INTERNATIONAL MONETARY FUND

The WTO Doha Trade Round—Unlocking the Negotiations and Beyond

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I. INTRODUCTION[1]

1. **2011 was seen as an opportunity to conclude WTO Doha trade negotiations, but key divisions again proved insurmountable**. The Doha Development Agenda (DDA) was launched in November 2001 in the wake of 9/11 with an explicit aim to conclude a broad deal to facilitate development through trade and thereby better integrate the more disadvantaged into the global economy. The breadth of issues covered by Doha, however, has made it difficult to assemble a package agreeable to all 153 WTO members. Since 2008, talks have stalled mainly over tariff reduction initiatives for specific industrial goods sectors ("sectorals"). Advanced market countries (AMs) have insisted to unlock higher gains in actual market access for these sectors than implied by the planned broad-based cuts, but agreement has not been reached with key emerging market countries (EMs). Even if this issue were resolved, various other contentious divisions would have to be bridged to bring conclusion within reach. Discussions focusing on an initial partial deal to reduce complexity and build further momentum before year end have also proven inconclusive. G-20 leaders recognized at their November summit that the present Doha strategy has not borne fruit and directed trade ministers to actively explore "fresh, credible approaches to furthering negotiations" on the multilateral trade agenda, possibly outside Doha.

2. **Concluding Doha remains important, including to help sustain global economic recovery**. Doha is worthwhile concluding for two main reasons: (i) for its direct benefits through actual new market access; and (ii) to add security to trading relationships by updating members' WTO commitments and multilateral trade rules. First, new market access implied by a Doha conclusion could boost global welfare by 0.2 to 1 percent—the top end of this range is more than estimated by literature that did not account for resulting productivity increases and entry of new firms into export markets.[2] In addition, these market access gains would be broadly shared among country groups. Second, Doha conclusion would send a strong signal for international cooperation at a time when advancing major multilateral issues is proving difficult for policymakers. Doha conclusion would also increase the security in the international trading system, including by lowering members' commitments on tariffs toward lower applied levels.[3] This would lock in decades of unilateral liberalization, limiting

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[1] Prepared by Christian Henn and Jean-Baptiste Le Hen, under the guidance of Ranil Salgado (all SPR) and in consultation with the World Trade Organization (WTO).

[2] The 1 percent figure results from multiplying estimates obtained by the standard trade policy simulation literature by an adjustment factor of four, as suggested by Balistreri et al (2011), and acknowledges that third country effects may reduce this multiplier in general equilibrium (Anderson and van Wincoop, 2003). Balistreri et al's paper is first to account for firm-specific heterogeneity and productivity gains resulting from tariff reductions, which drives their higher estimate. See paragraph 15 and Table 1 (and its footnotes) for more details.

[3] Concluding Doha would also secure limits for domestic trade-distorting support in agriculture, and bring advances in rules, including for anti-dumping and domestic regulation—all vital for the multilateral trading system's smooth functioning.

protectionist potential. The Fund should continue to remind policymakers about the macroeconomic benefits of Doha, which would fortify the economic recovery.

3. **However, making progress on timely non-Doha issues is equally essential—it should not be put off while awaiting an (unlikely) Doha breakthrough**. Since the Doha round started in 2001, many new trade issues have risen and could benefit from greater attention in the WTO. Further progress on these new issues could also have a desirable side effect in reasserting the WTO's negotiating function by partially delinking it from Doha. Key non-Doha issues include monitoring of protectionist measures, food and energy security, trade-related aspects of climate change, and creation of an open regionalism, either by encouraging improved design and transparency of free trade agreements or by allowing for plurilateral agreements under WTO auspices.[4] A subset of these issues could find their way onto the agenda of the upcoming December 2011 WTO ministerial meeting.

4. **This note provides an update on the status of Doha negotiations and an outlook on significant non-Doha trade issues that should be tackled in the near future**. Section II investigates what has stalled progress on Doha since the IMF Executive Board was last briefed in October 2008 (World Bank and IMF, 2008). Section III illustrates that notable gains would come from a Doha conclusion, both from actual new market access and—perhaps more crucially—from the added trade security that Doha would bring. However, Section IV suggests that the time may now have come to devote more resources to discussing important non-Doha issues at the WTO. Section V concludes that the Fund should continue to support both a Doha conclusion as well as the important work on non-Doha issues.

II. WHAT STALLED DOHA?

5. **Consensus has been difficult to achieve partly because of changed geopolitical circumstances**. In particular, the importance of large EMs to world trade has changed since the start of the round and consequently as well some members' expectations of their contributions. In addition, the Doha round is an ambitious trade round for two reasons. First, the number of participating members is by far the largest ever. Second, negotiations comprise nine areas within the "single undertaking" format, which implies that any issue can be revisited until everything is agreed.[5] Importantly, the negotiations for the first time seriously

[4] In contrast to multilateral agreements to which all WTO member countries need to agree, plurilateral agreements are voluntary agreements reached between a more limited number of WTO members (see Section IV for further discussion).

[5] These areas are agriculture (including cotton), market access for manufactured or non-agricultural products (NAMA), services, rules (including antidumping, non-agricultural subsidies and countervailing measures, and fisheries subsidies), trade facilitation, trade-related aspects of intellectual property rights (TRIPS), environmental goods and services, and development (mainly comprising revision of Special and Differential Treatment provisions across WTO agreements). Furthermore, negotiations to update rules governing WTO dispute settlement, while not formally part of the Doha talks, may be difficult to conclude without being balanced through a broader Doha agreement.

tackle sensitive issues like agriculture and call for considerable cuts to tariff "bindings" (or commitments) by developing countries, including EMs.

6. **Fundamental disagreement between AMs and EMs on the balance of concessions underlies the current stalemate, reflected by unmet AM market access demands**. Some developing countries would undertake considerable cuts in their WTO tariff bindings. However, as sizable unilateral applied tariff reductions undertaken by developing countries in the past have left a gap between their applied policies and WTO commitments, cuts in EMs' bound rates would result in a much more modest amount of additional market access for AMs. With domestic support for Doha consequently small, AMs have been insistent in their demands for higher actual market access for their manufactures, mainly from some 30 EMs.[6] AMs' demands are often seen as the main roadblock in concluding Doha. Contrarily, it can be argued that EMs' counter-demands are too challenging, especially in sensitive areas such as agriculture. An important backdrop to the controversy are already-low AM tariffs, due to which AMs regard Doha as a last chance to extract tariff concessions from developing countries. They perceive that EMs, having grown rapidly since the beginning of the round, should contribute more. Developing countries, on the other hand, point to the development aim of the round and expect more credit for their past unilateral tariff reductions.

7. **Since 2008, divisions have become most glaring in sectoral tariff cutting initiatives for industrial goods**. To satisfy their demands for more actual new market access, AMs, and the United States in particular, strongly advocate additional liberalization for specific manufacturing sectors (on top of general broad-based cuts) in the non-agricultural market access negotiations (NAMA). While EMs do not completely rule out their participation in sectorals, they maintain that it should be voluntary as per the Doha declaration. This conflicts with AMs' demands that the mass of participants represent at least 90 percent of world trade to allay free-riding concerns.[7] Various proposals have been floated to bridge the gap on sectorals, but without success. More concessions in other areas outside of NAMA may be necessary to ensure developing countries' participation.

8. **Progress on sectorals, however, may upset delicate balances previously achieved in other areas, such as agriculture**. In agriculture, most elements in the three main pillars—market access, domestic subsidies, and export subsidies—are generally seen as agreeable.

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[6] Many other developing country groupings are largely exempt from undertaking cuts in applied tariffs such as small and vulnerable economies (SVEs, defined as economies with a share of less than 0.1percent of world NAMA trade for the reference period of 1999 to 2001), least developed countries (LDCs, defined as countries with a Gross National Income per capita below a certain threshold, a Human Assent Index below 60, and an Economic Vulnerability Index above 42), and recently acceded members (RAMs).

[7] Having a high amount of participation is important so that enough of the gains from cooperation can be internalized to make free riding of any remaining countries irrelevant (Schelling, 1978). This implies also that large trading countries would need to closely coordinate on which sectors to liberalize. Discussions pointed to three sectors–chemicals, industrial machinery, electrical and electronic products–as the most likely candidates.

That is, if some remaining issues can be resolved and if developments in other areas do not come to upset the balance of concessions. In this respect, some developing countries, most forcefully Brazil, have voiced that they may wish to reopen these issues in exchange for participation in sectorals. In addition, remaining issues that would have to be resolved include how flexibilities in tariff cuts are exercised and the agricultural special safeguard mechanism (SSM).[8] The SSM is intended to protect fragile farm systems in developing countries against import surges or price drops, but is seen as a potential protectionist device by some if use is not tightly restricted. Disagreement over SSM triggers was widely blamed for failure to reach agreement in 2008 and little progress has been made since then.

9. **Progress in most other areas has been slow since 2008 and long-standing divisions persist**. In the rules negotiations, there has been no substantive convergence on the divisive issues in any of the sub-areas of anti-dumping, industrial subsidies and countervailing measures, and fisheries subsidies. However, many believe that an agreement could be forged if concessions can be counterbalanced in a larger Doha package.

10. **Likewise, on services, the quality of offers has remained un-ambitious**. This is likely because key members see progress in services inextricably linked to that on goods, although services are advocated by some as a way to balance an overall package (Bhagwati and Sunderland, 2011; Hufbauer et al, 2010). Members' offers in the services negotiations are twice as restrictive as the already restrictive applied policies (Figure 1).[9] Unless a drastic change can be achieved, services liberalization should thereby be part of a post-Doha agenda, particularly given the backdrop of numerous regional trade agreements incorporating a chapter on services having been signed in recent years. The WTO should continue to play a key role in monitoring liberalization of services, with the help of the Fund in the area of financial services.

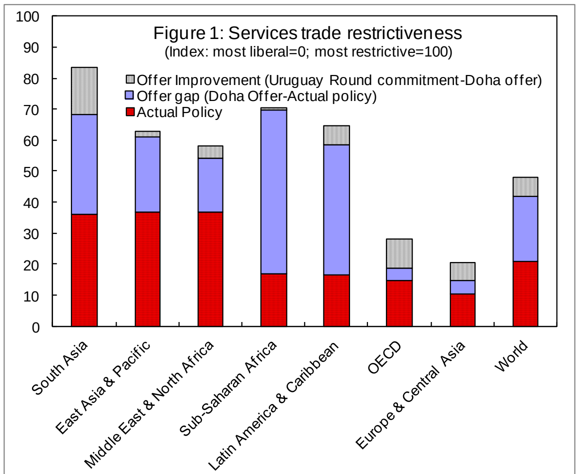

Figure 1: Services trade restrictiveness

Source: Gootiiz and Mattoo (2009).
Note: Country groups defined using World Bank definitions. Where no Doha offers were made, the indices reflect Uruguay Round commitments.

[8] Developing country members are able to exempt a limited number of products or subject them to lower cuts than otherwise implied by the broad-based tariff cutting formulas, if they agree in return to higher average tariff reductions. From this arises a concern for other members, and particularly AMs, that their key developing trading partners may designate just those products for lower cuts that are of particular interest to their exporters.

[9] Services negotiations may also suffer from a lack of ambition, since they necessarily follow a request-offer format, which has been much less effective historically in achieving commitments than formula-based cuts as possible in agriculture or NAMA (Baldwin, 1987). Francois and Hoekman (2010) and Hoekman et al (2007) provide additional hypotheses why services negotiations may have remained less ambitious.

11. **In contrast, progress on trade facilitation has been considerable and agreement seems within reach**. Trade facilitation (TF) negotiations aim to assist developing countries in adopting better border-crossing practices, mainly for customs procedures, that could enable them to export more efficiently.[10] Evidence suggests that such reforms are highly cost efficient.[11]

12. **With even a partial package thus far remaining elusive, high-level political will is needed**. After blockages could not be overcome for an overall Doha deal during the first half of 2011, WTO members shifted attention towards concluding a partial deal with a particular focus on least developed countries (LDCs). However, agreement thus far could not be found, partly due to disagreement on additional non-LDC items requested by some AMs. The latter are reluctant to present a package purely in favor of poor countries, as this would also not deliver some direct benefits to domestic constituencies.

III. WHY IS DOHA WORTHWHILE?

13. **Unlocking Doha would fortify the global recovery and backstop against protectionist pressures**. First, tariff reductions under Doha could lead to considerable global welfare gains, although tariff reductions contemplated in the Doha round are not immense in absolute terms. However, in relative terms, i.e., when taking into account that many tariffs are already relatively low, new market access created by Doha compares favorably with past trade rounds (Martin and Messerlin, 2007).[12] Second, Doha would considerably increase security in international trade relationships by (i) locking in past unilateral trade liberalization through WTO commitments, and (ii) updating the rules of a multilateral trading system, which has proven its strength in keeping protectionist pressures at bay since the global financial crisis (Henn and McDonald, 2011).

14. **Concluding Doha would generate growth through numerous channels, thereby contributing to poverty reduction**. First, further trade liberalization will lead to development and re-orientation of industrial and agricultural sectors in accordance with comparative advantages (Shafaeddin, 2005). Second, rules-based disciplines, like tariff

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[10] Some noteworthy proposals explored during the negotiations include internationally harmonized standards for documentation requirements and creation of a "single window" for submission of all trade-related documentation to eliminate the need to deal with various agencies in clearing merchandise for import. Technical assistance is already ongoing in LDCs to help them identify the most urgent reforms for when an agreement is approved. Outside of Doha, the WTO helps developing countries (and particularly LDCs) under the Aid for Trade program to unlock increased development financing from development banks and bilateral donors for higher-cost projects, such as physical infrastructure, aimed at building trade capacity.

[11] Helble et al (2009) estimate that for each dollar invested in such reforms, trade could increase by 700 dollars.

[12] The current draft Doha modalities envisage significant cuts of 40 to 50 percent to bound tariffs on industrial products, albeit from a lower base than previous rounds, and cover agricultural tariffs for the first time. The highest average cuts in bound tariffs for industrial product in the previous round were 38 percent for the Uruguay round (1986-94) and 37 percent for the Kennedy round (1963-67).

bindings, constrain the variability of protection over time. Thus the cost of protection faced falls, encouraging investment and production (Francois and Martin, 2004). Third, trade and agricultural reforms anticipate the success of reforms in other sectors, such as finance (Ostry et al, 2009). Domestic financial liberalization and real sector structural reforms speed up income convergence of developing countries with advanced ones. Among real sector reforms, agricultural liberalization is especially crucial given the sector's importance in most LICs. Opening up to world markets can offer developing countries tremendous returns through access to growth-enhancing technologies, larger markets for their goods, and lower consumer prices for goods produced more efficiently elsewhere. International trade and investment help raise developing country workers' productivity—the key to higher incomes and economic welfare.

15. **Welfare gains from new liberalization could reach 0.2 to 1 percent of world GDP**. Areas where gains can readily be quantified are NAMA, agriculture, services, and trade facilitation. The quality of estimates obtained in the traditional literature on Doha is particularly high for NAMA and agriculture because there is broad agreement on the tariff-cutting formulas.[13] This literature typically estimated gains to amount to roughly ¼ percent of world GDP for the trade facilitation and market access packages in agriculture and NAMA. However, the traditional literature does not account for the now widely recognized facts that individual firms' productivity varies widely and that generally only the most productive firms enter export markets. Thus, trade liberalization also leads to productivity gains as more firms start exporting. Accounting for the productivity effect increases estimated gains fourfold (Balistreri et al, 2011). Thus a basic Doha package excluding NAMA sectorals and fisheries could yield a global welfare gain up to 1 percent when these productivity effects are taken into account (Table 1). However, general equilibrium effects, unaccounted for in our extrapolation, may somewhat lower this estimate (Anderson and van Wincoop, 2003). On the other hand, an agreement on NAMA sectorals could boost gains further.[14]

[13] These formulas cut tariffs across all sectors and cut more strongly those tariffs that are particularly high. Countries' flexibilities are generally taken into account in the studies by using political economy models to determine how they may be exercised. The analysis of most papers cited in this section is based on the December 2008 draft modalities. Since then, modalities have hardly changed in the key areas of NAMA and agriculture, for which quantitative estimation is most suited.

[14] Experience with the 1997 information technology agreement (ITA) suggests that large benefits from NAMA sectoral tariff-cutting initiatives are likely. The ITA completely liberalized tariffs on IT products among 39 countries and arguably underpinned formation of global supply chains in these products (Fliess and Sauvé, 1998).

Table 1: Estimated Global Welfare Gains through Doha

	Consensus		Range of estimates 1/
	Percent of GDP	US$ billions	US$ billions
Direct gains from Doha package 2/	**0.2-1.4**	**150-900**	
NAMA and Agriculture 3/	0.1-0.4	50-250	57-228 (DF), 59-236 (BL), 63-252 (HSABW), 160-640 (LMV)
Services 4/	0.0	0	10-40 (DF), 40-160 (HSABW)
Trade facilitation 5/	0.2-0.6	100-400	99-396 (DF), 104-416 (HSABW)
Rules (Fisheries) 6/	0.1	50	50 (HMM)
NAMA Sectorals 7/	0.1-0.3	50-200	50-200 (HSABW)
Insurance value of Doha in trade war scenarios	**0.2-1.2**	**100-750**	
If tariffs raised to Uruguay round bound rates 8/	0.3-1.2	184-736	184-736 (BL)
If tariffs raised to their highest applied rates during 1995-2006 9/	0.2-0.7	108-432	108-432 (BL)

Sources: IMF staff estimates based on Bouet and Laborde (BL, 2009); Decreux and Fontagne (DF, 2009); Hoekman, Martin, and Mattoo (HMM, 2009); Hufbauer, Schott, Adler, Brunel, Wong (HSABW, 2010); Laborde, Messerlin, and van der Mensbrugghe (LMV, 2009) with upper bounds of ranges resulting from staff's adjustments for higher gains reported in Balistreri, Hillberry, and Rutherford (2011); see note 1.

1/ See sources for abbreviations. Most papers use computable general equilibrium (CGE) models to derive their estimates and are based on 2008 draft negotiation texts (since when texts only changed marginally). Note that the upper bound of the range of estimates for each paper results by multiplying its estimate by four, except for fisheries. The underlying reason is that newer literature, which explicitly accounts for productivity increases and firm entry into export markets, estimates that traditional models underestimate trade gains resulting from lower trade barriers by a factor of about four (Balistreri et al, 2011). However, this multiplier may be lower in general equilibrium (Anderson and van Wincoop, 2003), so that it is preferable to report ranges. Fisheries estimates are not multiplied by four, given that here gains will materialize through reductions in overfishing and not through reduced trade barriers.
2/ The 0.2 percent of GDP lower end of the range excludes fisheries and NAMA sectorals, because estimates on these components are more uncertain given absence of detailed negotiating texts.
3/ Estimates only cover gains due to increased market access through tariff cuts; cuts in domestic support for e.g. cotton may add substantial additional gains. LMV justify their higher estimate for the agriculture and NAMA package by arguing that their more detailed trade data better accounts for the higher welfare effects of cuts to tariff peaks.
4/ Zero is assumed as a consensus estimate, because current services offers would not liberalize applied policies (see Gootiiz and Mattoo, 2009).
5/ These estimates are based on the assumption that countries would be able to improve their customs procedures halfway towards the sample median.
6/ Only covers the value that a far-reaching abolition of fisheries subsidies may have through a reduction of overfishing, which would lead to efficiency improvements given that 75 percent of global fish stocks are over exploited or depleted.
7/ For sectorals, HSABW assume that tariffs on chemical, electronic and electrical, and environmental goods are reduced to zero worldwide.
8/ Difference between tariffs being raised to (i) their (higher) Uruguay Round bound levels and (ii) their (lower) Doha round bound levels.
9/ Difference between tariffs being raised to their highest applied levels during 1995-2006, capped by (i) their (higher) Uruguay Round bound levels and (ii) their (lower) Doha round bound levels.

16. **As importantly, the "insurance value" of Doha is high**. Doha would boost security in trading relationships *inter alia* by translating large unilateral tariff cuts of the past into binding commitments. Thus, if governments were to cede to protectionist pressures in the future, tariffs could be raised much less. In a trade war scenario, tighter Doha commitments vis-à-vis Uruguay round commitments could help avoid a loss in global GDP on the order of 1 percent (see Table 1), assuming that the latter are not violated. If Uruguay bindings were to be breached in a hypothetical trade war scenario, costs would be much higher in terms of global welfare and damage to the WTO's credibility. Also in normal times, the value of insurance is considerable. First, recent trade literature shows that stability in trade relations is essential for small firms to overcome fixed costs of entering export markets and become

drivers of growth (Freund, 2000; Melitz, 2003). Second, in the recent past, more than 20 countries routinely increased tariffs on more than 10 percent of products per year. While the frequency of tariff increases is very low on average in the United States and the European Union, it did exceed 10 percent of tariff lines for agriculture—a key sector of interest for developing country exporters (Bouet and Laborde, 2009). Considerable additional insurance would result from the negotiations through strengthening trade rules in various areas, as the global crisis has shown that countries tend to resist protectionist pressures better in areas where WTO disciplines are stronger.

17. **Gains from Doha would be broadly shared among country groups**. The extensiveness of the Doha package allows different countries to benefit in different ways. AMs gain most in terms of insurance value, because after decades of unilateral reductions developing country tariff bindings now stand 15 percentage points above their applied policies on average, compared to a 2.7 point gap for AMs. If Doha were concluded, these gaps would shrink to 8 and 2.1 percentage points, respectively (Table 2).[15] Insurance gains for EMs would come mainly in the area of agriculture, both through lower tariff and domestic subsidy bindings by AMs. The new subsidy bindings would currently not translate into cuts in AM applied subsidies, because high food prices imply low applied subsidies. However, these bindings could rapidly translate to actual cuts if food prices were to fall.[16] Regarding new market access, applied tariff rates would be reduced by around 1 percentage point on average across country groups with larger cuts in agriculture. Importantly, from a welfare perspective, the tiered formulas would cut high tariffs disproportionately (Laborde et al, 2009). For LICs, the largest gains would come through the trade facilitation agreement. If AM subsidy cuts lead to food price increases, there is a risk of a temporary welfare loss for food-importing LICs, while developing country farming systems respond by increasing investment and supply.[17] However, the initial social impact should be alleviated by the fact that net food selling households in most LICs are poorer on average than net food buying households (Aksoy and Isik-Dikmelik, 2008).[18]

[15] This differential is even bigger for long-standing EM members of the WTO, such as Brazil, India, and Indonesia, which represent key markets of interest to AM exporters.

[16] A similar argument holds for agricultural export subsidies, whose elimination Doha envisages by 2013 for AMs and by 2016 for developing countries. Export subsidies have been used relatively little in recent years, so that also here the major gain of bindings would be to prevent their re-emergence (Martin and Anderson, 2008).

[17] Mulleta (2010) points out that, despite the initial losses, agricultural reform in net food importing developing countries spurred by Doha can be a long run solution to food security in these areas.

[18] In addition, Ravallion (1990) and Dyer et al (2005) show that expansion of agricultural production in LICs will benefit the landless through improved employment opportunities.

Table 2. Pre- and Post-Doha Applied and Bound Tariff Rates (in percent)								
	Levied by WTO Members				Faced by WTO Members			
	Applied Rates		Bound Rates		Applied Rates		Bound Rates	
	Status Quo	Doha	Status Quo	Doha	Status Quo	Doha	Status Quo	Doha
Total								
All countries	3.7	2.9	9.9	6.9	3.7	2.9	9.7	6.9
High income countries	2.5	1.7	5.2	3.8	3.6	2.9	9.6	6.7
Developing - non LDC	6.9	6.2	21.8	14.4	3.9	2.9	10.0	7.3
LDCs	11.1	11.1	na	na	3.3	2.4	14.5	10.6
Agriculture								
All countries	14.5	11.8	40.3	29.9	14.5	11.8	40.4	29.9
High income countries	15.0	11.0	31.9	20.2	14.9	12.1	40.3	29.1
Developing - non LDC	13.4	13.3	53.9	45.4	14.2	11.5	39.8	30.4
LDCs	12.5	12.5	94.1	94.1	7.4	7.1	56.8	45.7
NAMA								
All countries	2.9	2.3	7.8	5.3	2.9	2.3	7.7	5.3
High income countries	1.7	1.1	3.5	2.7	3.0	2.4	7.9	5.5
Developing - non LDC	6.4	5.6	19.1	11.8	2.9	2.1	7.2	5.1
LDCs	10.9	10.9	na	na	2.8	1.8	8.9	5.9

Source: Martin and Mattoo (2010)
Note: Country groups defined using World Bank and UN definitions.

IV. Shifting more Attention to non-Doha issues

18. **Timely non-Doha issues are becoming increasingly more important**. The Fund should continue to support the Doha round by helping unlock the necessary political attention for its conclusion, including by emphasizing the issue in its surveillance of key stakeholder countries. Conclusion of a partial package in the near future would be particularly welcome, not least to maintain momentum. However, it also is hardly deniable that issues faced by the global trading system have drastically changed since the start of the Doha round in 2001. They now include proliferation of bilateral and regional trade agreements, concerns over food and energy security, and trade-related climate change issues. Consequently it is equally important these non-Doha issues be given sufficient attention in the WTO going forward. Although this may imply some shift in resources both by delegations and secretariat staff, the proven institutional maturity of the WTO can be relied upon in the simultaneous pursuit of multiple major initiatives.

19. **These issues are best tackled through multilateral negotiations at the WTO**. From an institutional standpoint, maintaining the WTO as an effective international negotiating forum seems even more important than a conclusion of the Doha round. Multilateral negotiations on the crucial non-Doha issues could have a desirable side effect in this sense by reasserting the WTO's negotiating function by partially delinking it from Doha. Maintaining an active negotiating forum at the WTO is essential also to avoid that members turn to the dispute settlement process for matters better left for negotiation.

20. **Important multilateral issues best debated at the WTO could include the following**:[19]

- **Monitoring of protectionist measures**. Arguably, the low incidence of protectionism during the global crisis may have been due to stigma imposed by monitoring activities. In particular, protectionism through measures such as tariffs, which are explicitly covered by WTO disciplines, could largely be prevented. Protectionism, where it appeared, often resorted to less transparent measures including non-tariff barriers or domestic procurement provisions. An idea already raised by some WTO members in this respect is to improve coverage of these "murkier" measures in the existing Trade Policy Reviews as well as the multilateral monitoring mechanism of protectionist measures introduced in response to the global crisis. In implementing these improvements, it will be key to maintain a careful focus on measures with the highest trade impacts to assure relevance and not overstretch secretariat resources.

- **Food and energy security**. A successful Doha round would help developing countries to foster their domestic agricultural sectors and protect the poor from food shortages.[20] However, even with a successful round, food security requires further multilateral attention. Current GATT rules authorize temporary export restrictions to prevent food shortages and Doha envisages improving disciplines on various export restrictions but not on export taxes. This represents a major concern to net food importing countries prominently raised this year. As a consequence, trade flows are liberalized in times of abundance but restricted in times of scarcity, making trade an unreliable means to achieve food security. This issue can only be appropriately addressed at a multilateral level. Dealing with similar challenges in energy security would additionally require institutional cooperation between the IEA, OPEC, and the WTO (Mattoo and Subramanian, 2008).

- **Working towards an open regionalism**. Complex spaghetti-bowl structures of free trade agreements (FTAs) and restrictive rules of origin can unduly hamper trade, discourage the emergence of efficient supply chains, and disadvantage small exporting firms with limited administrative capacity. Favorable harmonization could include agreement on multilateral rules or best practices encouraging liberal FTA rules of origin and origin accumulation, or docking provisions in FTAs to allow other

[19] Naturally, not all of these issues are completely independent from those discussed in the Doha negotiations, so that some coordination of efforts could be required.

[20] Doha features aimed at these objectives are (i) sharp restrictions on subsidies to AM farmers; (ii) developing country flexibilities for some tariff lines to foster larger domestic production; and (iii) creation of an efficient SSM in agriculture that would permit developing countries to protect fragile farming systems and address food price volatility in emergencies without hindering free trade flows otherwise.

countries to join if they fulfill certain requirements.[21] Failure to provide multilateral guidance on FTAs could result in a possible surge of new agreements that fragment rather than integrate the global trading system. At worst, a more power-based 19th century-style trade system could reemerge with less room for the poorest countries to voice their interests and negotiate on equal footing.

- **Trade-related climate change issues**. Given that a broad climate change agreement still seems a long way off, it is conceivable that some countries with interest in imposing climate change regulation may press ahead on their own. In doing so, they might want to address also trade-related aspects. In particular, countries may wish to impose border-tax adjustments to (i) avoid "carbon leakage," i.e., outsourcing of carbon-intensive activities abroad, and (ii) level the playing field between domestically-produced products and imports not subject to domestic climate legislation. However, it is unclear whether GATT articles would allow for such border-tax adjustments. A more practical issue is that the fair amount of any border tax adjustment is hard to determine, because it depends on emissions by the exporting firm, which are unobservable to the authorities of the importer. Therefore, multilateral guidelines and best practices could be most helpful.

- **Government procurement**. Explicit or *de facto* discrimination in government procurement against foreign suppliers continues to be a barrier to international trade. Government procurement is an important aspect of international trade, given the considerable size of the procurement market (often 10-15 percent of GDP). Accession to the WTO's ongoing plurilateral initiative in this area, the Agreement on Government Procurement (AGP), is voluntary, although provisions are enforceable under WTO settlement once countries join. Enhancing country coverage and liberalization in this area could generate substantial welfare gains. Some of these gains may soon be unlocked by concluding a deal—seemingly within reach—among the currently 42 AGP negotiation nations.

- **Allowing for plurilateral agreements**. Allowing more plurilateral agreements within the WTO framework could constitute a way of multilaterally shaping a trading system which is naturally gravitating towards differing levels of liberalization between various countries. Plurilateral agreements would permit coalitions of members interested in more far-reaching liberalization to press ahead amongst themselves. This avoids the focus on the lowest common denominator inevitably prevalent in negotiations involving all members, although interests of developing countries with weaker negotiating positions will have to be safeguarded. Yet, having negotiations

[21] One of the objectives of the Doha round is to harmonize rules of origin more generally and implement best practices among WTO member countries.

take place under the WTO umbrella would be preferable to regular FTA negotiations by ensuring a high level of transparency and openness towards outsiders. Facilitating plurilateral agreements would necessitate innovative thinking to make the results of plurilateral liberalization closely comparable to those that could be achieved multilaterally.

- **Competition policy**. Even though the General Council of the WTO dropped competition policy from the Doha agenda in 2004, anticompetitive practices continue to attract attention. While AMs generally enforce competition policies at the national level, many developing countries do not. One of the main obstacles to a multilateral competition policy is the complex harmonization of existing national competition regimes into a single standard. While ultimately a multilateral agreement on competition policy would be highly desirable, a plurilateral agreement among a subset of WTO members should be reachable during the next decade. Such an agreement would be a first step in tackling issues such as export cartels and the anticompetitive aspects of large mergers and acquisitions deals.

V. CONCLUSION

21. **Overcoming remaining obstacles in Doha requires high level political attention**. As described, both advanced markets and emerging markets feel that the current Doha package is hard to sell to their domestic constituencies. While this may be natural given that Doha touches on very sensitive issues for many countries, the deal is attractive and boosts welfare and security in trade relationships considerably. However, high level political attention is needed for resolution, and at this level tradeoffs outside of Doha could possibly be explored. The recent G-20 initiative could help build this political will. Moreover, policymakers should communicate more effectively to their constituencies the large benefits of Doha, including its value in ensuring against possible protectionist risks. Leaders should strongly communicate that trade liberalization is not a concession in most cases, but in a country's own interest to spur growth. The Fund should continue to support the Doha round and help build political will including by highlighting the value of an agreement.

22. **Even with Doha conclusion uncertain, maintaining the credibility of the multilateral trading system remains crucial**. Failing to deal with the important trade issues of the day—most of which would best be addressed at a multilateral level—could set back global integration. It could also damage the WTO as an international trade forum and public good. Reinforced monitoring of protectionist measures, food and energy security, trade-related aspects of climate change, and creation of an open regionalism are some of the matters that need to be tackled. Appropriately, some of these items may come to be discussed at the upcoming December 2011 WTO ministerial. Maintaining an active multilateral negotiating forum in the WTO could also go a long way in forestalling reemergence of a 19th century style "Great Powers" trade system and would keep trade a reliable way to achieve global integration.

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