing issues
- The Doha Round
- Prospects for completion

# Effects of Economic Downturn on Growth Prospects

(GDP growth in percent)

	2006	2007	2008	2009
IMF – WEO (Nov 2008)	3.9	3.7	2.6	1.1
UN (Dec 2008)	4.0	3.8	2.5	-0.4 - +1.6
World Bank (G20 Nov 2008)	4.0	3.7	2.6	1.0

# Effects of Economic Downturn on Global Trade Growth Prospects

(Volume of world exports in percentages)

	2006	2007	2008	2009
IMF-WEO (Nov 2008) goods and services	9.4	7.2	4.6	2.1
EU Commission (Nov 2008)	10.0	7.1	5.3	2.4
OECD (Nov 2008)			4.7	1.8
UN (Dec 2008)	8.8	6.3	4.4	-3.1 -
World Bank (Nov 2008)	9.7	7.5	5.8	- 2.5
WTO (Oct 2008)	8.4	5.9	3.5	

# Exports of Goods and Services

(Volume change in percentages, October to October - EU Commission)

	2008	2009	2010
EU (Intra- and Extra-)	3.4	1.5	3.3
USA	9.0	2.3	3.3
Japan	6.1	3.0	4.3
Canada	-4.2	-3.3	-0.7
Asia (ex Japan)	8.3	4.0	5.9
Latin America	4.0	1.1	3.3
Sub-Saharan Africa	4.4	2.4	4.6

# Effects on Trade Policy

- New threats of protection?
- Increased use of tariffs and other import-related measures (Argentina, India, Mercosur, Ukraine, Pakistan, Ecuador)
- Increased use of anti-dumping and other contingency measures (Anti-dumping initiations up by 39%, January-June 2008)
- WTO and RTAs able to hold the line – value of standstill undertakings?

# The Trade Financing Challenge

- Trade credit to some extent side-swiped, as this is generally high-collateral, low risk business (assumed  $\approx$  \$20 billion liquidity gap)
  - Liquidity shortage (high spreads, lack of availability, fewer suppliers, difficulty in accessing secondary markets/insurance markets)
  - Generic re-assessment of risk leading to higher credit costs after financial crisis and slower world economy

# Possible responses

- Enhance capacity to mitigate effects of increased risk perception
- Provide earmarked liquidity for finance
- In the medium term:
  - Improved mechanisms for information sharing
  - Improved risk assessment techniques
  - Improved data collection on trade

# Some recent actions

- Banks and governments pressing ECAs and regional development banks to share some of the risk

In Asia, for example:

- ECAs have created an intra-Pacific network of re-insurance for trade credit
- ECAs to cover “regional operations” not only bilateral trade
- ADB is expanding its Trade Finance Facilitation Programme, covering 100% payment risk on inter-bank LCs
- China-US EXIM Banks to free \$20 billion to finance bilateral trade

# The Doha Round, 2001 -

- Negotiations:
  - Agriculture and Services (Cotton added in 2003)
  - Non-agricultural Market Access (NAMA)
  - TRIPS (Register)
  - WTO Rules
  - Trade and Environment
  - Singapore Issues (Explicit consensus)
  - Dispute Settlement Understanding (outside SU)
  - Special and Differential Treatment for developing countries

# Principal elements of the DDA

- Work under the General Council, but not part of Single Undertaking:
  - Electronic Commerce
  - Small Economies
  - Trade, Debt and Finance
  - Trade and Transfer of Technology
  - Relationship between TRIPS Agreement and the CBD, the protection of traditional knowledge and folklore.
- Process Issues:
  - Single Undertaking
  - Trade Negotiations Committee (TNC)
  - Doha Round conclusion 1 January 2005

# From Doha to Now

- 2002 – 2003 Deadlines missed - negotiations behind schedule.
- Cancún – Despite lower ambitions to seek frameworks, not full negotiating modalities, in the areas of agriculture and NAMA – still failed.
- Creation of G20
- August 2004 GC Decision (WT/L/579)
  - Framework agreements in agriculture and NAMA.
  - Opened negotiation on Trade Facilitation.
  - Extended negotiation time frame beyond January 2005
- July 2005 (Hong Kong) -> first "approximations" of modalities -> October agreement to "recalibrate" ambitions
- Since Hong Kong, stop-start, slow progress; July 2008 mini-ministerial progress
- Immediate prospects -NAMA/Agriculture modalities

# Current Outstanding Issues

## Agriculture

- Number and treatment of sensitive products (EU and US accept 4% tariff lines, Canada 6%, Japan 8%)
- Non-sensitive products, 100% tariff cap
- Creation of new tariff rate quotas
- Farm tariff simplification
- Tropical and diversification products
- Preference erosion
- Special safeguard for developing countries
- Cotton

# Current Outstanding Issues

## NAMA

- Sectorals – China, India and Brazil being pressed on, e.g. industrial machinery, chemicals, electric and electronic goods
- Country-specific flexibilities (Argentina, South Africa, Venezuela)
- Preference erosion
- DFQF – “disproportionately affected” countries from 97% threshold (Bangladesh, Cambodia)

# Near-term prospects

- DG Lamy identifies sectorals, SSM, cotton as key, but by no means only outstanding issues
- Believes risks too large right now for ministerial 17-19 December
- But could happen if enough progress made in the immediate future
- Implications of failed mini-ministerial

# Looking Ahead: Post-Doha Challenges

- Shifting economic realities
- Relationship between multilateralism and regionalism
- Climate change and trade
- New instruments of protection (non-tariff measures, regulation)
- A multilateral trade agenda: trade liberalization and rule-making