

The WTO wants to talk - but who's listening?

Developing countries should refuse to revive the international trade round if they get little in return

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[Article history](#)

The head of the World Trade Organisation, Pascal Lamy, has [announced yet another "mini-ministerial"](#) to try and hammer out a conclusion to the [contentious Doha round](#) of global talks.

As rich country leaders try to rally negotiators for this newest "make-or-break" deadline - in what has become the most imminent agreement in history - developing country negotiators should remember why the proposals on the table deserve to be sent back to the drawing board. The deal nearing completion has limited gains and real costs.

With projected welfare gains of less than \$16 billion (0.2% of developing country national income), tariff losses of at least \$63bn, and projected declines in the relative value of exports, developing countries have little to gain from rushing to conclude Doha.

Given the proliferation of lofty rhetoric about Doha and poverty reduction, the public can be excused for thinking this agreement is all about poverty and development. The [World Bank](#) modeled the gains from a "likely" Doha deal. Under this scenario (which is more ambitious than the proposals now on the table), global gains projected for 2015 are just \$96bn, with only \$16bn going to the developing world.

Of the benefits projected for developing countries, only a few see most of the gains. According to the World Bank, half of all the benefits to developing countries are expected to flow to just eight countries: Argentina, Brazil (which stands to receive 23% of the developing country benefit), China, India, Mexico, Thailand, Turkey, and Vietnam. The Middle East and Africa would be worse off from this deal.

There are also real costs for the developing world.

Total tariff losses for developing countries under the "non-agricultural market access" - or manufactured goods - aspect of the negotiations could be \$63bn, or almost four times the level of benefits. For many developing countries, slashing tariffs will not only restrict the ability of these countries to foster new industries so that they may integrate into the world economy, but it will also limit government

funds to support such infant industries and to maintain social programs for the poor. A majority of developing countries rely on tariffs for more than one-quarter of their tax revenue. For smaller nations with little diversification in their economies, tariff revenues provide the core of government budgets.

A likely deal will also contribute to declining terms of trade for developing countries, the ratio of export to import prices. This measure is considered a crucial estimate of the extent to which a developing country is moving up the value chain in the global economy, away from primary production and into manufacturing or knowledge-based economic activities. Declining terms of trade can accentuate balance of payments problems in countries and make the need to diversify into other export products ever more urgent.

Under a likely deal, world prices for agricultural products increase and manufacturing prices decrease slightly or remain unchanged. According to the [Carnegie Endowment for International Peace](#) these price changes negatively affect the terms of trade for developing countries. The report explains that for many countries the rise in world prices for imported food and agricultural goods is countered with a decline in world prices for their light manufactured exports, such as apparel.

To diversify, developing countries often look at the example of the US and European economies, and more recently, the economies of South Korea and China. These countries diversified away from primary commodities and light manufacturing while slowly opening their economies. They moved into the world marketplace strategically, protecting their major exporting industries in order to nurture them to compete in world markets.

China's computer maker, Lenovo, is an example. The company was created by the government and protected for years; it [purchased IBM's PC division](#) and is now a world leader in high-technology electronics. Acer Computer from Taiwan and Hyundai and Kia Motors from South Korea followed similar long-range development paths.

Further cuts in manufacturing tariffs and services regulation in developing countries, which are under consideration in the current Doha proposals, will [make it more difficult](#) for developing countries to replicate these efforts. This loss of so-called "policy space" is why many developing countries see current rich-country proposals as tantamount to saying: "do as we say, not as we do."

Developing countries should pull the plug on this moribund round until rich countries can agree to a new framework that lives up to [Doha's promise](#) to be a "Development Round" that favours poorer countries.
