

Beyond Doha: A New Multilateral Trade Agenda

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Summary

- The current Doha Agenda does not adequately address the challenges facing the trading system;
- The multilateral trade system needs a wider agenda to address new concerns, and to harnesses the interests of new constituencies;
- Despite shifts in economic power across countries, there is enough commonality of interests and scope for give-and-take for a new agenda to be worth considering
- WTO need not be the forum for locating the outcome of discussions on new issues. Need a meta-process (Bretton Wood II) to decide that
- India has a unique opportunity to shape the international economic system

Traditional Agenda

- Rapid unilateral liberalization in goods, services, and even agriculture; but now some signs of protectionism
- Doha would have delivered little by way of liberalization
- Doha would not place serious constraints on policy reversals

Incremental Liberalization--Goods

	Applied Rates	
	Base	Formula plus flex
Total	%	%
All countries	3.7	2.9
High income countries	2.5	1.7
Developing - non LDC	6.9	6.2
LDCs	11.1	11.1
Agriculture		
All countries	14.5	11.8
High income countries	15.0	11.0
Developing- non LDC	13.4	13.3
LDCs	12.5	12.5
Non-agricultural market access (NAMA)		
All countries	2.9	2.3
High income countries	1.7	1.1
Developing- non LDC	6.4	5.6
LDCs	10.9	10.9

Bindings: Goods

	Applied Rates	Bound rates
	Formula plus flex	Formula plus flex
Total	%	%
All countries	2.9	6.9
High income countries	1.7	3.8
Developing - non LDC	6.2	14.4
LDCs	11.1	na
Agriculture		
All countries	11.8	29.9
High income countries	11.0	20.2
Developing- non LDC	13.3	45.4
LDCs	12.5	94.1
Non-agricultural market access (NAMA)		
All countries	2.3	5.3
High income countries	1.1	2.7
Developing- non LDC	5.6	11.8
LDCs	10.9	na

Source: Laborde, Martin and van der Mensbrugghe (2008) cited in Martin and Mattoo (2008).

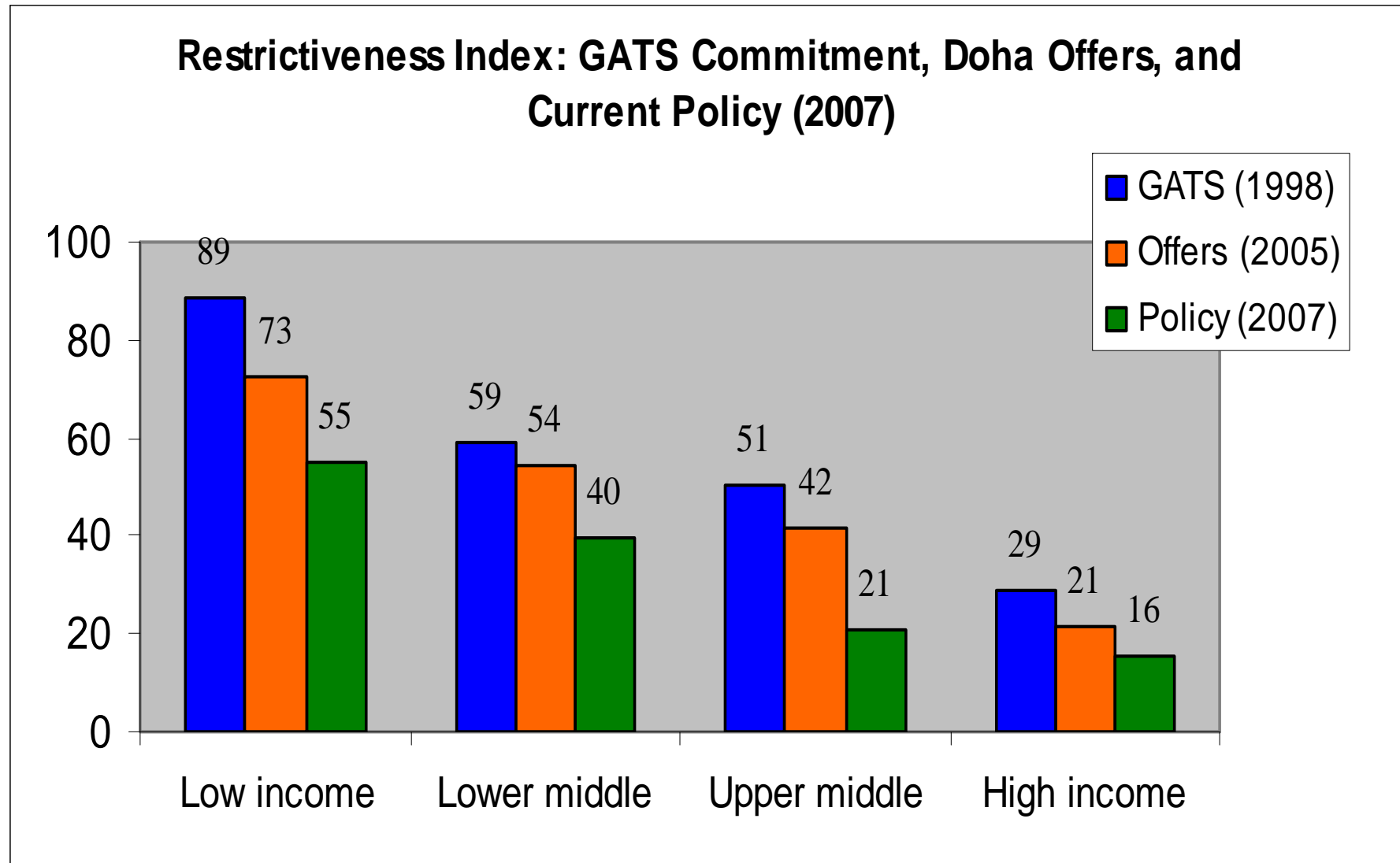
Note: Country groups defined using World Bank and UN definitions.

Disciplines on non-tariff protection

Doha would not significantly tighten disciplines on:

- Antidumping
- Safeguards
- Production subsidies
- Protectionist standards

Incremental Liberalization--Services



And only limited disciplines on regulatory protectionism in services

Changing World Economy

- Security a growing concern
 - Agriculture and food security
 - Oil and energy security
 - Globalization/exchange rates and worker security
 - Sovereign wealth funds and national security
 - Financial globalization and financial security
 - Climate change and environmental security
- Need for multilateral cooperation, which will be preferable in many cases to unilateral actions

Food

- Large increases in prices though now significantly reversed
- Unilateral responses: reduction in tariffs, imposition of export restrictions, and biofuels policies
- Collectively problematic: everyone slaps export restrictions and world price increases further
- WTO powerless in “good” states (excess mercantilism) AND bad states (excess reverse mercantilism)
- WTO agenda needs to address both and also biofuels policies. Doha was addressing neither

Energy

- Large increase in prices again significantly reversed
- Unilateral responses:
 - countries slashing taxes and not passing on price rises, leading perversely to further price rises
 - US Congress contemplating unilateral action against OPEC
- World's most important traded commodity exempt from multilateral supervision/regulation of restrictive government actions: cartelization
- Need rules against collusive government actions that threaten energy security, subject to legitimate exceptions (price stabilization and environmental protection): Precedents in the WTO.

Undervalued Exchange Rates

- “Intellectual climate change” and worker insecurity lead to angst about globalization
- Undervalued exchange rates create economic insecurity for immobile factors (unskilled labor)
- Unilateral action considered by United States and EU
- Need multilateral rules:
 - Need for effective political coalition
 - Unilateral only partially effective: China versus Oil exporting countries
- Vacuum created by IMF’s eroding legitimacy and leverage may be filled by a new division of labor between the WTO (enforcement) and IMF (technical input)

Sovereign Wealth Funds

- Massive transfer and re-nationalization of wealth in the hands of governments (SWFs)
- Two concerns:
 - Macroeconomic: actions to destabilize currency and bond markets.
 - Microeconomic: foreign governments controlling sensitive industries
- Unilateral responses already visible: US and EU
- Need multilateral: Guaranteeing free flow of capital in return for reasonable disciplines on SWFs (transparency; arms-length etc.)
- WTO might be a natural place because GATS already covers access for foreign investors in key services sectors

Finance

- Key macroeconomic cause of crisis: Excess liquidity and “global savings glut” linked to exchange rates and oil prices
- And finance is global but regulation is national
 - Either more freedom to determine national pace of financial integration
 - Or more multilateral cooperation on regulation (e.g. on limits on leverage and approach to crisis resolution)
- More representative membership of Basel Committee on Banking Supervision and the Financial Stability Forum, and governance reform of the IMF
- Greater coordination between regulatory institutions, and between them and the WTO

Climate change

- Important substantive negotiations will be about distribution of emissions and non-trade related
- But two trade dimensions unavoidable
 - Restrictions (countervailing duties) on imports of energy-intensive products on competitiveness grounds
 - Trade sanctions as broad enforcement mechanism
- Unilateral responses: Legislation in US Congress envisage actions on competitiveness grounds
- Unilateral response inefficient and ineffective
 - Vitiates the atmosphere on emissions negotiations
 - Competitiveness arguments problematic
- Need early multilateral clarification of rules that ensure trade is not unduly restricted on environmental grounds

New Constituencies

- Historically, multilateral trade liberalization in the WTO driven by corporate interests, (US, EU) in search of market access
- But unilateral and regional liberalization have reduced stakes in multilateral: Hence Doha's plight
- New agenda affects more diffuse interests (consumers, workers, and citizens). Can they be mobilized?
- Political influence already visible at national level: witness countries' unilateral responses to food and energy price rises
- The natural next step would be for these constituencies to press governments to cooperate internationally to address their concerns more effectively

Feasibility

- The small agenda of Doha failed. How can more ambitious agenda succeed?
- Will re-allocation of power in post-US world make cooperation more difficult?
- Small is not equal to more feasible because less at stake
- Key point is that there might be enough in the new agenda for give-and-take, for reciprocity
- Maybe cooperation will be elusive but the best chance is from a wider agenda that addresses current concerns rather than inconsequential agenda

Form, Forum etc

- Structure of negotiations
 - The “Small and Poor” and the millstone of the “Single Undertaking”
 - Need for variable geometry
- Appropriate forum: Not exclusively WTO but not without WTO either
 - WTO (agriculture); IMF and WTO (exchange rates and SWFs); “Copenhagen” and WTO (environment); expanded IEA (energy); Basle, FSF, IMF and WTO (finance).
- Bretton Woods II process can determine content, form, and allocation of responsibility:

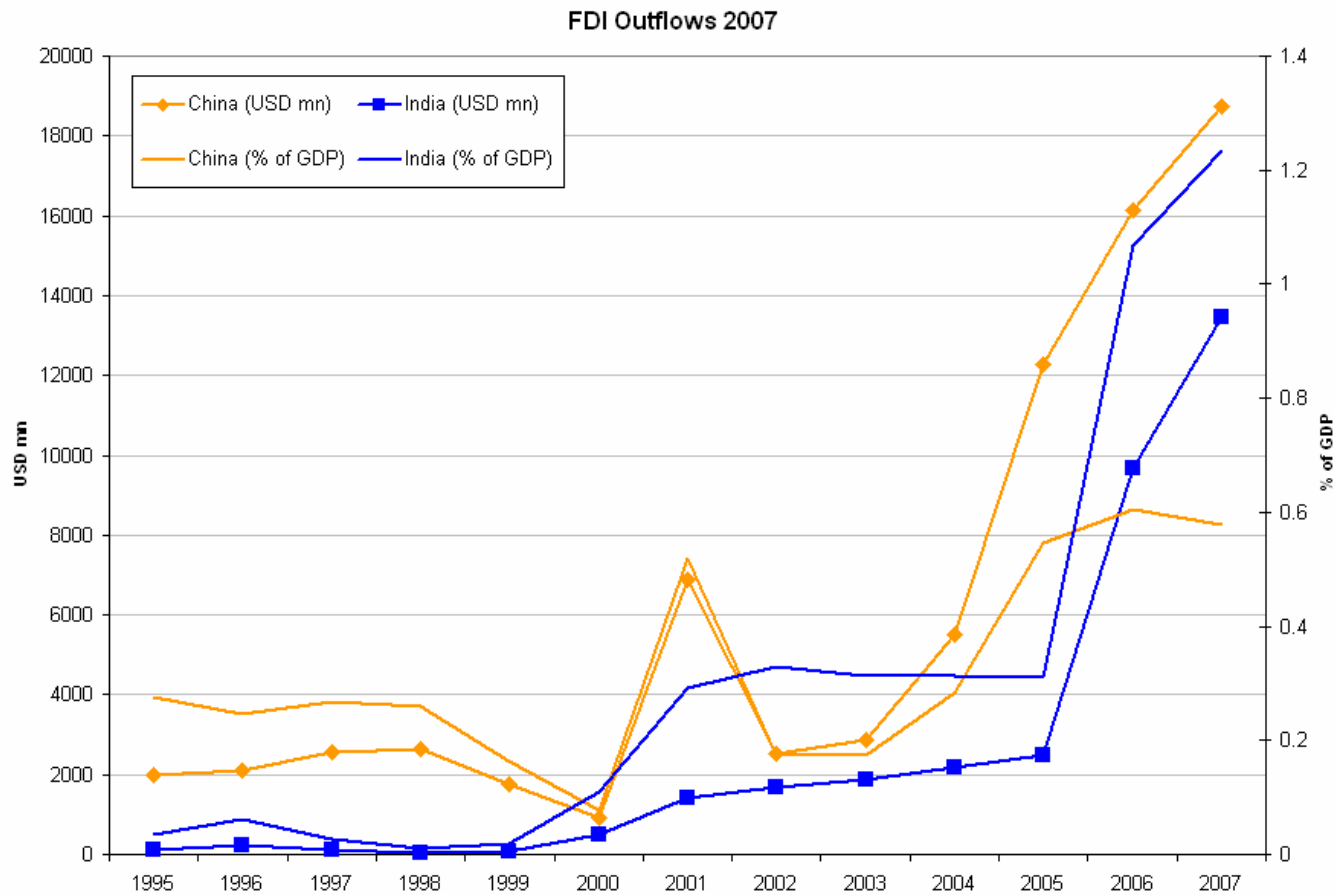
The New Issues: Demandeurs and Responders

	<i>Required multilateral action</i>	<i>Demandeurs</i>	<i>Who Responds?</i>
Food	Disciplines on export restrictions and taxes	Net food importers	Net food exporters
	Curbing biofuels policies	Net food importers, Brazil	US, EU
Oil	Action against cartelization	Net oil importers (US, EU, China, India)	Oil exporters
Exchange rate undervaluation	Disciplines against undervalued exchange rates	US, EU, emerging market countries (competing, with China), Africa	China, oil exporters
Sovereign wealth funds	Avoiding restrictions on flows in return for transparency by SWFs	Oil exporters, East Asia	Capital exporters and importers
Environment	Proscribing arbitrary trade restrictions	China, India (and other developing country emitters)	Large countries

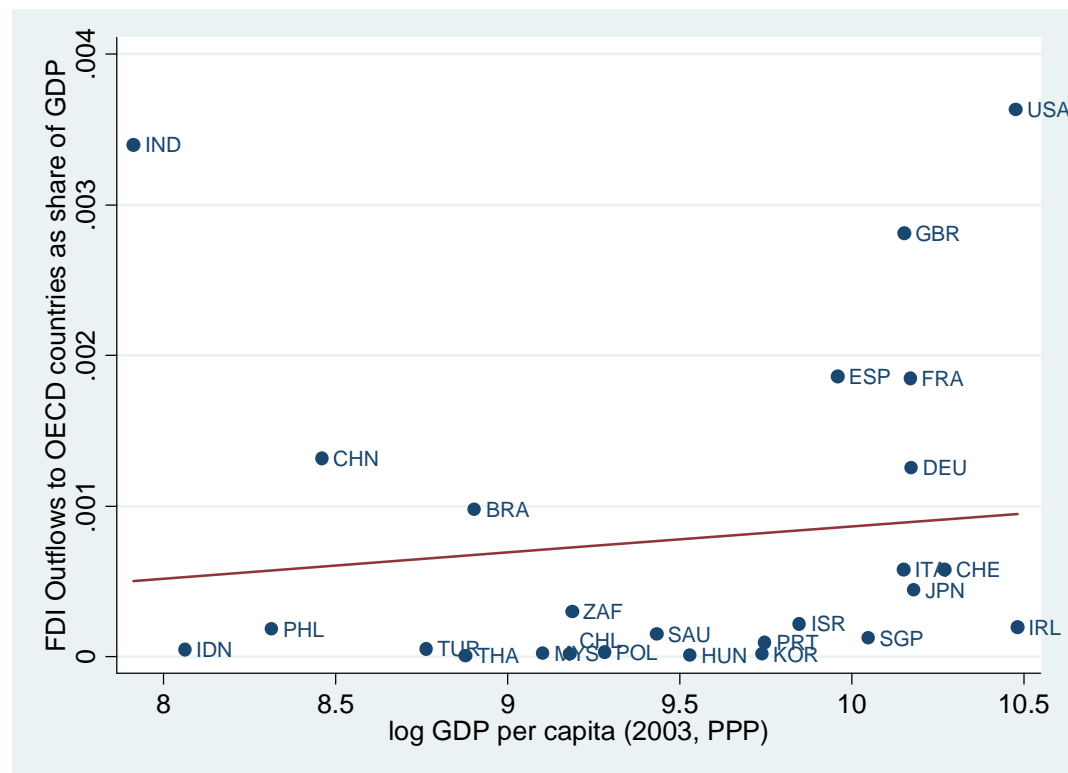
India's Role

- **Triumphant return from Doha**
- **Can we rest on Doha “achievement?” i.e preserving the status quo**
- **Even existing openness cannot be taken for granted.**
- **India has a big and rising stake in openness: exports of goods, outsourcing, and now exports of FDI**

FDI Outflows 1995-2007



Exports of FDI to OECD Countries (2003-2006)



Source: Mattoo and Subramanian (2008)

India still has among the most restrictive regimes for goods and services trade



Source: Gootiiz and Mattoo (2008)

What is the strategic vision?

- **India has a strong interest in multilateral cooperation on both the traditional and the new agenda:**
 - **Securing openness of goods and services markets**
 - **Food prices; Cartelization of oil markets; Global warming; Undervalued exchange rates; Sovereign wealth funds; Globalized finance**
- **India neither has a decisive influence on, or veto over, multilateral cooperation: the murky middle**
- **But it has a unique opportunity to leverage its growing economic power and intellectual capital to shape the international economic system.**