

Why WTO Doha Round Matters

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RIETI Policy Symposium

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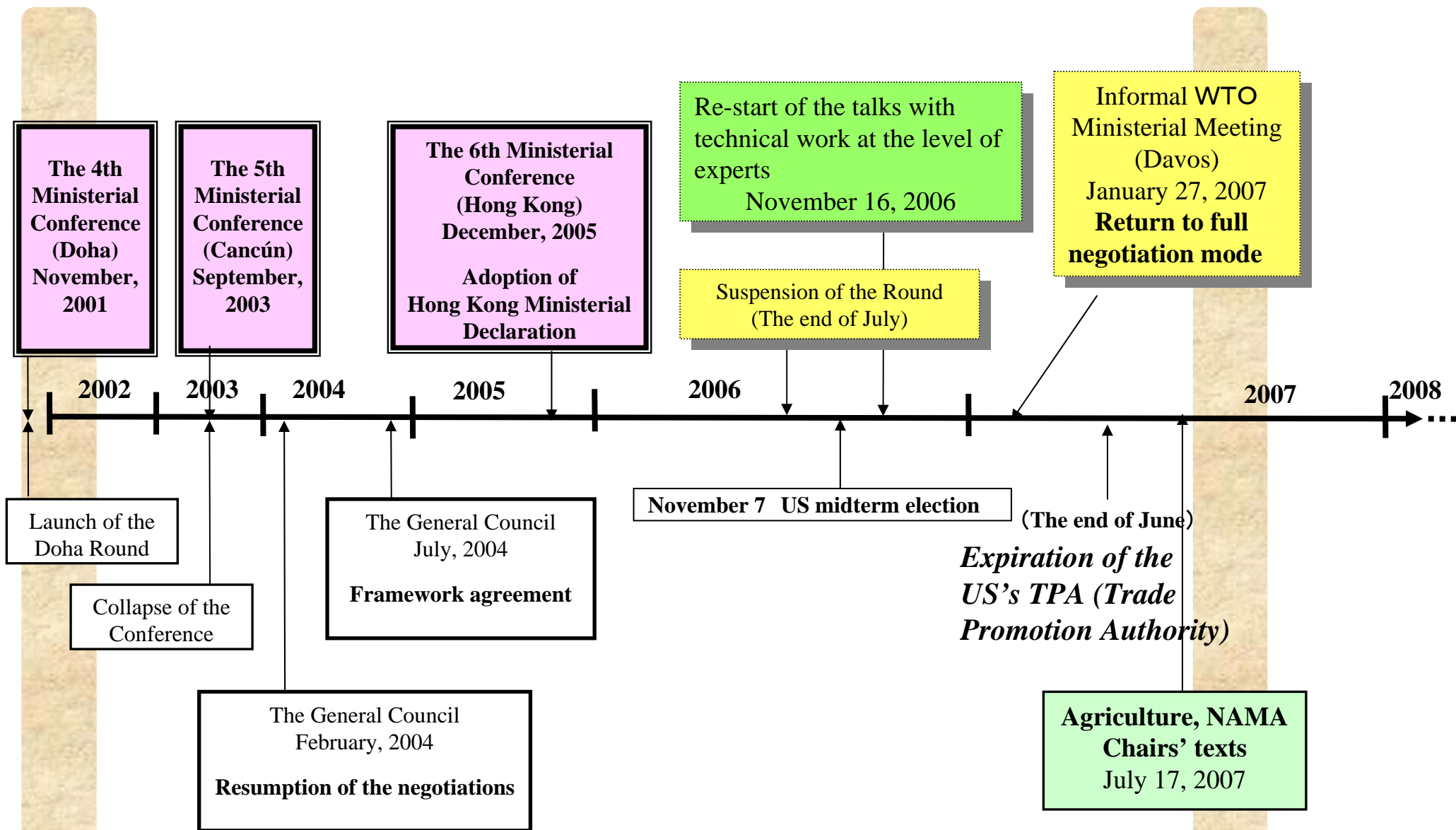
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Progress in the WTO Doha Round





Negotiating Areas

Agriculture

Substantial improvements in market access, reductions of all forms of export subsidies, substantial reductions in trade-distorting domestic support.

NAMA

Non-Agricultural Market Access

Reduction and elimination of tariffs as well as non-tariff barriers for all products other than agricultural products (e.g. industrial goods).

Services

Liberalization of trade in services, with regards to restrictions on foreign equity participation, movement of natural persons, and cross-border supply of services.

Rules

Anti-dumping (AD), subsidies (including fisheries subsidies) and regional trade agreements (RTA).

Trade Facilitation

Enhancing transparency, predictability and fairness of, and promoting simplification and acceleration of customs procedures.

Development

“Special and Different Treatment” (S&D) provisions, preferential treatment of Least-Developed Countries (LDC), facilitating fuller integration of small, vulnerable economies (SVE).

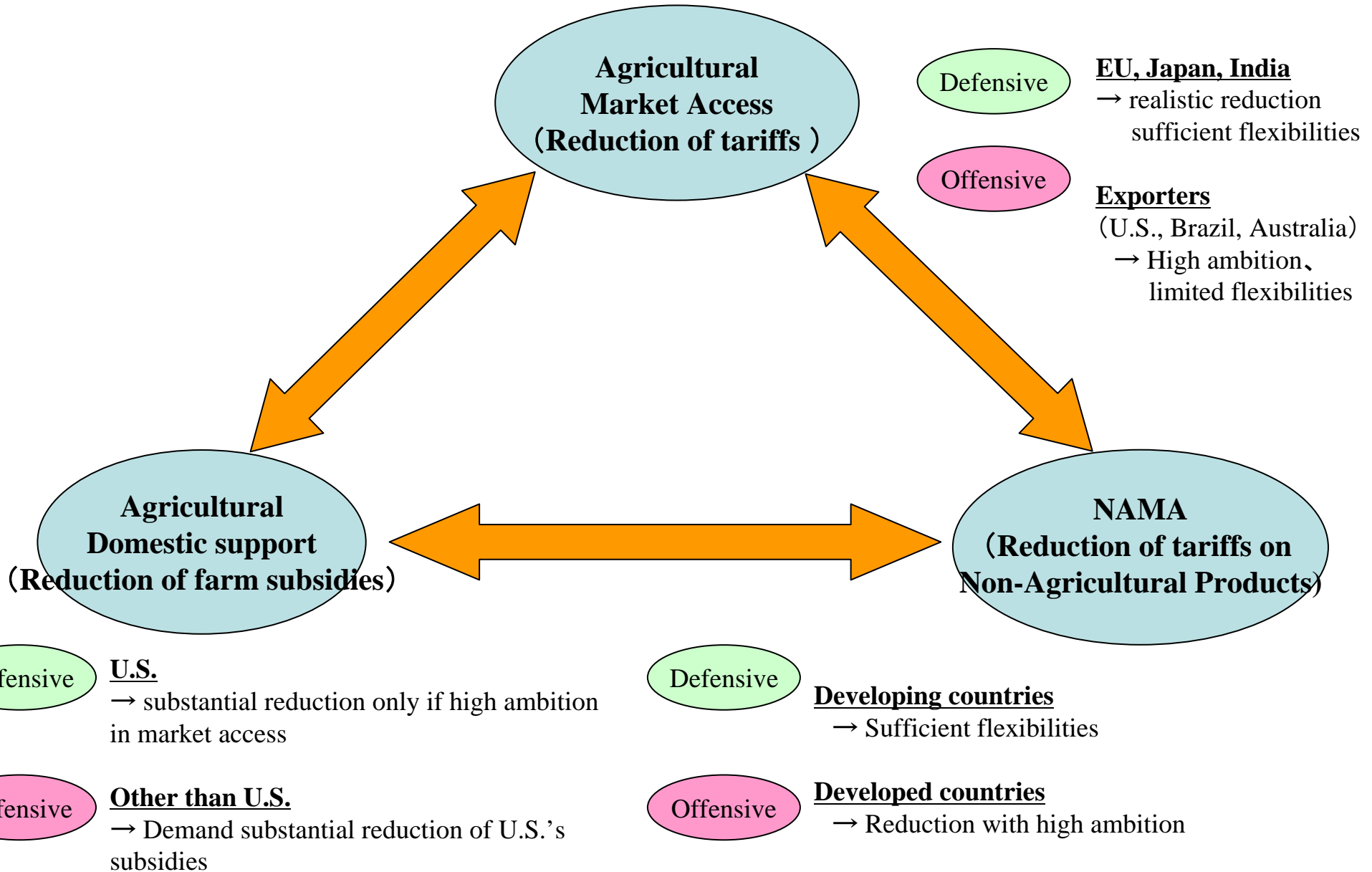
In addition to the above areas, the negotiating areas of DDA include TRIPS (the establishment of a multilateral system for the notification and registration of geographical indications) and Trade and Environment.



Significance of the Doha Round for Japan

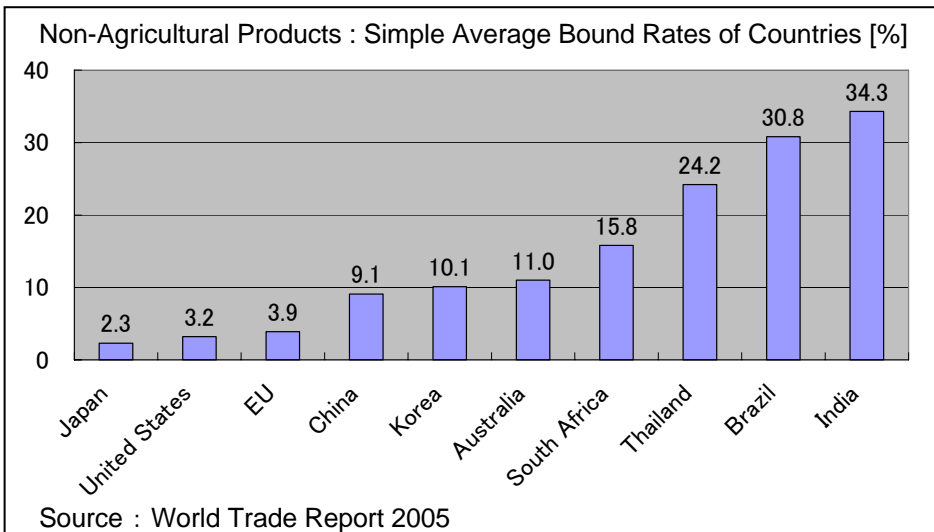
- Reduce tariffs of developed and developing Members
 - > New Trade Flows.
 - ✂ An example of simple average bound rate on non-agricultural products
 - Japan : 2.3%
 - U.S. : 3.2%
 - EU : 3.9%
 - China : 9.1%
 - Brazil : 30.8%
 - India : 34.3% (Source : World Trade Report 2005)
- Support Japanese service sectors to access foreign service markets.
- Strengthening international trade rules thereby improving predictability and preventing trade disputes.
(Failure in concluding the Round could lead to increase in international trade disputes.)
- Trigger domestic structural reform in Member countries.

Positions of Key Members on Main Issues



NAMA Negotiation

1. Tariff levels in developed countries are low, but high tariff levels remain in developing countries. High tariffs in advanced developing countries are especially of concern. Tariff reduction of developing countries encourages not only North-South trade, but also South-South trade.



2. Developing countries also maintain high tariffs for certain products.

(US) Trucks: 25%
 (EU) Consumer Electronics : 14%
 Automobiles : 10% etc

3. A simple Swiss formula with two coefficients should be adopted. The discussion is focused on the level of two coefficients.

<Changes in Bound Tariff Rates >

Countries	Sample of Products	Change of Bound Tariff Rates [%]
India	Machinery	40 → 10.9
Brazil	Automobiles	35 → 10.5
China	Automobiles	25 → 9.4
United States	Trucks	25 → 7.1
EU	Consumer Electronics	14 → 5.8

(Calculation Condition)

Swiss formula coefficient : 10 for Developed Countries, 15 for Developing
 (Calculated by Japan based on WTO Secretariat Sources.)

4. Tariff reduction rates will be higher than in the Uruguay Round if ambitious coefficients are applied.

- Uruguay Round : One third (1/3) tariff reduction for developed countries.

- Doha Round : (Average bound tariff reduction)
 52.1% for developed countries (coefficient 10),
 53.8% for developing countries (coefficient 15)



Trade in Services

1. The services negotiation aims to deregulate or abolish barriers to trade in services such as financial services, transportation, telecommunications, construction and distribution, etc.

Members make commitments how to deregulate or abolish their own barriers each other. Basically, the negotiation has been conducted with “request and offer approach” in which Members submit offers, reflecting requests from other Members.

2. Significant economic effects through increased efficiency in the service sector are expected.

The amount of world trade in services expanded from 783 billion U.S\$ in 1990 to 2,415 billion U.S\$ in 2005.
(International Trade Statistics 2006, WTO Secretariat)

3. Level of liberalization in developing countries is significantly lower than in developed countries, due to concerns from the viewpoint of promoting domestic industries and job security. However, in reality, liberalization has contributed to economic growth in developing countries. Furthermore, developing countries are requesting enhanced access of foreign workers into developed countries.

A hypothetical 25 per cent reduction of protection in service sectors will bring GDP gains in the amount of 2.9 per cent for ASEAN countries and 1.4 per cent for India. (“OPEN SERVICES MARKETS MATTER” OECD 2001)

4. The negotiation started already prior to this Round, but many Members have been unsatisfied because of low level of liberalization. Therefore, at the Hong Kong Ministerial in December 2005, Members agreed on the introduction of new mechanism which aims at further liberalization plurilaterally in specific sectors in addition to “request and offer approach” in which Members negotiate bilaterally.

5. Further, at the Hong Kong Ministerial, it was agreed that Members should submit second round of revised offers by the end of July 2006, which should contain higher level of liberalization. A new deadline has to be agreed upon by Members.

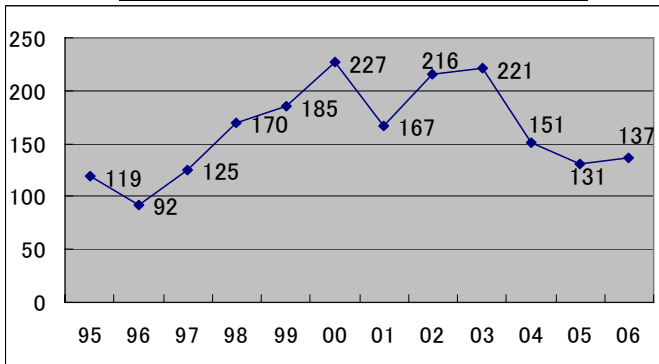
Rules: Anti-Dumping Negotiation

1. Anti-Dumping Negotiations

“Anti-Dumping (AD)” is a measure sanctioned by the WTO rule to cope with dumping; a situation in which the export price of a product is lower than its selling price in the exporting country. In recent years, the number of AD measures is increasing. In order to prevent Members from abusing the measures only for the purpose of protecting domestic industries, clarification and strengthening of AD rules are necessary.

2. The number of AD measures still remains high. Abuse of AD measures is a common issue among developing and developed countries.

Worldwide trend of AD Measures



Top 10 countries/areas by the number of AD measures (1995~2006)

Number of AD measures imposed by

1	India	331
2	U.S.	239
3	EC	231
4	Argentina	152
5	South Africa	120
6	Turkey	107
7	China	92
8	Canada	84
9	Mexico	82
10	Australia	71

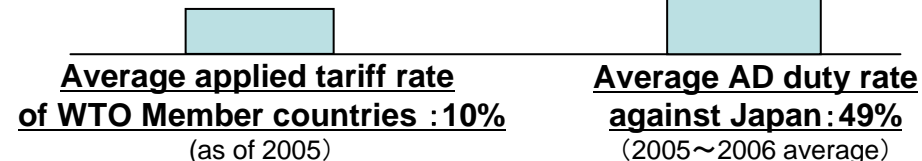
Number of AD measures taken against

1	China	375
2	Korea	136
3	Chinese Taipei	107
4	US	104
5	Japan	97
6	Russia	84
7	Thailand	76
8	India	75
9	Indonesia	73
10	Brazil	69

3. Abuse of AD measures undermines the effects of reducing tariffs and liberalizing market access. It is necessary to strengthen the AD rule to establish a predictable trading environment.

Average applied tariff rate and Average AD duty rate

The level of Average AD duty rate is around five times as Average applied tariff rate.



◆ Example caused by AD measures:

There are cases in which AD measures remain in force for decades.
e.g. maximum 33 years on Polychloroprene Rubber, 18 years on ball bearing.

Trade Facilitation

1. Negotiation on Trade Facilitation is to enhance the physical distribution of goods and decrease cost of trading etc. through improvement of trade procedures.

Example of Problems in Trade procedures

- Lack of transparency and predictability in trade regulations
- Lack of uniformity in operations
- Complicated procedures of import-export trade
- Excessive documents requirements



Solution

- Securing transparency (Publication of trade regulations, Appeal procedures etc.)
- Simplification and harmonization of trade-related procedures
- Special and differential treatment (S&D) for developing countries (Capacity building etc.)

2. Negotiation on Trade Facilitation aims to clarify and improve aspects related to GATT Articles V, VIII and X for smooth transport and trade-related procedures, as well as to strengthen capacity building.

3. Merits of trade facilitation is widely acknowledged by Member countries including developing countries.. Negotiation are going on based on textual proposals.



Development

1. DDA is a “Development Round “.

- 80% of all 151 WTO Member are developing countries (121).
- 30 developed countries (OECD member countries) out of WTO members countries.

2. Special Treatment for developing countries throughout negotiation areas.

- Agriculture and NAMA negotiation: Differentiated reduction commitments and flexibility for agriculture domestic support and market access and NAMA market access.
- Developing countries are requesting enhanced Special and Differential Treatment (S&D) provisions in WTO Agreements. Members have also discussed ways to assist developing countries so that they can reap more fully the benefit from the multilateral trading system.

3. Members agreed in Hong Kong Ministerial Conference (Dec. 2005) on Special and Differential Treatment for LDC products such as duty-free and quota-free market access. Developed countries also announced their “Development Packages”.

—Development Packages

Japan (Development Initiative for Trade):

- Allocate no less than \$10bn over the next three years for infrastructure development related to trade, production and distribution.
- OVOP (One Village One Product) campaign to provide assistance to developing countries with a view to enhancing their capability, improve and export their promising products to international markets.
- Expand Duty-Free Quota-Free market access to Japan from LDCs up to 98% of tariff lines (starting April 2007).

USA: More than double its contribution to global Aid for Trade (\$1.3 billion in 2005 -> \$2.7 billion in grants annually by 2010).

EU: Provide 2 billion in aid for Trade as of 2010.

Trade Flow and Benefits for Developing Countries

- Trade by developing countries is growing, especially South-South Trade.

- Trade				(share in total world trade)	
From	->	To	1990	2005	
Developed	->	Developed	55.1%	39.5%	
Developed	->	Developing	16.6%	17.2%	
Developing	->	Developed	16.9%	22.2%	
Developing	->	Developing	9.8%	19.9%	

(Source: IMF DOT (Direction of Trade Statistics) 2006)

- Trading partners for developing countries

	1990	2005
Developed countries	77%	66%
Developing countries	23%	34%



Why We Need Multilateral Negotiation at WTO

- Able to achieve market liberalization from 151 countries at the same time.
- Each country has different offensive interests and defensive interests. -> The web of “gives and takes” among countries are extensive and complex. -> Lengthy negotiation is necessary, but once agreement is reached, possibility that a large package is achieved.
- Countries with less negotiating power (e.g. small developing countries) can nevertheless obtain concessions from big-power countries.
- Creating and Improving trade rules (e.g. reducing and/or eliminating subsidies, clarifying and improving anti-dumping rules) can only be negotiated multilaterally.
- Negotiated results can be enforced by the WTO Dispute Settlement Mechanism.



High-level Political Commitment

13th Meeting of APEC Ministers Responsible for Trade
Statement on Doha Development Agenda
Cairns, Australia, 5-6 July 2007

(Excerpt)

We acknowledge the singular importance of ensuring the continued strength and openness of a rules-based global trading system which operates to provide expanding economic opportunities. We strongly re-affirm our commitment to a successful conclusion of the Doha Round negotiations this year.

We emphasise that a successful Doha outcome must deliver meaningful new market opportunities in order to significantly expand trade, promote global economic growth and foster development. We all undertake to contribute. We will demonstrate the necessary political will and flexibility, and call upon other WTO Members to do the same. To this end we will engage actively and constructively in the negotiations in Geneva.

We reiterate that consensus can only be achieved through an ambitious and balanced result that brings new trade flows in agriculture, industrial goods, and services, thereby securing benefits to all, in particular developing country economies.



Road towards Convergence

- Multilateral Process
(Negotiating Group meetings, formal or informal)
vs
Small Groups
(G4, G6,)

- High-level talks (minister-level)
vs
Technical-level discussion

- Role of Chairs' texts



Thank You