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

ADB Seminar Series on Regional Economic Integration

Patrick Low, Manila, 9 December 2008
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)

<table>
<thead>
<tr>
<th>Source</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>IMF – WEO (Nov 2008)</td>
<td>3.9</td>
<td>3.7</td>
<td>2.6</td>
<td>1.1</td>
</tr>
<tr>
<td>UN (Dec 2008)</td>
<td>4.0</td>
<td>3.8</td>
<td>2.5</td>
<td>-0.4 - +1.6</td>
</tr>
<tr>
<td>World Bank (G20 Nov 2008)</td>
<td>4.0</td>
<td>3.7</td>
<td>2.6</td>
<td>1.0</td>
</tr>
</tbody>
</table>
## Effects of Economic Downturn on Global Trade Growth Prospects

*Volume of world exports in percentages*

<table>
<thead>
<tr>
<th></th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
</tr>
</thead>
<tbody>
<tr>
<td>IMF-WEO (Nov 2008)</td>
<td>9.4</td>
<td>7.2</td>
<td>4.6</td>
<td>2.1</td>
</tr>
<tr>
<td>Goods and services</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>EU Commission (Nov 2008)</td>
<td>10.0</td>
<td>7.1</td>
<td>5.3</td>
<td>2.4</td>
</tr>
<tr>
<td>OECD (Nov 2008)</td>
<td></td>
<td></td>
<td>4.7</td>
<td>1.8</td>
</tr>
<tr>
<td>UN (Dec 2008)</td>
<td>8.8</td>
<td>6.3</td>
<td>4.4</td>
<td>-3.1</td>
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<tr>
<td>World Bank (Nov 2008)</td>
<td>9.7</td>
<td>7.5</td>
<td>5.8</td>
<td>-2.5</td>
</tr>
<tr>
<td>WTO (Oct 2008)</td>
<td>8.4</td>
<td>5.9</td>
<td>3.5</td>
<td></td>
</tr>
</tbody>
</table>
# Exports of Goods and Services

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

<table>
<thead>
<tr>
<th>Region</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>EU (Inra- and Extra-)</td>
<td>3.4</td>
<td>1.5</td>
<td>3.3</td>
</tr>
<tr>
<td>USA</td>
<td>9.0</td>
<td>2.3</td>
<td>3.3</td>
</tr>
<tr>
<td>Japan</td>
<td>6.1</td>
<td>3.0</td>
<td>4.3</td>
</tr>
<tr>
<td>Canada</td>
<td>-4.2</td>
<td>-3.3</td>
<td>-0.7</td>
</tr>
<tr>
<td>Asia (ex Japan)</td>
<td>8.3</td>
<td>4.0</td>
<td>5.9</td>
</tr>
<tr>
<td>Latin America</td>
<td>4.0</td>
<td>1.1</td>
<td>3.3</td>
</tr>
<tr>
<td>Sub-Saharan Africa</td>
<td>4.4</td>
<td>2.4</td>
<td>4.6</td>
</tr>
</tbody>
</table>
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 $≈$ $20$ 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

- 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