Trade Note

July 22, 2008

The World Bank Group
www.worldbank.org

International Trade Department

By:
Bernard Hoekman
Will Martin
Aaditya Mattoo
Richard Newfarmer

This note is drawn from A. Mattoo and W. Martin, World Bank Working Paper (forthcoming)

Trade Note 33

The Doha Development Agenda: What's on the Table?

Overview: A substantial deal

Trade ministers will soon meet in Geneva in an effort to move the Doha Development Agenda (DDA) negotiations towards a conclusion. The negotiations have now been under way for almost seven years. In the areas where negotiations are most advanced, they have generated complex and detailed proposals. This note takes stock of the major components of what is currently on the table for trade in goods and services, as well as the key elements relating to economic development – duty-free, quota-free access for the poorest countries, trade facilitation, and aid for trade.

The headline conclusion is that the Doha round, though perhaps not as ambitious as ministers had hoped at its launch in 2001, compares favorably with the Uruguay round in terms of market access, and surpasses it in terms of breadth of coverage and tangible benefits for developing countries. Ministers, if they turn their back on the deal, would be leaving on the table a significant multilateral achievement.

In a nutshell, what is on the table offers major gains in *security of market access* in goods and substantial progress in binding services trade policies, as well as new market opening. The average bound tariff for agricultural products would fall to 30% (and possibly lower, depending on ultimate flexibilities) and that for non-agricultural goods would fall to some 5%. The extent of binding of services policies will increase by almost 50%. History is replete with cases where governments, undisciplined by bound commitments, significantly increased protection to the detriment of their trading partners, and so the value of reducing maximum permitted levels of protection is a significant result.

Applied tariffs under the proposed modalities would also decline, but less so. Taking into account flexibilities for specific products, average agricultural tariffs in developed countries would fall from 15% to 11%. In developing countries, where protection in agriculture is already lower, average tariffs would fall only marginally, from 13.4% to 13.3%. The average tariff facing agricultural exporters all over the world would decline by one fifth, to 11.8%. The reductions could be larger if countries choose to invoke fewer flexibilities for specific products than our conservative assumptions.

The DDA will also abolish export subsidies and result in a sharp reduction in the levels of permitted domestic support for agriculture in OECD countries, severely constraining their ability to raise agricultural support if world market prices fall in the future. In the EU the permitted level of aggregate support would drop by 70%; for the US it would fall by 60%. These are important steps forward in reducing uncertainty for producers in developing countries and should help promote investment in agriculture.

Progress on the development dimension of the DDA has been significant: WTO initiatives on trade facilitation and aid for trade have played a valuable catalytic role in increasing the attention given by developing country governments to improving trade competitiveness and mobilizing assistance for this purpose from the development community. Special efforts for the LDCs, together with duty-free, quota free treatment will help these countries harness the global economy for their growth.

The breadth of coverage in the Doha round makes it virtually impossible to distill the economic effects into a one-dimensional number.[1] This is why a more comprehensive review of what's on the table is of value.

Market access for goods: impacts on tariffs levied by WTO members

Central goals of the WTO process are to improve the market access opportunities of its members and, as important, the security of market access. These gains in market access can only be brought about if members reduce their trade barriers on key products exported by other members. What follows first considers the reductions in tariffs levied by WTO members, and then turns to the implications for access to partner markets. Greater detail on the specifics of the Doha modalities can be found Martin and Mattoo (2008).

Taking into account the likely use of provisions allowing for flexibilities, the formulas for agriculture and NAMA would reduce the average applied tariff to from 3.7 to 2.9% and the average bound rate from 9.9 to 6.9% (first row, Table 1). *This implies that tariffs globally would fall by an average of nearly one-third, a not inconsiderable achievement.*

In the high-income countries, the formulas with flexibilities would lead to very large cuts in agricultural protection, with bound tariffs falling by almost three-fifths and applied tariffs reduced by one-quarter. In developing countries, bound tariffs will fall by almost one-fifth to 45.4%. Because of the initial gap between bound and applied rates and because of the flexibilities allowed to developing countries for sensitive and special" products, the change in applied rates is negligible.

Table 1. Weighted Average Applied and Bound Rates Levied by WTO members

	Applied Rates		Bound rates	
	Base	Formula+flex	Base	Formula+flex
Total	%	%	%	%
All countries	3.7	2.9	9.9	6.9
High income countries	2.5	1.7	5.2	3.8
Developing - non LDC	6.9	6.2	21.8	14.4
LDCs	11.1	11.1	n.a.	n.a.
Agriculture				
All countries	14.5	11.8	40.3	29.9
High income countries	15.0	11.0	31.9	20.2
Developing- non LDC	13.4	13.3	53.9	45.4
LDCs	12.5	12.5	n.a.	n.a.
NAMA				
All countries	2.9	2.3	7.8	5.3
High income countries	1.7	1.1	3.5	2.7
Developing- non LDC	6.4	5.6	19.1	11.8
LDCs	10.9	10.9	n.a.	n.a.

Source: Laborde, Martin and van der Mensbrugghe (2008); country groups based on World Bank and UN definitions

In NAMA, tariff levels are much lower than in agriculture, with a world average applied rate of only 2.9%, and an average bound rate of 7.7%. While these average rates are low, they conceal many tariff peaks, particularly on exports of particular interest to developing countries. The Swiss formula proposed in the texts brings down the highest tariff rates by the most. In the high-income countries, the reduction in the average bound rate resulting from the formula would be roughly a quarter, from 3.5 to 2.7%. The average applied NAMA tariff in the industrial countries would fall from 1.7 to 1.1%, a reduction of 35 percent from the initial tariff level. Tariffs are much higher in the non-LDC developing country group. The average bound tariff would fall from 19.1% to 11.8%; the average applied rates would fall to 5.6%.

Market access: Impacts on tariffs faced by WTO Members

Exporters all over the world have an offensive interest in market access. What's on the table from their viewpoint? The overall weighted-average tariffs on the products that countries currently export are already generally low at 3.7%, as shown in Table 2. (Note that this figure is biased downwards because many products are able to obtain only very small market shares.) But these averages conceal the much higher rates applied on goods of interest to developing countries. In particular, the average applied tariff

facing developing country agricultural exporters is five times as high as that on NAMA exports.

Table 2. Weighted Average Applied and Bound Rates Faced by WTO members

	Applied Rates		Bound rates	
	Base	Formula+flex	Base	Formula+flex
Total	%	%	%	%
All countries	3.7	2.9	9.7	6.9
High income countries	3.6	2.9	9.6	6.7
Developing – non LDC	3.9	2.9	10.0	7.3
LDCs	3.3	2.4	14.5	10.6
Agriculture				
All countries	14.5	11.8	40.4	29.9
High income countries	14.9	12.1	40.3	29.1
Developing- non LDC	14.2	11.5	39.8	30.4
LDCs	7.4	7.1	56.8	45.7
NAMA				
All countries	2.9	2.3	7.7	5.3
High income countries	3.0	2.4	7.9	5.5
Developing- non LDC	2.9	2.1	7.2	5.1
LDCs	2.8	1.8	8.9	5.9

Source: Laborde, Martin and van der Mensbrugghe (2008); country groups based on World Bank and UN definitions.

Average bound rates world wide are six percentage points higher than applied rates for industrial and developing countries, and almost twice that for LDCs. This "binding overhang" is greatest in agriculture: over 25 percentage points for both developing and high-income countries, and almost 50 percentage points for LDCs. Reducing this "binding overhang", particularly in the largest markets, is of great importance for traders as it will reduce uncertainty regarding the tariffs that may apply in the future. Exporters in developing countries would experience greater certainty of market access on terms roughly one third better than at present – facing bound tariffs of 7.3% instead of 10.0%. Applied rates would improve to 2.9% from 3.9%. Agricultural exporters in both rich and poor countries would be able to sell into foreign markets over an average bound tariff more than one-third lower, 29.9 % versus 40.3%. This is particularly important for developing countries with a strong basis for future growth in natural resource exports. These changes compare favorably to the last three GATT negotiating rounds, which cut average bound tariffs in industrialized nations by 37, 33 and 38%, respectively (Martin and Messerlin, 2007).

Although only part of the reduction in bound tariffs translates into reductions in applied rates, the entire reduction in the binding overhang is an important measure of what is on the table in the DDA. While applied tariffs are now low by historical standards, and have fallen particularly sharply in developing countries, history shows that reductions in applied protection that are not locked-in through international agreements are frequently reversed (see Mattoo and Martin forthcoming). This suggests that the substantial reductions in bound rates that will result from what is now on the table may have substantial long-run value. Consider that when Korea joined the GATT in the 1960s it had average agricultural protection of 7.4%. That rose to over 100% over time because policies were not bound.

Other agricultural policies: Export subsidies, domestic support and safeguards

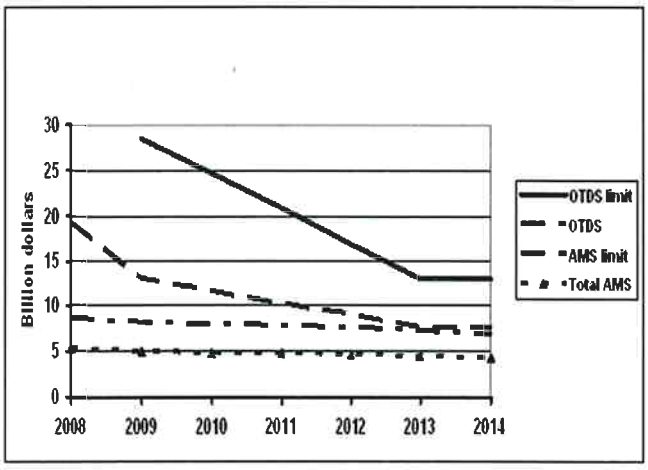
Export Subsidies. The agreement to abolish export subsidies is important. While it will have very little impact in the short run—because current export subsidy levels are negligible—it rules out a return to the disruptive situation of the 1980s, when world prices were severely depressed by high levels of export subsidies that displaced efficient producers. This gives greater confidence to producers in developing countries, and should help promote needed investment.

Domestic Support. The rules on domestic support involve the introduction of a number of additional disciplines, and sharp reductions in bound levels of support. The traditional Aggregate Measure of Support (AMS) is to be reduced using a tiered formula that imposes cuts of 70% in the members with the largest amount of support (the EU); 60% in members with intermediate amounts of support (including the USA); and 45% in members with smaller amounts of support. Developing countries with AMS make cuts two thirds as large. An additional constraint will be applied on Overall Trade Distorting Support (OTDS), defined as the total of AMS, *de Minimis,* and Blue Box[2] support. OTDS limits are to be cut by [75 to 85%][3] in the EU; [66-73%] in the USA and [50-60%] in smaller industrial economies. Blue box support will be limited to 2.5% (5%) of the value of agricultural production for developed (developing) members. Product specific limits will be introduced on AMS and on the blue box,

with the cap on support to cotton being lowered very sharply and under an accelerated timetable.

Domestic support is of relatively minor importance in most developing countries and most attention has focused on implications for the United States and for Europe. Projections by Blandford and Josling (2008) of actual support and the reduction commitments in the draft Modalities suggest that even the larger cuts considered under the draft Modalities would not constrain total AMS or OTDS in the United States under current (very high) price projections (Figure 1). However, even under these price projections, the product-specific AMS and Blue box commitments would likely constrain support for sugar, peanuts and cotton—products of particular importance to many developing countries.

Figure 1. Limits and projected support measures in the USA, ambitious cuts

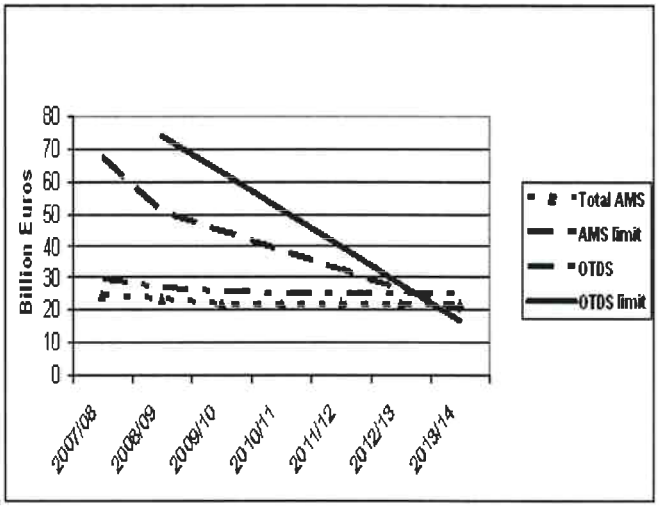


Source: Blandford and Josling (2008)

In Europe, the most rigorous reduction formulas for OTDS considered in the Modalities seem likely to bring the overall trade distorting support below both its AMS subcomponent and the projected levels of support, as shown in Figure 2.

Any projections of this type need to be treated cautiously, as world prices for agricultural commodities can change rapidly, and the current prices are very high by historical standards. While the US support measures do not appear likely to be binding under current projections, they would likely constrain the distorting support that could be provided in the event that world prices prove to be lower than projected. These constraints are particularly important for trading partners, since these support measures generate much greater concern during periods when prices are low.

Figure 2. Limits and projected support measures in the EU, ambitious cuts



Source: Blandford and Josling (2008)

Special Safeguards. The Modalities reflect agreement to eliminate or sharply reduce the use of the Special Safeguard, which currently allows countries that converted non-tariff barriers into tariffs by "tariffication" in the Uruguay Round (mostly developed countries) to impose duties above their Uruguay Round bindings. Use of this measure has increased over time, and it has been used to provide sustained protection for some commodities (Hallaert 2005), so its elimination or sharp reduction should increase average market access, and reduce the extent to which domestic prices in the industrial countries are insulated from world market prices. Its elimination should therefore help reduce the instability of world market prices for the commodities to which it is applied.

A new Special Safeguard Mechanism (SSM) with both price and quantity triggers is envisaged for developing countries. Such a safeguard provides protection and insulation to domestic markets, while reducing market access and increasing the instability of world markets if used by importers accounting for a significant fraction of imports.

The current Modalities envisage an SSM with a volume and a price trigger available on all agricultural products. Import duties of up to 25 percentage points could be imposed when imports exceeded 110 percent of a three year moving average—which could arise from import growth rate of 5 percent per year with a moving average centered two years previously. A price-based measure could be invoked if the price of imports falls below 85 percent of a three-year moving average of import prices, with the duty equaling up to 85 percent of the gap between current import prices and the three year moving average. The combination of the duty and the applied tariff rate could not exceed the pre-Doha bound rate unless a bracketed option is accepted to allow members to breach this barrier for a few products.

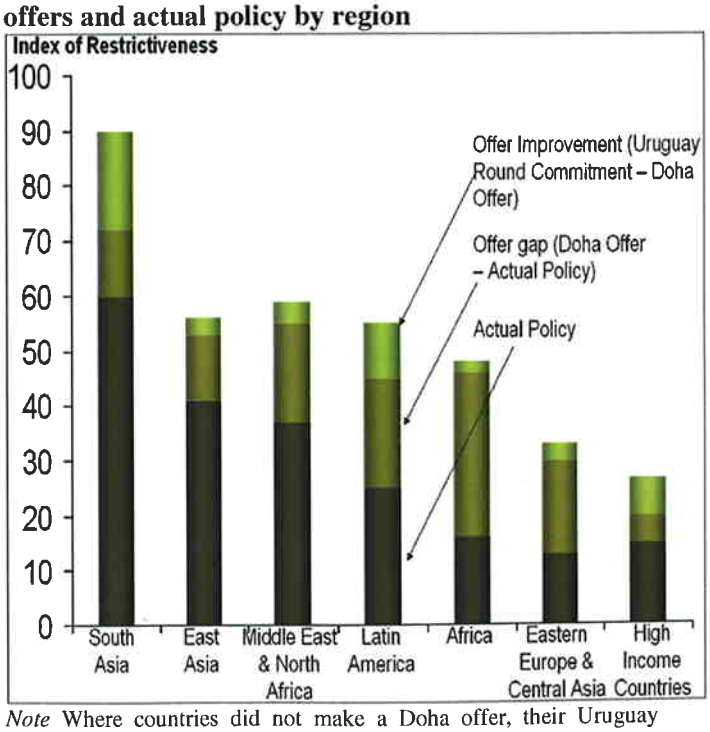
Services trade

Most services liberalization around the world has so far been undertaken unilaterally. Multilateral negotiations on services began in the Uruguay Round. These negotiations led to greater certainty of policy by inducing countries to begin to lock-in unilateral liberalization, but they produced little additional market-opening. The same is true for most regional agreements on services, with a few exceptions (Hoekman, 2006). This is not surprising if account is taken of the fact that services trade is a relatively new topic for trade officials. The multilateral effort to bring down the average trade weighted bound tariff for goods to the proposed DDA level of 6-7% has taken over 60 years; in the case of services such efforts have spanned less than two decades.

What is currently on the table in Doha? Consider first what is not. Doha offers as they stand today do not offer any significant liberalization of actual policy – the focus is predominantly on binding (locking-in) currently applied trade policies (Gootiiz and Mattoo, 2008). Ironically, two of the currently most protected sectors, transport and professional services, are either not being negotiated at all or not with any degree of seriousness. The Annex to the GATS on Air Transport Services excludes from the scope of the GATS all measures affecting air traffic rights and services directly related to the exercise of air traffic rights. The maritime negotiations are notionally on (with offers from some countries) but have never really got off the ground because the US has not made any commitments or offers in this area.[4] As far as professional services are concerned, a vital mode of supply, the presence of natural persons, faces almost insurmountable barriers in most countries because trade negotiators have had little liberalizing influence on immigration policy and domestic regulations such as licensing and qualification requirements.

Given the focus of the negotiations on binding of applied policies, the question is whether and how much Doha offers greater security of access than the Uruguay Round commitments. What has so far been accomplished in this respect can be assessed by comparing actual policy with Uruguay Round GATS commitments and the offers submitted so far as part of the Doha negotiations. As Figures 3 and 4 show, in all regions of the world, actual policy is substantially less restrictive than the Uruguay round commitments. Based on the sample of countries for which data on applied policies are available, Uruguay round commitments are on average 84% more restrictive than current applied policies. Doha offers improve on Uruguay round commitments, reducing the gap between offers and actual policy to 43% on average.

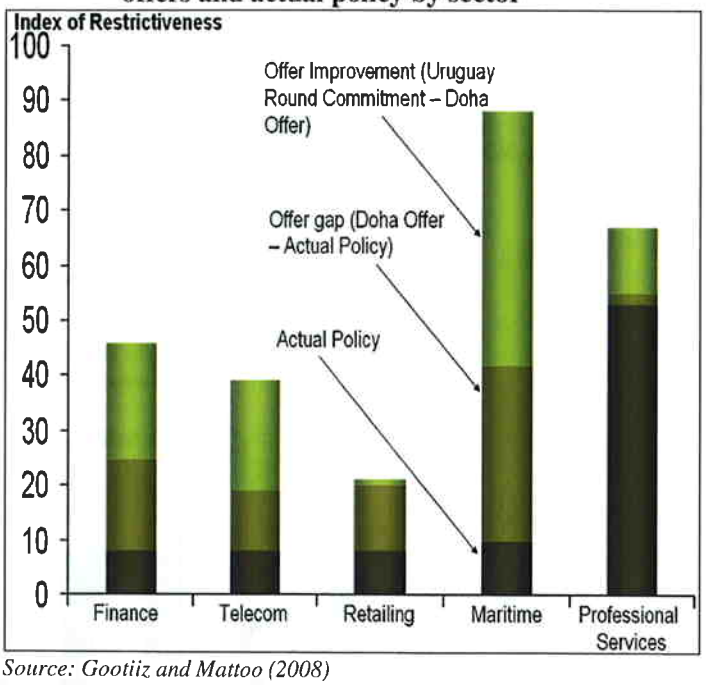
Figure 3: Uruguay Round commitments, Doha offers and actual policy by region



Note Where countries did not make a Doha offer, their Uruguay round commitment is treated as their offer.
Source: Gootiiz and Mattoo (2008).

There is a reasonable prospect that Doha offers will be improved. The chair of the services negotiations issued on 26 May 2008 his report on the elements required for the completion of the services negotiations. He noted that further discussion was needed on issues relating to participants' level of ambition, their willingness to bind existing and improved levels of market access and national treatment, as well as specific reference to Modes 1 and 4 with respect to the treatment of sectors and modes of supply of export interest to developing countries. On a parallel track, the chair of the Trade Negotiations Committee will chair a "signaling exercise" among a group of ministers, to take place at the time that "modalities" in agriculture and NAMA are agreed. At the signaling exercise, participating ministers will indicate how they might improve their services offers. It remains to be seen how far these improvements will bridge the gap between what is currently on the table and the ambitious aims spelled out in the WTO's Hong Kong Ministerial Declaration.

Figure 4: Uruguay Round commitments, Doha offers and actual policy by sector



Source: Gootiiz and Mattoo (2008)

Given the focus of the negotiations on binding of applied policies, the question is whether and how much Doha offers greater security of access than the Uruguay Round commitments. What has so far been accomplished in this respect can be assessed by comparing actual policy with Uruguay Round GATS commitments and the offers submitted so far as part of the Doha negotiations. As Figures 3 and 4 show, in all regions of the world, actual policy is substantially more liberal than the Uruguay round commitments. Based on the sample of countries for which data on applied policies are available, Uruguay round commitments are on average 84% more restrictive than current applied policies. Doha offers improve on Uruguay round commitments, reducing the gap between offers and actual policy to 43% on average (see the Annex for more detailed information).

At present, Doha offers not greater access to markets but some assurance that access will not get worse. Nonetheless, this assurance has value. As political debates about outsourcing or concerns over foreign investment in selected services precipitate controversy, new efforts to raise barriers can be predicted to intensify.

Development dimensions of the DDA

Economic development concerns have been at the core of many of the deliberations in the DDA. These have revolved around improving special and differential treatment provisions of the WTO, addressing specific areas of interest to developing country exporters as part of the negotiations, and assisting developing countries to exploit trade opportunities. There are currently two major items on the table that directly address economic development concerns and objectives: duty-free, quota-free market access for the LDCs and trade facilitation. In addition, the DDA has generated a commitment on the part of the industrialized countries to launch an aid for trade initiative. Aid for trade is not formally part of the DDA negotiations, but is an important vehicle through which the development objectives that motivated the launch of the DDA can be pursued.

Duty-Free, Quota-Free Access for Least Developed Countries

The LDCs are in an unusual situation in the DDA negotiations, as they are not required to reduce their own applied tariffs. The "Framework Agreement" of July 2004 specified that LDCs were not expected to make any market access concessions. As a consequence, the economic impacts of the DDA on the LDCs will depend on what other countries do in terms of market access and in providing development assistance.

For most developing countries, reductions in their trading partners' trade barriers would likely bring about gains through improvements in market access. For two reasons, the LDCs are in a more vulnerable position. The first is that they already have tariff preferences in a number of their major trading partners. Reductions in MFN tariffs lower barriers facing non-LDCs, causing preference erosion for the LDCs. Where LDCs have complete duty-free, quota-free (DFQF) access, this erosion cannot be overcome by increasing the depth of the preference in that market. The second reason is that many LDCs are net importers of agricultural products, whose prices might be expected to rise slightly as a consequence of global trade liberalization in agriculture (Anderson and Martin, 2006).

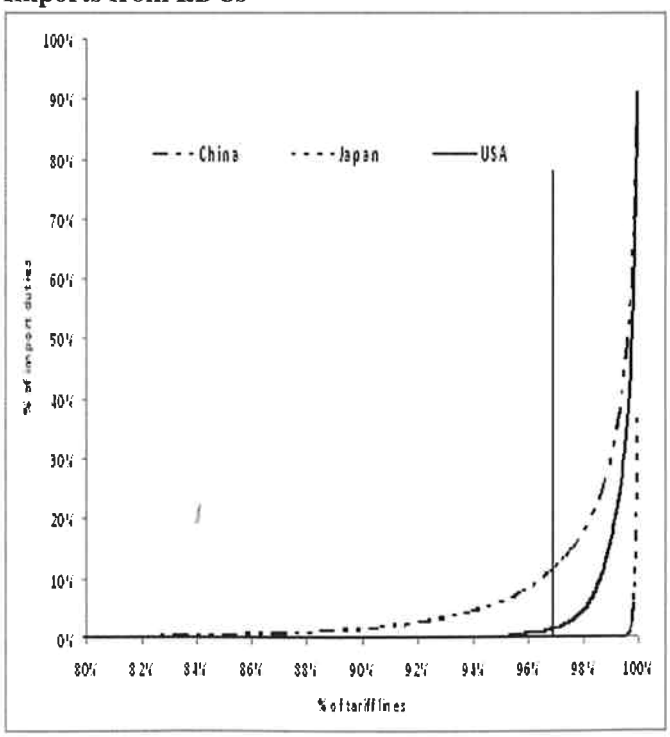
In recognition of the preference erosion impacts of reducing MFN tariffs, the Hong Kong Ministerial Declaration provided for binding DFQF market access for the LDCs in the industrial countries and in those developing countries able to do so (WTO 2005, Annex F). It sought this access for all products, but at a minimum for 97% of products in those countries unable to provide full access initially.

Research indicates that 97% access is very far from 100%. Part of the reason is that many items of export interest to LDCs are subject to zero duties. In the US, for example, 40% of LDC exports are subject to zero duties. Another important reason is that LDC exports are strongly concentrated in a few products – many LDCs export the equivalent of fewer than 10 products (Bouët, Laborde and Mevel 2008). Only a few of these products are subject to significant tariffs.

In almost all the industrial country markets, the 3 percent of tariff lines on which the highest burden of tariffs is imposed account for well over 90% of the tariffs paid by LDCs. Figure 5 shows the share of tariffs paid on exports from LDCs for three economies in which duty-free-quota-free access might be particularly important. The figure makes clear that duties paid are extremely concentrated in the three markets considered, and much more so in the USA and Japan than in China. In China, the 97% of LDC exports with the lowest duties paid account for 12.8% of the total burden imposed by duties. In the United States, this 97% of imports accounts for 2.2% of duties paid. In Japan this 97% accounts for a minuscule fraction of imports. Clearly, this high concentration of duty payments means that a 97% DFQF might bring about a much smaller improvement in market access than its nominal coverage of 97% might suggest.

The binding commitment to provide duty-free-quota-free access to LDCs reduces the uncertainty about market access that has discouraged investment to take advantage of preferences in the past. Developed country members will be required to provide a list of products consistent with allowing 97 percent of products originating in LDCs to enter duty free. If new products can be added to this list and none can be deleted, the longer-term benefits might be greater than suggested by Figure 5, as LDCs develop the ability to competitively produce products that are on the DFQF list. If, on the other hand, products can be deleted from the list as LDCs develop the ability to compete in particular products, this advantage could be reduced, greatly eroding the value of the DFQF proposal since most developing countries—including much higher income countries than the LDCs—tend to specialize in a relatively small set of products.

Figure 5. Distribution of Tariffs Paid on Imports from LDCs



Source: Bouët, Laborde and Mevel (2008)

Numerous studies have shown that the value of duty-free access to markets is reduced by restrictive rules-of-origin and the costs associated with documenting compliance. The favorable experience of many African countries in utilizing liberal rules of origin for textiles and clothing under the US African Growth and Opportunity Act provides strong evidence of the important liberalizing potential of simple and liberal rules of origin. Unfortunately, the proposals for improvements in the rules of origin for LDCs appear to be "best-endeavor" in nature. Nonetheless, the Doha texts provide the basis for a negotiation that would allow LDCs to seek less restrictive rules origin, including full cumulation, harmonization of rules across products and countries, and a low, uniform value-content rule.

If negotiations produce more lenient rules of origin for LDCs, greater preferential access that over time approaches 100%, and a positive demonstration effect that triggers enhancement of preferential schemes in emerging markets, the LDCs would benefit appreciably. These possible gains would have to be balanced against preference erosion that a successful round might bring. Research suggests that the extent of such erosion will be limited for most countries, especially if account is taken of the fact that DDA liberalization commitments will be implemented gradually. Moreover, for many LDCs and other very poor countries the binding constraint on export growth is not market access barriers but a lack of competitiveness – reflecting high trade and transport costs, import protection, and weak logistics and trade-related infrastructure. The DDA negotiations on trade facilitation and the international effort to complement the DDA with increased aid for trade are therefore particularly important.

Trade Facilitation

The Doha negotiations on trade facilitation center on revisions to GATT Article V (basic rules for freedom of transit), Article VIII (regulations on fees and formalities for imports and exports) and Article X (basic rules on the publication and administration of trade regulations.

Likely elements of an agreement may include:[5]

- Establishment of an enquiry point for information on import and export regulations, customs clearance rules, and other border measures.
- Requirement to publish and make available on the Internet information on fees as well as rules and procedures for imports and exports.
- Creation of formal border agency "cooperation mechanism" for the exchange of information among government agencies.
- Improvements in the processing of goods in transit which is of particular relevance to land locked countries.
- Introduction of risk based approaches to the processing and clearance of goods that are likely to reduce processing time and transaction costs facing traders in developing countries.

These are useful steps towards ensuring greater transparency and improving customs clearance procedures but represent only a sub-set of the supply side constraints facing traders in developing countries. But a narrow focus on the specifics of the DDA trade facilitation negotiations misses the impact that the DDA has already had and will continue to have in the future. The DDA has played a catalytic role by creating a focal point for enhanced attention of policymakers on the importance of reducing trade costs by improving border management systems.

This is reflected in the expansion of technical support, project finance and capacity building initiatives funded by the development community. In the case of the World Bank, for example, lending (concessional and non-concessional) for trade facilitation projects rose more than 4-fold between 2002 and 2008, and the share of trade facilitation activities in overall trade-related lending rose to over 50%. During this period overall lending for trade projects rose from some $500 million to $2 billion; and the share of trade projects in overall Bank lending increased three-fold. Significant further expansion of the Bank's trade facilitation portfolio is likely if new WTO disciplines are agreed as part of the DDA.

The trade facilitation agenda and benefits to improved transparency in the trading system therefore go far beyond what is the subject of WTO disciplines. Sustained progress in a broader context requires reform at the national level in ensuring improved government institutions, the rule of law, increased transparency, investing in regulatory and procedural reform, and upgrading infrastructure to lower trade costs. Aid for trade to support this agenda is a critically important ingredient in enhancing the ability of developing country firms and farmers to benefit from market access opportunities.

While the trade facilitation negotiations have been conducted in an unusually cooperative and productive spirit and there is now general agreement on the scope and content of a new agreement, many developing countries remain concerned about their capacity to effectively implement new disciplines in this area. Success in the negotiations will therefore be dependent on: (a) provisions that provide reasonable implementation timeframes for low-income countries; and (b) confidence that the required technical assistance and capacity building support necessary to effectively implement new disciplines will be forthcoming.[6]

Aid for Trade

Since the Hong Kong ministerial in December 2005, Doha negotiators have endeavored to increase commitments on aid for trade. The purpose was to help developing countries (a) overcome supply side constraints that would otherwise impede many from taking advantage of new Doha-associated market access, (b) implement any Doha commitments by providing technical assistance and finance; and (c) provide assistance for domestic adjustment. Ministers expressed strong commitment, in particular to the LDCs, highlighting the prominent role of the Enhanced Integrated Framework to provide technical assistance and catalyze further external support for trade integration.

Since Hong Kong, numerous activities sponsored by the WTO and others have raised awareness of the importance of aid for trade. The WTO, with the co-sponsorship of the multilateral regional development banks (RDBs) and collaboration of the World Bank, has taken the lead in holding three major regional conferences leading up to a Global Review of Aid for Trade in November 2007. The WTO in conjunction with the OECD launched a monitoring program to track concessional aid flows.

Though measurement of aid for trade is complex, the WTO/OECD monitoring program indicates that these efforts are paying some dividends: aid for trade – broadly defined to include infrastructure – has increased in volume to about $24 billion in 2006. Perhaps more important, the reported level of trade-related technical assistance has increased. At the same time, the Enhanced Integrated Framework for LDCs is taking shape, with donors earmarking some $240 million in 2007 for its programs of technical assistance.

The Aid for Trade initiative has raised the mutual awareness of the trade and development communities of the problems of the other. WTO negotiators have come to grasp that they cannot negotiate increases in aid for trade in Geneva because aggregate numeric results are the sum of country-level strategies and of decisions to deploy scarce development assistance resources among competing needs. At the same time, Ministers of Finance and development practitioners have demonstrated increasing awareness of the importance of competitiveness to economic growth, and that increased market access or trade liberalization alone is insufficient to deal with binding supply-side constraints that impinge on growth.

The pipeline of activities in the multilateral development banks and donors indicate that there are good prospects that trade-related assistance will increase. As mentioned above, there has already been a significant expansion in trade-related projects and activities by the development community since the DDA was launched. While not formally part of the DDA, the increased attention being given to supporting the national trade agenda in developing countries is a result of the DDA deliberations.

However, new demands are emerging in developing countries associated with the food crisis and rising energy costs, and urgent needs for social programs and general budget support may crowd out some aid for trade activities. These new demands can only be accommodated if overall official development assistance

increases on a path that would allow donors to achieve the ODA levels they have set as their goal by 2010.

Box: What else is (potentially) on the table?
Arriving at modalities in agriculture and NAMA in the July mini-ministerial will open the way for WTO negotiators to turn their attention to other elements of the Doha agenda. These include:

Disciplines on fishing subsidies. Particularly important are the rules negotiations that are scheduled to resume in September. New disciplines on fishing subsidies are also potentially important as a way to curb over-fishing that is threatening many of the world's most important fisheries with exhaustion.

Anti-dumping disciplines. The Chairman of the negotiating group has already planned to circulate a draft text for antidumping. Members are discussing improvements in anti-dumping mechanisms that would establish an agreed basis for calculating dumping margins.

Protection of property rights for traditional knowledge. A large number of developing members have asked for the introduction of a mandatory requirement for the disclosure of origin of biological resources and/or associated traditional knowledge in patent applications as part of the Agreement on TRIPs. Some members object the introduction of the amendment, stating that other ways are possible to achieve the same goal, including for example the establishment of a database in WIPO. This too remains to be resolved.

Easier protection for selected geographic names. This provision, controversial among the membership and many trade economists, would allow selected products to receive brand name protection related to their geographical origin.

...and an early achievement: Amendment to TRIPS. Unlinked formally to the single undertaking, Doha negotiators on the eve of the Cancun ministerial in 2003 agreed to amend the TRIPS agreement. This would allow nonproducing developing countries to issues licenses for importation of generic drugs for selected diseases. The amendment has yet to be approved by the necessary two-thirds of the membership, but it is likely to be eventually made effective.

Conclusion

The mini-ministerial beginning on July 21, 2008 is likely to be decisive to the fate of this round. Negotiators have made enormous progress in drafting detailed new guidelines that will shape the world trading system for years to come. The draft modalities are the most explicit and detailed in the history of multilateral trade negotiations. Moreover, close analysis of remaining issues in agriculture and NAMA suggest that gaps separating the main coalitions are in fact rather narrow. The decision confronting ministers is whether to capitalize on seven years of work, forge an agreement on core outstanding issues, and put the Doha process on the road to completion – or to leave the narrow gaps unbridged and effectively abandon this multilateral effort to strengthen the world trading system in a way that supports the development aspirations of the world's poor.

References and Further Reading

Anderson, K. and Martin, W. eds (2006) *Agricultural Trade Reform and the Doha Development Agenda*, Palgrave Macmillan and the World Bank, Basingstoke and Washington DC.

Bouet, Antoine, David Laborde and Simon Mevel. 2008. "What can Least Developed Countries really expect from the Doha Development Agenda?", IFPRI, mimeo.

Blandford, D. and Josling, T. (2008), The WTO May 19th agricultural modalities proposals and their impact on domestic support in the EU and the US', Mimeo, World Bank.

Gootiz, Batshur and Aaditya Mattoo. 2008. "Restrictions on Services Trade and FDI in Developing Countries," World Bank, mimeo.

Hoekman, Bernard. 2006. "Liberalizing Trade in Services: A Survey," Policy Research Working Paper No. 4030.

Hallaert, J. (2005), 'Special Agricultural Safeguards: virtual benefits and real costs—lessons for the Doha Round' IMF Working Paper 05/131.

Jean, S., Laborde, D. and Martin, W. (2008), Choosing Sensitive Agricultural Products in Trade Negotiations, Mimeo, World Bank.

Laborde, D., Martin, W. and van der Mensbrugghe, D. (2008), Implications of the 2008 Doha Draft Agricultural and NAMA Market Access Modalities for Developing Countries, Mimeo, World Bank.

Mattoo, Aaditya and William J. Martin Doha Development Agenda: What's on the Table?" *World Bank Working Paper*, forthcoming.

Martin, W. and Messerlin, P. (2007). 'Why is it so difficult? Trade liberalization under the Doha Agenda' *Oxford Review of Economic Policy* 23(3):347-66.

US Department of Commerce (2008), *Historical Statistics of the United States: Millennial Edition Online*, http://hsus.cambridge.org/HSUSWeb/HSUSEntryServlet

End notes

[1] We can estimate the net real income gain from goods trade liberalization using computable general equilibrium models. However, such model-based simulations can give only an incomplete – and substantially underestimated – view of the economic effects of what is on the table for several reasons. Data constraints preclude inclusion of services trade, the net benefits from improvements in trade facilitation, or effects of more detailed policies, such as eliminating fishing subsidies or allowing nonproducing countries access to imported generic drugs. Most important, current economic tools do not permit the benefits of the rule-making dimensions of multilateral cooperation to be captured, in particular the welfare gains from reductions in the variability (uncertainty) of trade – and services –policies that comes from making binding commitments and increasing the transparency of policy.

[2] Support provided under production-limiting programs.

[3] Brackets here, as with the texts themselves, denote numbers that WTO ministers have not yet agreed, and customarily express the range of negotiated options.

[4] In any case, liberalization of the most protected segment, cabotage, is not being negotiated.

[5] This list is illustrative and does not include all items under discussion. See "Needs, Priorities, and Costs Associated with Technical Assistance of a WTO Trade Facilitation Agreement: A Comparative Study Based on Six Developing Countries, World Bank Trade Department, November 2006 and WTO Negotiations on Trade Facilitation: Compilation of Members Textual Proposals," WTO, TN/TF/W/43/Rev.14, March 12, 2008.

[6] The Bank has worked closely with the WTO Secretariat, the IMF, the WCO, UNCTAD and the OECD (Annex D organizations) to coordinate support for the negotiations and increase developing country confidence by providing detailed information on the likely costs, implementation challenges and priorities for capacity building support. A central part of the Bank's efforts has been to deepen communication between Geneva-based negotiators and specialists in their respective capitals working on these issues.