# Modest success at the 10th WTO ministerial meeting, but the big question is where next for trade negotiations?

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The 10th ministerial meeting concluded on 19 December with limited success. It was hailed by trade officials, but the effects for the poorest countries are likely to be modest. The big result was the failure to reaffirm the Doha Development Round. This raised the question, where next for the WTO negotiations? We map out different scenarios and argue that a renewed focus on the role of trade in economic transformation is absolutely critical to the success of each of these.

**What was concluded?**

The ministerial declaration included a range of new decisions. While important, the effects of these are limited, for a variety of reasons:

- Elimination of **export subsidies** and distortionary in-kind food aid – developed country export subsidies had already been lower in recent years and were set to be eliminated, but if the new rules bind other countries in future this could be significant. The rules on export credits reflect practice for many countries. Exemptions and safeguard measures to new rules might still apply.

- Duty-free quota-free market access for Least Developed Country (LDC) **cotton** exporters in developed and selected developing countries – this may be helpful but US domestic cotton subsidies remain untouched, so the value of the measure is limited

- **Public stockholding** – although this was not to be discussed at the meeting, India obtained the commitment of negotiations for a permanent solution, but outside the Doha Round. In fact, this may not be an 'achievement' for the poorest countries and the measure could be trade-distortionary.

- An extension of the **services waiver** allowing developed (and large developing) countries to grant preferences to LDC – but so far the value of the commitments under the services waiver seems low.

- Lowering of the value addition threshold at 25% for **rules of origin** for LDCs – the EU had already made this more flexible in recent years so much had been resolved (perhaps a lower level would help further).

- Conclusion of plurilateral agreement of 53 WTO members to expand the product coverage of the Information Technology Agreement (ITA), covering some $1.3 trillion of would trade – but any effects for LDCs will only be indirect.

- **Accession** of two new WTO members: Liberia and Afghanistan.

These achievements are no doubt hard fought. Some (e.g. on export competition in agriculture) are called historic. But, given the partial nature, the impact on LDCs is not likely to be very large. For example, removing export subsidies in agriculture is good, but there are lots of domestic subsidies and tariffs that are equally if not more distortionary. And cotton exporters are hampered by domestic subsidies (e.g. in the US), not just tariffs.

These achievements have come at the cost of accepting an agreement on a new Special Safeguard Measure (SSM). Although several developing countries have fought for this, we believe this is a triumph for the protectionist lobbies. It is an issue where the interests of mercantilist negotiators diverge from those of consumers. With the SSM, developing countries will be in a position to increase their tariffs just because the international price has gone down or the volume of imports is high. While this may protect selected inefficient farmers, it will also continue to harm consumers.

**Failure to reaffirm the Doha round**

More significant is the failure to agree on either reaffirming Doha or replacing it. The implications are not exactly clear. But it certainly reflects that concluding the Doha Round now is a low priority, compared with the survival of the WTO itself or with other negotiations. We have been arguing for moving to more important issues since 2009. The US (and others) supported abandoning the Doha Round, yet other members (such as India, Brazil and other developing countries) fear this means areas the Doha Round committed to addressing, in particular agricultural subsidies and tariffs, now may no longer be under negotiation, although this is not certain.

While negotiating in a different way could potentially lead to major gains for developing countries, including LDCs, there is an irony that those who push most for new ways of trade negotiations feel unable to make major commitments in the traditional and supposedly easier areas. So, while going into new negotiations on a new agenda makes a lot of economic sense, it is understandable that some countries are sceptical from a negotiating perspective that these new issues will deliver when old ones are being abandoned.

**Future scenarios**

A range of possible scenarios are possible for future trade negotiations:

1. **Abandoning negotiations**, and focusing on implementing what has been agreed – 63 countries have ratified the trade facilitation agreement but 45 more need to do this for the agreement to come into force; the export competition agreement needs to be implemented and monitored; other Nairobi issues still need to be negotiated; and, finally under this scenario, the proliferation of regional trade agreements is likely to see little effective coordination.

2. **Finalising a traditional Doha Round** – this is what several developing countries wanted, which would include cuts in tariffs and subsidies for (developed country) agriculture and non-agricultural goods, and liberalisation of services. There has been little progress on this, even though a deal was close in 2008, and it is clear some developed countries, notably the US, do not support this.

3. **Tabling and concluding new issues at the WTO** (whether through the General Council or by formal adoption of a new negotiating agenda outside Doha) – this could include new plurilateral agreements on, for example, access to natural resources,

standards, competition, investment and clusters of services, alongside active WTO coordination of regional trade agreements.

We expect the first. It may prove difficult to get full membership backing for multilateral negotiations on either the traditional or the new issue scenario. However, developing countries are not well served by this scenario (less trade opening means fewer gains). A more aggressive approach to the new issues could benefit developing countries, for example through tackling non-tariff barriers and other barriers to global value chain development (see our previous work at ODI), although there is little reason to believe these will be easier to negotiate than the 'old issues'.

The best option in economic terms would be to combine finalising the old Doha agenda and defining the framework for a new negotiation round. This race to the top could be a grand bargain helping to get all countries out of the current impasse (something for everyone). It is a tall order as progress on each track is required. What is needed is much less mercantilism in trade negotiations; instead, countries will need to realise even more forcefully that trade is a powerful way of transforming economies and lifting people out of poverty (the topic of a Supporting Economic Transformation meeting in Nairobi last week).