What have the poorest countries to gain from the Doha Development Agenda (DDA)?

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Abstract

This paper sets out to examine the likely benefits accruing to developing countries from the Doha Development Agenda (DDA) as it currently stands. In pursuit of this aim, the paper draws from the insights of both the economic and the political economy literatures in pursuit of a more fulsome account of the likely results of the DDA for poor countries. The paper begins with a review of the projected aggregate gains accruing to developing countries from a concluded DDA. It then marries this aggregate picture with an exploration of the progress in the negotiations to sharpen an insight into just how poor the results of a concluded DDA are likely to be for the least developed. In so doing, the paper reviews progress in the negotiations generally as well as more specifically in the area that has emerged as the core ‘development content’, namely agriculture (focusing on the issues of food security, import surges and the Special Safeguard Mechanism (SSM)). The paper concludes that a review of both the aggregate projections of the likely results of the DDA and progress made in the negotiations so far highlights more precisely just how poor, and problematic, the outcome of the Doha round will be for the least developed.

Key Words: WTO, Doha Development Agenda, Special Safeguard Mechanism, Computable General Equilibrium Models, Import Surges, developing countries.
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The simple answer to the question in the title of this paper is very little. But much of the literature does not make it clear just how little is on offer. Most econometric models, for example, offer little comfort for least developed countries currently negotiating in the World Trade Organisation’s (WTO) Doha Development Agenda (DDA or Doha Round) (see, for example, Polaski 2006; Brown, Deardorff and Stern 2003; Hess and van Cramon-Taubadel 2008). Since the round was launch in Doha in November 2001 these models have steadily predicted that the outcome of the DDA for developing countries will be small, with the poorest and most vulnerable faring worse. Moreover, as the round has progressed, the predicted gains for both of these groups has fallen significantly. Yet, the extent of just how poor the gains are for developing and least developed countries as a group is not fully captured by most econometric models. While most offer useful insights into the aggregate picture of the projected Doha gains (or losses as is increasingly the case) they often lack the kind of specificity that enables a detailed insight into not only the projected gains but also the consequences and congruity of particular kinds of liberalisation for particular developing and least developed countries.

A second body of literature has taken a different approach to exploring the likely outcome of the DDA (see, for example, Ismail 2009; Fatoumata and Kwa 2003; Lee 2007; George 2010; Scott and Wilkinson 2010). It too, however, is not entirely satisfactory. Rather than focusing on the projected gains from liberalisation based on scenarios drawn from different points in the negotiations, these studies use detailed examinations of the pattern and progress of the negotiations as a basis for exploring the likely opportunities accruing to different countries from a concluded trade deal. The strength of these political economy studies is that they have been able to offer precise and tailored analyses of the impact of particular kinds of liberalisation for specific countries. Their weakness, however, is that they have only been able to talk in vague

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terms about the relative imbalance of opportunities resulting from a potentially concluded DDA without offering a detailed and precise global portrait.

Somewhat surprisingly, there has been little engagement between these two bodies of literature. Few modelling the likely outcome of the round connect their studies to the political machinations of the negotiations in pursuit of a cogent answer as to why the structure of the round is likely to yield such poor results. Likewise, few political economy approaches engage with the econometric literature; and when reference is made to this literature, it is normally only fleetingly to aggregate projections as a means of reinforcing the point that Doha is unlikely to result in significant gains. This lack of engagement between the two literatures presents something of a problem. While both agree that the likely results of the Round will be poor, what neither offers is a more pointed appreciation of just how poor, and indeed problematic, the results are likely to be and how such a situation has come about.

Our purpose here is not to offer a critique of either body of literature. Our task is, instead, to fuse together the insights of these two approaches in pursuit of a more pointed and satisfactory answer to the question we pose in the title of this paper. Thus, while our argument does indeed make it clear that the yield for developing countries that is likely to result from the DDA is indeed poor, we aim to offer an assessment of the outcome of the round that illustrates just how poor the results are likely to be.

In pursuit of our aim, we focus on three areas that point to the likely gains arising from a concluded DDA. We begin with a review of the econometric projections of the likely gains from the DDA in pursuit of an aggregate picture in which to situate the rest of the paper. We then contextualise the dramatic fall that these models have projected with an examination of the passage of the DDA negotiations focusing on the whittling away of content of the ‘development’ deal to a focus primarily on agriculture. Thereafter, we explore the consequences of this movement towards agriculture for the poorest and explore issues of food security, import surges and the Special Safeguard Mechanism (SSM). In the final section, we offer our concluding comments. Here, we focus not just on reviewing the consequences of our analysis for least developed countries engaged in the Doha round, but also on the necessity for a greater engagement between the econometric and political economy literatures.

**Computable General Equilibrium Models**
Since their introduction around the time of the Tokyo Round (Cline et al. 1978) estimates of the prospective economic gains from trade liberalisation based on Computable General Equilibrium (CGE) modelling have ballooned. Hess and von Cramon-Taubadel (2008) compiled a set of 1,200 such studies published between 1994 and 2006, with peaks in the number of studies corresponding to moments when WTO Ministerial Conferences were hosted. Most of these studies utilise the freely available model developed by the Global Trade Analysis Project (GTAP), or else they are based on the World Bank’s LINKAGE model which also uses GTAP datasets.

Inevitably (both because of the proliferation of these models but also their claim to offer more precise assessments of the outcome of any prospective trade deal), CGE modelling has come to play an increasing role in WTO negotiations, informing the negotiating positions of the member states (Scott 2008). Interestingly, however, there has been a marked diminution of the predicted gains arising from the DDA across the course of the negotiations (see Ackerman 2005; Hess and von Cramon-Taubadel 2008) – a factor that has contributed to the relatively agnostic approach that many negotiators have developed to the round’s conclusion. The average predicted global welfare gains made by the studies sampled by Hess and von Cramon-Taubadel (2008: 812) preceding the launch of the DDA, for instance, peaked in 1998 at $250 billion, before falling to a trough in 2003 of around $35 billion, and subsequently climbing again to around $90 billion in 2006. These figures, of course, mask wide variations. For example, for full liberalisation of goods and services Brown, Deardorff and Stern (2003) claim global welfare gains of some $2,080 billion, while Francois, van Meijl and van Tongeren (2003) predict only $367 billion. Similarly, when examining a likely DDA outcome on trade in goods (that is, through agricultural and non-agricultural market access – NAMA – liberalisation), Harrison et al (2003) predict global welfare gains of $186 billion, with non-OECD countries receiving $97 billion; while Anderson and Martin (2005) predict only $38.4 billion globally with a meagre $6.7 billion going to developing countries.

There are several reasons for the wide spread in predicted gains, though this is not the place for a detailed analysis (for more detail, see Valenzuela Anderson and Hertel 2007; Ackerman 2005; Hess and von Cramon-Taubadel 2008; Anderson 2004; Vos 2007). The principal differences lie with the assumptions made, particularly the choice of Armington elasticity (which sets the elasticity of substitution between products of different countries), and whether or not tariff cuts are assumed to be made on bound or applied rates. As with all CGE modelling, the outcome is
highly dependent on the assumptions made. The gains for developing countries in particular are highly dependent on the Armington elasticity chosen (Venezuela, Anderson and Hertel 2008: 404-407). Doubling the Armington elasticity, for instance, increases predicted global welfare gains by 96 per cent, gains of developing countries as a group by 119 per cent, and gains for sub-Saharan Africa by 423 per cent. The Armington values in the standard GTAP model are taken from estimates made by Hertel et al (2007) for seven countries (Argentina, Brazil, Chile, New Zealand, Paraguay, USA, and Uruguay). It is an open question how valid they are for the rest of the world and across sectors (see Valenzuela, Anderson and Hertel 2008; Lloyd and Zhang 2006), but this uncertainty clearly has profound implications. Given that Africa’s expected gains from liberalisation are small, the choice of Armington value can have dramatic consequences for the continent’s predicted gains or losses (Vos 2007: 7-8).

In addition to falling returns, some of the assumptions in the standard GTAP model are inappropriate for developing countries and correcting these anomalies can further reduce the expected gains. First, in many developing countries tariff revenues constitute a significant portion of total tax revenue. Tariff liberalisation will lead to falling tariff revenue, which must be made up elsewhere if government spending levels are to be maintained. Valenzuela, Anderson and Hertel (2008: 402-403) have examined the effect of modifying the GTAP standard model such that tariff revenue losses are balanced by increased indirect consumption taxes (since most developing countries lack the capacity to raise direct taxes). They find that the expected welfare gains in developing countries as a group fall by 17 per cent, and for sub-Saharan Africa by 25 per cent.

Second, CGE models usually assume full (or less than full but nevertheless fixed) employment. That is, the model assumes that any person that loses their job is presumed to find new employment in a different sector. This removes by assumptive fiat the central political issue with regard to trade liberalisation – how trade liberalisation affects the level of employment. Particularly in developing countries, which tend to have high levels of un- or under-employed labour, a more realistic situation might be for displaced workers ending up joining the ranks of unemployment (Ackerman 2005: 19-22; Stiglitz and Charlton 2004: 7).

Third, development is by its very nature a dynamic process, yet many CGE models are either static or incorporate dynamism in problematic ways (Ackerman 2005). A key element of development, or at the very least a key aim of developing countries, is to change the range of
products that they produce, either to industrialise or to move into higher value added sectors. Though it finds little support within neo-classical economics, one of the most important policies used to this end among all industrialised (both old and new) countries has been the use of trade restrictions to support the growth of new and infant industries (Chang 2002). This central element of development is not included in the model. Relatedly, the principal element of the welfare gains predicted by CGE models lies in the benefits to consumers of access to cheaper goods. However, developing countries are frequently seeking to sacrifice present consumption for higher future returns through repositioning their economy within the global trade system. Static models fail to incorporate these processes.

As noted above, the predicted gains for developing countries have fallen substantially over the course of the DDA negotiations. The large gains from trade liberalisation being predicted in the years before the Doha Ministerial Conference gave way to much more modest expectations, especially for developing countries. The principal reason for this development was the introduction of updated data. Before 2005, the data being put into the models described the world as it was in 1997. The updated data included several important changes in levels of protectionism, including: (i) the substantial reduction in tariffs undertaken by some countries, particularly China as it acceded to the WTO; (ii) the phasing out of quotas on textiles and clothing; (iii) the completion of Uruguay round tariff liberalisation; and (iv) the expansion of Europe. The result has been to illustrate that because there is now less protectionism to remove, there are fewer gains to be made through liberalisation (Ackerman 2005: 3).

In addition, as the DDA negotiations got underway studies began to model the likely DDA outcome based on draft texts and negotiation positions, rather than examining complete liberalisation as was the previous norm. The outcome was that the gains to be had from further trade liberalisation were reduced even further to almost insignificant quantities. As Ackerman (2005: 5) put it:

Under the Doha scenario, developing countries get 18% of their potential gains from full liberalization, or only $16 billion. Doha is worth about $3 per year, or less than a penny a day, for each person in the developing world.

The point here, then, is that despite some noted limitations, CGE modelling predictions point to diminishing returns for developing countries as a group from a concluded DDA. What the models do not show, however (albeit that they are useful for illustrating the macro picture), is
how limited these gains are when the precise manner in which the negotiations have unfolded is taken into account. The next section turns to this process in pursuit of a more fulsome account.

Development in the Doha ‘Development’ Agenda

Developing countries as a group were largely sanguine about the launch of the DDA, with a clear split between the least developed and developing countries being evident at the 1999 Seattle Ministerial Conference (see Wilkinson 2001: 415-416). That said, even where clear support for the launch of a new round was forthcoming, the large majority of developing countries were concerned with addressing residual implementation issues arising from the previous Uruguay round. As the then Indian Minister of Commerce and Industry, Murasoli Maran, put it in the opening session of the Seattle conference, developing countries felt that there were ‘asymmetries and inequities in several of the agreements’ of the Uruguay Round, and that the special and differential treatment clauses had ‘remained virtually inoperative’ (WTO 1999a). African countries in particular were fearful of a comprehensive new round in which they would be required to take on further obligations, particularly if this included new areas such as the environment and labour standards and the ‘Singapore Issues’ of investment, government procurement, trade facilitation and competition policy. Stung by the outcome of the Uruguay Round, that was estimated to have left sub-Saharan Africa $600 million a year worse off (UNDP 1997), they felt that they lacked the resources and technical capacity to undertake negotiations in these new areas.

When the DDA was launched in 2001, two months after the 11th September attacks, these concerns remained. Through continual opposition from developing countries in the intervening two years the area of labour standards had been dropped from the agenda (Haworth, Hughes and Wilkinson, 2005), but all other areas remained. Through a mixture of arm-twisting, all-night meetings and threats within the context of the nascent war on terror, the Doha Round was launched (Jawara and Kwa, 2003: 50-114). Most developing countries remained convinced that the round should redress the imbalance of the Uruguay round and previous GATT agreements, and the Doha Ministerial Declaration that set out the content of the DDA was suffused with references to development and the necessity of giving special consideration to the interests of developing countries (WTO 2001a). Within this context, developing countries expected to be required to make concessions on a less than fully reciprocal basis.
Over the subsequent (and all-too protracted) period of negotiations, the idea of less than full reciprocity for developing countries has been slowly edged out for all but the least developed. In addition, the development content of the round has been whittled down over time to little more than a focus on agriculture (see Ismail 2009 for the most comprehensive account of the DDA from the viewpoint of developing countries). The story of how this has come to be the case, when married to the CGE picture painted above, shows just how small the benefits of a concluded DDA for the poorest countries have become.

Implementation Issues

Almost since the creation of the WTO in 1995, the developing countries as a group had been complaining about what were termed ‘Implementation Issues’. Their concerns have focused primarily on the way in which the industrial countries had implemented key agreements, particularly the Agreement on Agriculture and the Agreement on Textiles and Clothing (ATC). Both had been executed in such a way as to minimise the liberalisation of the heavily protected markets. This included, within the Agreement on Agriculture increasing the effective level of protection by an estimated 61 per cent in the EU and 44 per cent in the US when converting non-tariff barriers into tariffs (known as ‘dirty tariffication’ – see Panagariya 2002: 1219), and making use of the tariff cutting modalities to ensure that the minimum liberalisation was achieved. In the ATC, liberalisation was heavily back-loaded towards the latter stages in such a way that almost no meaningful greater market access was given before the third stage on 1st January 2002 (Finger and Nogues 2002; Baughman et al 1997). In Seattle in late 1999 the Like Minded Group (eight developing countries that had come together to oppose the Singapore Issues) put forward a list of nearly 100 ‘implementation issues’ covering almost every Uruguay round agreement. Their concerns fell into three broad categories:

(i) those stemming from an inadequate or faulty implementation of agreements in letter or spirit;
(ii) those arising from incorrect implementation of the provisions of these agreements; and
(iii) those which reflect inherent asymmetries and imbalances within the WTO agreements themselves (Akram 2001; WTO 1999b).

The response of the developed countries was to argue that these issues could only be considered as part of a new round, since some would involve re-opening the Uruguay round agreements and therefore affect the balance of concessions agreed therein.
In the run-up to the Doha Ministerial, implementation issues were split into two categories: those to be dealt with in the run-up to Doha; and those that ‘could’ be negotiated in the context of the new round (Bridges 2001). Developing countries’ aims in this area were tied to the launching of a new round. In the event, the decision on ‘Implementation Related Issues and Concerns’ that was agreed at the Doha Ministerial (WTO 2001b), reaffirming the pre-Doha General Council Agreement of December 2000 (WTO 2000), gave no meaningful concessions and comprised almost entirely ‘best endeavour’ clauses. Even the relatively innocuous demands of developing countries, such as a proposal that no country should be able to start a new anti-dumping suit against another country within one year of a negative finding of anti-dumping in the same product, were watered down into best-endeavour clauses (Panagariya 2002a: 1227; WTO 2001: paragraph 7.1). Such clauses have a long history in the GATT and WTO and are little more than cosmetic, and have been almost universally ignored. As such, the area of implementation was pushed into the DDA itself.

In the DDA negotiations, the developed countries pursued a tactic within the Committee on Special and Differential Treatment of something akin to ‘filibustering’, consistently postponing the discussions on implementation issues and on making the special and differential treatment clauses in the WTO agreements more operable. By the time of the September 2003 Cancun Ministerial Conference almost nothing had been agreed. This was to the great frustration of the African countries in particular, which, at the end of the marathon special sessions in the previous December seeking an agreement ahead of Cancun, felt that the whole process had been a net loss to them because of the disproportionate amount of human resources consumed, preventing their small delegations from attending other negotiations, but with no end product (Bridges 2002; see, also, Narlikar and Wilkinson 2004).

This lack of progress continued in the subsequent years. By the Hong Kong ministerial of 2005 little of substance had been achieved (see Wilkinson 2006), and the Ministerial Declaration only agreed to ‘redouble … efforts to find appropriate solutions as a priority to outstanding implementation-related issues’ (WTO 2005: para. 39). Finally, by the Geneva Ministerial Conference of 2009 implementation had been quietly dropped (see Scott and Wilkinson 2010), with only the LDC group mentioning the issue (WTO 2009a). What had once been seen as a requirement before the developing countries would enter into a new round of multilateral trade negotiations had been first relegated into being part of an eventual DDA single undertaking and
then quietly forgotten. Over ten years of pressure from the developing countries to examine implementation issues, within the context of a supposed ‘development round’ and with the continuous rhetorical commitment to ‘find appropriate solutions as a priority’ (WTO 2005: para. 39), had been at first resisted, then marginalised, then dumped.

The Singapore Issues

Though the implementation issues went no where, developing countries had greater success with resisting the Singapore issues. The developing countries had been deeply opposed to the negotiations of the Singapore issues, but they had been included in the DDA primarily at the insistence of the EU, albeit with support from other industrialised countries such as Japan and South Korea. Indeed, it was largely because of the lack of support from the US (except on the issue of Government Procurement), and therefore the lack of a united front by the two most powerful WTO members, that developing countries were able to successfully (and eventually) oppose their negotiation. However, this was only after the developing countries had played a key role in forcing the collapse of the 2003 resulting in the ejection of 3 of the Singapore issues from the negotiations, with only trade facilitation continuing.

Agriculture

Following the removal of the contentious Singapore Issues after Cancun, the focus within the DDA negotiations has been primarily on Agriculture. Although discussion has continued on NAMA, it has been tacitly accepted that the eventual numbers used (determining the extent of market opening) will be determined only after agreement is reached on agriculture, and will depend on the extent of ‘ambition’ achieved therein. We return to this below.

Agriculture has taken a special position in the DDA because of its history in the GATT. For the duration of the GATT, agriculture was largely excluded from multilateral oversight. Liberalisation within the GATT’s first seven rounds was minimal and huge subsidy regimes in the EU and US were constructed without contravening GATT rules and without regard to how it affected other countries. The Agreement on Agriculture in the Uruguay round was supposed to liberalise agriculture and bring it under multilateral oversight. This was one half of the developing countries’ side of the Uruguay round ‘Grand Bargain’ (Ostry 2000). However, as noted above, the Agreement on Agriculture was severely flawed and minimal liberalisation was achieved.
The DDA was supposed to rectify these flaws and deliver the liberalisation that the Uruguay Round had failed to create. The members committed themselves in the DDA to ‘comprehensive negotiations aimed at: substantial improvements in market access; reductions of, with a view to phasing out, all forms of export subsidies; and substantial reductions in trade-distorting domestic support’ (WTO 2001a: para. 13). However, over the course of the ensuing negotiations, the likely outcome will deliver at best only the letter, rather than the spirit, of these aims. At the time of the major breakdown in negotiations in July 2006 (when the DDA was temporarily put on ice), the EU had offered cuts in Aggregate Measure of Support (AMS)\(^3\) of 75 per cent if the US would cut theirs by 65 per cent, while the US offered a 60 per cent reduction if the EU and Japan would agree to 83 per cent.

These figures sound dramatic, but when examined in more detail they become less impressive. This is because of the flawed nature of the Uruguay round Agreement on Agriculture. The Agreement on Agriculture created three categories of subsidies: the ‘amber box’ of trade distorting measures, in which the level of subsidy is directly related to the quantity of the good produced; the ‘green box’ of subsidies that are ‘decoupled’ from production and are considered minimally trade distorting; and ‘the blue box’ measures, which are ‘partially decoupled’ from production and are exempt from limits in most circumstances. Only amber box and some blue box payments contribute to the AMS. The critical issue is the level at which the AMS was bound. Because of an agreement between the US and EU, the base-year from which bound rates of AMS were calculated was chosen to be the peak years of support (1986-1988). In addition, blue box payments were included in the base-year level but not in subsequent calculations of the AMS. As a result, coupled with subsidy reforms to shift subsidies out of the limited amber box into the unconstrained blue and green boxes, there is a huge gap between the level of AMS bound by the subsidising countries in the WTO and the level that they actually pay each year. Consequently, cuts in AMS of around 75 per cent would be required before making any impact on current spending programmes (Anderson and Martin 2005; Oxfam 2005a). Moreover, high world food prices and hence low subsidies in recent years have increased the required cut even more.

In addition, if a final agreement reflects the current status of the negotiations as reflected in the July 2008 drafts prepared by the chairs of the various negotiating committees, as is likely, the US has been successful in its demands to expand the blue box to include its counter-cyclical payments introduced in the 2002 Farm Bill (see WTO 2008: para. 35). This allows the US to shift
around $7 billion (WTO 2008a: Annex 1) of its amber box (and therefore limited) subsidies into the blue box (largely unrestricted).

The green box is also to remain unlimited in the July 2008 draft. This is justified by the claim that green box measures are not (or at most are minimally) trade distorting. However, a series of studies have cast doubt on this assertion (UNCTAD 2007; Meléndez-Ortiz et al 2009, Oxfam 2005b). Subsidies, even when decoupled from production, affect the level of production. They reduce risk and provide insurance through assuring an income floor, with the result that farmers are able to take on greater risk than would otherwise be the case and are encouraged to place more marginal land under production. Subsidies for such things as research and extension services, conservation and funding structural changes to farm size and infrastructure, has an effect on productivity. Agricultural output is therefore greater than would be the case if there were no subsidies. That even green box subsidies increase output is shown by the experience of the EU and US subsidy regimes. Since the completion of the Uruguay round both the EU and US have shifted subsidies towards the green box, but this has had no detrimental effect on their market share of world exports, despite the fact that the market share for both would be significantly smaller if subsidies were reduced (Oxfam 2005b: 24-26). The effect of high subsidies paid by the rich countries is thus to reduce the economic opportunities for developing countries and lower world prices, such that farmers in the developing world receive less for their produce.

Cotton has achieved particular prominence in the DDA negotiations because of the particularly detrimental effects of high subsidies in the US on world cotton prices and the livelihoods of millions of cotton farmers in West and Central Africa. Four African countries – Benin, Burkina Faso, Mali and Chad, known as the Cotton Four – have consistently pushed the issue in the DDA and are demanding that cotton received special and more urgent treatment that goes beyond the agricultural deal (see Lee, 2007). This has, rhetorically at least, been agreed in the decision of 1st August 2004 that cotton would be treated ‘ambitiously, expeditiously and specifically’ within the agriculture negotiations (WTO, 2004). Director-General Lamy has noted that ‘cotton has become a litmus test of the commitment to make the WTO Doha Round of global trade negotiations a truly development round’ (WTO 2008b). So far, however, the commitment to this aim has been lacking, with the US in particular seeking to delay addressing the issue. In the July 2008 push for a conclusion to the DDA, which came unexpectedly close to a deal, of the 20 critical issues identified by Director General Lamy that needed agreement, 18
were resolved, the negotiations broke down over the 19th – a Special Safeguard Mechanism, to which we return below – while cotton, the 20th, was not even discussed. Leaving cotton until last poses dangers for the Cotton Four (and others with an interest in the sector). Once all other pieces of a deal are put in place, there will be huge pressure to finalise the negotiations. Though the Cotton Four have thus far received a considerable amount of support from other members in their demands, this is likely to diminish rapidly when cotton is the last roadblock preventing the conclusion of the round. If a few poor African countries find themselves isolated against massive US (and other) opposition, they will find it almost impossible to withstand the pressure to accept a compromise, however weak.

**NAMA**

NAMA is a critical area for developing countries as it affects their ability to industrialise and shift their economies away from a reliance on agricultural and raw material production. However, it is also a sector in which the industrialised countries continue to have a comparative advantage, particularly in high technology and high value goods. The US, and to a lesser extent the EU, have been pushing for a strong deal in NAMA to open up the economies of the emerging nations, particularly India, China and Brazil. With the exception of China, which bound its tariffs at an average of 10 per cent when it acceded to the WTO, these countries have high levels of bound tariffs. The EU and US, in marked contrast to their offers on agricultural subsidies, are demanding that the NAMA agreement should go beyond cutting out the water in developing countries’ tariff schedules and bite into applied tariffs. They have repeatedly argued that this is essential for the ‘development’ content of the DDA to be realised – that is, that the deal should create new market access into those countries that are achieving the highest rates of growth (see, for example, WTO 2009b). This conflicts with the DDA stipulation that the developing countries would be required to give ‘less than full reciprocity in reduction commitments’ (WTO 2001a: para. 16), and would severely hamper their ability to pursue a flexible trade regime to promote industrialisation (Chang 2005; George 2010: 31-50). This is also a problem for LDCs. Though they are not being required to make cuts into applied tariffs, the proposed NAMA deal will require them to bind a high percentage of their tariff lines and to cut some of the water from their current tariff schedule. Again, the effect is to restrict their capacity to apply tariffs as part of an industrialisation strategy.

**LDCs**
Focusing on achieving results for LDCs plays a prominent role in the DDA work programme (WTO 2001a). However, offers in this area have been less than hoped, particularly in the area of granting developing countries duty-free and quota-free market access. The US offered at the Hong Kong ministerial meeting to grant LDCs duty-free quota-free access on 97 per cent of tariff lines, and has steadfastly refused to go beyond this. As a result, many of the exports of LDCs are excluded. Around 300 US tariff lines will be excluded, while two-thirds of Bangladesh’s exports, for instance, are concentrated in just 25 lines (Oxfam 2005c: 15). As such, the agreement effectively grants LDCs duty-free quota-free market access on products that they do not export, while excluding most of those on which they are able to compete.

Across the range of issues examined here, the ‘development’ content of the round has been whittled away over the course of the negotiations, and pressure has been applied by the rich countries to subvert the original meaning of the DDA work programme. The DDA, as the likely agreement currently stands, will not deliver development, nor increased trading opportunities for the developing world, particularly the least developed. Agriculture remains the most important area for many people across the developing world and is a critical area to get right if the DDA is to deliver on its promises. In the following section we examine an aspect of the agricultural negotiations in more detail, namely import surges, which has come to prominence over the course of the negotiations and has proven to be particularly difficult.

Import Surges

There is no single definition of what constitutes an import surge. A common definition is that used by the FAO in their set of conceptual and empirical studies, namely a ‘thirty percent positive deviation from a three-year moving average of import data’ (FAO 2006a). The choice of thirty per cent is, of course, arbitrary, and alternative numbers give very different incidences of import surges. An alternative approach is to use the definition provided by the Uruguay round Agreement on Agriculture Special Safeguard (Agreement on Agriculture Article 5), which includes a trigger related to an increased volume of imports and a trigger dependent on import prices.

More important than the exact definition is why import surges matter. An import surge of a particular commodity disrupts local markets and pushes down prices, negatively affecting the livelihoods of people relying on the production of that commodity. Domestic producers, particularly small-scale farmers, struggle to compete as cheaper imports flood local markets,
which can have a severe impact on food security. For example, when Kenya experienced an import surge of sugar from 1998 to 2004, employment in the Kenyan sugar industry declined by 79 per cent (Action Aid 2008: 22). Furthermore, the effect was felt particularly keenly in some of Kenya’s poorest regions in which sugar production dominated the economy. Similar examples can be found around the world (see the set of FAO studies referenced in endnote 4).

The problem of import surges has recently come to the fore because of their increasing frequency (FAO 2006b; South Centre 2009). Though there are many causes, both internal and external, that can contribute to an import surge, a significant element lies with the effect of global development policies and the liberalisation of developing countries’ agricultural markets as part of Structural Adjustment Programmes and the Uruguay round. Agricultural subsidies paid by the industrial nations inevitably depress prices, which can contribute to import surges. The issue is thus seen as partly a legacy of the Uruguay round, addressing the subsidies that have continued to distort agricultural markets.

Import surges also have a significant detrimental effect on poverty: not only are LDCs the countries that are most affected, the products most frequently experiencing import surges are staple crops for many of these countries on which the poor rely (South Centre 2009: 9-10). Furthermore, as domestic food production capacity diminishes LDCs face the prospect of shrinking food security. Providing access to food at world (and hence cheapest) prices is economically most efficient in the short term, but it leaves the country in question at the mercy of international food markets and, as a consequence, less able to mitigate any subsequent price rise. Thus the cost of the food import basket for LDCs in 2007 was roughly 90 per cent more than it was in 2000, while for developed countries it was only 22 per cent higher (Action Aid 2008).

*The Issue of Import Surges in the DDA*

Space does not allow for a full examination of the origins and negotiating history of the issue of import surges in the DDA (see Wolfe 2009 for a more comprehensive account). Suffice to say that, concern over the issue of import surges, partly driven by the analyses being undertaken by the FAO and various NGOs, culminated in the idea of a ‘Special Safeguard Mechanism’ (SSM) that would allow developing countries to raise tariffs to protect food security and meet developmental objectives. This was a relatively late addition to the negotiations, emerging from
the early discussions of an agricultural ‘development box’ as a counterpart to the Blue, Green and Yellow boxes of agricultural subsidies.

The SSM issue has been controversial from the start, splitting members both over how strong it should be and on its underlying philosophy (Wolfe 2009). Proponents argue that WTO rules, particularly in the context of a ‘Development’ round, should address the problem of import surges and allow poor countries the ability to protect their farmers. Exporters of agricultural commodities, though accepting the inclusion of an SSM, have sought to limit its strength by making the conditions that need to be fulfilled for its implementation more stringent, and limiting the number of products that can be subject to SSM measures at any given time and the duration and the extent of tariff rate increases and ‘cross-checking’ measures (that is, extra conditions beyond the volume and price triggers that have to be fulfilled before the SSM can be invoked). Particularly divisive has been the question of whether the SSM should facilitate the raising of tariffs above the levels bound in the Uruguay round. For defenders of the mechanism, this is seen as critical if the SSM is to be effective. Opponents consider this to be nullifying the benefits they accrued under the Uruguay round.

Though often presented as a North-South issue, with the North led by the US and the South led by India, this is mistaken. Some of the strongest supporters of a weak SSM, limiting its use to only the most extreme cases and facilitating only small tariff increases, have come from developing countries, notably the proposal from Argentina, Paraguay and Uruguay (known as the APU proposal – see WTO 2006a).

Current status of the SSM

The latest draft modalities (December 2008 – WTO 2008a) take a compromise position between the generous proposal put forward by the Group of 33 developing countries (WTO 2006b) and the stringent proposal put forward by the APU (WTO 2006a). An additional paper (WTO 2008b) was released with draft modalities for cases in which application of the SSM would raise tariffs above pre-Doha bindings. The current draft contains volume and price triggers, with the size of the tariff rate increase dependent on the severity of the surge. The volume based trigger is graded into import increases of 110-115 per cent, 115-135 per cent, and 135+ per cent over the base imports, with the maximum tariff increase for the final category being 50 per cent of the current bound tariff or 50 percentage points, whichever is higher (WTO 2008a: paragraph 133). The price-based SSM is invoked when ‘cost, insurance, freight’ (c.i.f.) import prices fall below 85
per cent of the average monthly price for that product over the previous three years, and allows the raising of the import duty by up to 85 per cent of the difference between the import price of the shipment and the trigger price (WTO 2008a: paragraph 136). Both triggers contain cross-checking requirements. In addition, the volume-based SSM can only be invoked on a given product for up to two years, after which no SSM can be applied for a further two year period.

The most problematic area has been negotiations over those cases in which invoking the SSM will raise the tariff above the rate bound pre-Doha. This raises significant philosophical and political problems. First, it gets to the heart of the difference in opinions over whether the SSM is there: (i) to protect farmers’ livelihoods in developing countries, in which commitments made in previous agreements are a secondary concern; or (ii) to aid liberalisation, through providing temporary relief from market disruption, but in which previous commitments should not be broken. In addition to this, the relationship between the US and China is problematic, since China bound its tariffs at a very low level as part of their accession. The US sees the SSM (unless it is limited and time-bound) as potentially being a way of China reneging on those commitments, allowing it to increase tariffs on a range of products almost permanently. Any suggestion that the SSM will reopen China’s accession commitments would be politically explosive on Capitol Hill, while domestically within China the accession agreement was seen as similar to the one-sided trade treaties forced on them in the 19th century.

It is likely that different rules will be negotiated along the lines of the December draft modalities on a SSM (WTO 2008b), which allows less of a duty increase and shorter time-scales than the standard SSM. The number of products that can be subject to increases of this nature is limited to a maximum of between 2 and 6 products or 2.5 per cent of tariff lines, with the final details still to be agreed. This is the area that has achieved least agreement – or in WTO parlance, it is the area in which there is still the greatest amount of square bracketed text (signifying that it does not have the agreement of all members). LDCs are given slightly greater flexibility allowing larger tariff increases, though again the details are yet to be agreed.

Critiques of the current proposals
Given the developmental demand for an effective SSM to protect developing countries’ agricultural sector and rural poor (most of who are engaged in small-scale agricultural production), the critical question is whether the SSM that is emerging in the DDA drafts will fulfil this purpose. Unfortunately, this does not seem to be the case. In the view of the South
Centre, the mechanism seen in the December draft ‘would be practically useless to developing countries’ (South Centre 2009: 1).

The first objection is that the tariff increases facilitated by the volume-based SSM would be applied too late. A country experiencing an import surge can only apply the tariff rise once it can demonstrate that the trigger has been reached. However, many developing countries, particularly the LDCs, have severe shortcomings in their data collection, with data being either contradictory, unreliable or taking a long time to be consolidated (FAO 2006c). This time-lag means that in many cases a large import surge will already have taken place, and its consequences been felt, prior to a protective duty being put in place. Second, experience shows that the tariff increases that the SSM facilitates are likely to be insufficient to stem the rise of imports. For example, when Kenya experienced a sugar import surge, it raised its tariff from 25 per cent (in 1999) to 123 per cent in 2002 (Action Aid 2008: 30). This was not enough to stem the increase, with sugar imports rising by around 50 per cent between 2002 and 2003. It was only when Kenya introduced a quota that imports began to stabilise. However, the SSM as currently envisaged, will not allow for quotas to be used.

Kenya was able to increase its tariff substantially because of the large gap (that is, the ‘water’) between the applied tariff and its bound tariff (100 per cent). Other countries, including a number of LDCs, do not have large quantities of water in their tariff schedule and are therefore less able to increase tariffs substantially. These countries will be severely limited in the degree of protection the SSM will afford them. China has no gap at all between its bound and applied tariffs. Though China is not an LDC, it should be remembered that nearly 20 million people still live in $1.25-a-day poverty in rural China (POVCAL calculation).

This problem is compounded by the limited number of tariff lines on which countries will be allowed to raise duties above the pre-Doha binding – around 2-6 products, or 2.5 per cent of tariff lines depending on the various proposals. This is woefully inadequate considering that one study (South Centre 2009) found that in their sample of 56 developing countries an average of 29.2 per cent of tariff lines were affected by import surges above 110 per cent of baseline volumes, with some countries reaching as high as 50 per cent.

The price-based SSM faces similar limitations, particularly with regard to the level of tariff increase allowed. It would not facilitate the maintenance of prices at a certain level, since the
SSM allows an increase in duties of only up to 85 per cent of the difference between the import price and the trigger price. Furthermore, since most tariffs are imposed on an *ad valorem* basis, the absolute price increase being levied by the tariff falls as the price falls. For example, consider a commodity for which the average c.i.f. import price over the preceding three years is $100, on which an *ad valorem* tariff of 20 per cent is applied, making the domestic market price $120. The trigger price is $85 (85 per cent of $100). Consider the case in which the import price falls to half this figure, $50. Now the *ad valorem* tariff increases the price by only $10 (20 per cent of 50), while the SSM tariff is 85 per cent of $35 (the difference between the trigger price and import price), namely $29.75. Hence the new domestic price (against which domestic farmers are competing) is $89.75 ($50 + $10 + $29.75). In this example, even after application of the maximum allowable SSM duty, internal prices will have fallen by over 25 per cent (89.75/120 x 100). The price-based SSM therefore is not sufficient to protect the prices farmers receive.

If we take the SSM to be a measure that is included to protect farmers in poor countries (noting that around 70 per cent of $1.25-a-day poverty in LDCs is found in rural areas), it would appear in its current draft to be unfit for task. The requirements before the SSM can be invoked are too time consuming for countries with limited data collection capacity; the tariff remedies it allows are insufficient to stem the problem, particularly for countries with little water in their tariff schedule; and other, more effective measures, such as the use of quotas, are not allowed.

This weakening of the SSM and diminution of the protection afforded the LDCs should not be seen as a deliberate negotiating ploy by the exporting countries. As Robert Wolfe notes:

> Whether or not the poorest Members ought to be able to use a SSM was not really at issue because their trade impact is so small. The difficulty was that developing countries insist that the same mechanism be available for *all* products in *all* developing countries. Exporters worried that the biggest developing countries, who were vocal proponents of the SSM, would abuse the flexibility that is demanded in the name of the poorest. (Wolfe 2009: 535).

The LDCs have, thus, been caught in the power politics of the more influential members, both developing and developed.

Finally, it is critical to note that the political and economic position that many developing countries, particularly the poorest, find themselves in potentially makes the SSM rather academic regardless of its details. Countries that are reliant on lending from the World Bank and IMF are
not wholly in control of their own trade policies, and the Fund and Bank continue to oppose any intervention that increases trade barriers, regardless of its objectives or whether such intervention conforms to WTO rules. Thus, for example, when Ghana experienced an import surge in rice, seeing imports rise by 70 per cent between 1998 and 2003, it sought to raise tariffs from 20 per cent to 25 per cent. While this was allowed under WTO rules since it remains with the bound rate, pressure from the IMF prevented the action occurring (Action Aid 2008: 18). As a result, the details of the SSM that eventually emerges are almost irrelevant when the countries for which it was designed are confined within a trade straightjacket by the Fund and Bank, both of which remain ideologically opposed to such measures. If they are lucky, the LDCs will receive an SSM that on paper allows them to protect their rural communities from import surges, reducing price fluctuations and facilitating greater investment by farmers in increasing productivity and ultimately enhancing economic growth. However, in the reality of how these countries’ trade policies are actually formed, the SSM will never be effectual while they remain economically weak. They are caught in a catch-22.

**Conclusion**

In fusing together the insights of econometric models on the predicted outcome of the DDA with an analysis of the pattern and pattern of the progress of the negotiations we see that the likely gains for the least developed countries from the Doha round are both small and deeply problematic. The introduction of new data on declined levels of protectionism and the running of projections on the basis of draft texts clearly shows that the overall size of the Doha pie is smaller than initially envisaged and considerably less for LDCs. This situation is made worse when the pattern of the negotiations unfolding is taken into account. Implementation issues, a key requirement for the developing countries in the run-up to the launch of the DDA, have been squeezed out of the negotiations. The move towards a focus on agriculture as the core development content of the round has been problematic because of a lack of ambition and commitment on the part of the US and EU, the capacity for subsidy box shifting to undermine any agreement that might be reached, and the inadequacy of the attention paid to issues like cotton. In addition, the focus on liberalisation does little to address the crucial agricultural issues for LDCs, such as how to ensure greater food security and self-sufficiency. Likewise, the pressure many developing countries have come under in the NAMA negotiations highlights the conflict between the liberalisation agenda and the need of developing countries to maintain flexibility in trade policies. Moreover, little comfort can be found elsewhere in the DDA.
Commitments on duty free and quota free access are of questionable value; and the prospect of an effective SSM being negotiated looks slim.

Without a dramatic refocusing of the content of the DDA, there is little substance to maintain LDCs continued participation in the round. And given that LDC participation is both necessary (for a deal to be agreed on the basis of a single undertaking) and desirable (developmentally, through opening up markets to their exports) the necessity of ensuring their continued participation in this (and any future round) is crucial. At a bare minimum, the negotiations must provide the least developed with a means to protect, in the short term, their agricultural sectors in times of import shortages, offer real market openings in areas of immediate and future value, and address outstanding implementation issues. The chances of even this bare minimum resulting, however, look slight. Moreover, given the head of steam that is emerging for some kind of ‘variable geometry’ to feature in the final deal (in which some members agree to some, but not necessarily all, aspects of a deal thereby abandoning the single undertaking commitment that every member must agree to every aspect of an agreement) any influence that LDCs have in the outcome will be eroded further. Should this prove to be the case, Doha is likely to be remembered as just another asymmetrical multilateral trade deal.
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The reason for the disparity lies principally with the inclusion in the Brown, Deardorff and Stern (2003) study of estimates relating to liberalisation of FDI flows.

2 The developed countries do not face this problem because tariff revenue is a very small percentage of total taxes, and because any tax falls are counterbalanced by the reduction in agricultural subsidies.

3 The AMS is the total quantity of support given to farmers, minus exempt payments. Under the Uruguay Round Agreement on Agriculture, each WTO member has an AMS binding based on its level of subsidies in 1986-1988.


5 Though those competing with imports may face loss of livelihood and shrinking earnings, this is balanced by consumers paying less for their food needs.

6 Technically it was reversed after 4 days.