

The Doha Round in Broader Context

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World View

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Globalization and the WTO

- Globalization and American Politics
 - Unease about the global economy
 - Given expression in last week's Mid-term elections.
- WTO stands at the Center of Globalization
 - Symbol of Globalization: Concrete Focal Point
 - Political System through which governments have made globalization possible.
- The two faces of globalization and the WTO
 - *Global Welfare Gains*—comparative advantage/gains from trade.
 - *Distributional Issues*—trade creates winners and losers
- The politics of trade revolve around the distributional issues.
- Focus on the WTO as a political system in which governments make decisions that create winners and losers.

The WTO as a Political System

- ***Rules: “A Code of Conduct for Trade Policy”***
 - Rules or Institutions that Define and Delimit the Use of Trade Policy (Broadly Construed)
 - That is, Define and Delimit what Governments Can and Cannot do to Influence the Flow of Goods and Services into and out of their National Economies.
- ***A Political Process: “A Forum to Exchange Policy Commitments”***
 - A Political Process through which governments create new or change existing rules and try to ensure that all members comply with these rules.
- ***The Two Components are Related.***
 - The Process Establishes the Rules
 - The Rules Shape the Process

The Code of Conduct

The Core Agreements

<i>Umbrella</i>	AGREEMENT ESTABLISHING WTO		
	Goods	Services	Intellectual property
<i>Basic principles</i>	GATT	GATS	TRIPS
<i>Additional details</i>	Other goods agreements and annexes	Services annexes	Minimum Standards for Copyright, Patents, Trademarks, GIs, Trade Secrets
<i>Market access commitments</i>	Countries' schedules of commitments	Countries' schedules of commitments (and MFN exemptions)	
<i>Dispute settlement</i>	DISPUTE SETTLEMENT		
<i>Transparency</i>	TRADE POLICY REVIEWS		

The “Additional Details”

- ***Under GATT***
 - Agriculture
 - Textiles and clothing
 - Sanitary and Phytosanitary Standards
 - Technical Barriers to Trade
 - Safeguards
 - Investment Measures
 - Anti-Dumping and Subsidies
 - Customs Valuation
- **Under GATS**
 - Movement of Natural Persons
 - Air Transport
 - Financial Services
 - Shipping
 - Telecommunications

The Core Principles

- **Non-Discrimination: The Central Pillar**
 - Most-Favored Nation (Article I)
 - National Treatment (Article III)
- **Reciprocity:**
 - No Free-Riding
- **Enforceable Commitments:**
 - One Cannot Give With One Hand and Take Away with the Other
 - Effective Dispute Settlement System
 - Transparency: How Do I Know if You are Cheating?
- **Safeguards: Limited Opt Out from Obligations**
 - Protect from threats to non-economic policy objectives
 - Protect from “Unfair” trade practices
 - Protect in Face of Short-term Hostile Environment

The Political Process

Intergovernmental Bargaining

- Exchange Market Access Commitments
 - *Uruguay Round*: Apparel and Textiles for TRIPs and Services
 - *Doha Round*: Agriculture and Labor-Intensive for Additional Services and Tech-Intensive Manufactured Goods.
- Who Wants What?
 - Get access to foreign markets for those products you produce relatively well.
 - Limit foreign access to your market for those products you produce relatively less well.
 - *The Simple Bargaining Rule*: Maximize how much you get and minimize how much you give.

Factor Endowments, Comparative Advantage, and Bargaining

- Countries Divided into Two Groups
 - Capital Abundant and Labor Scarce (U.S., EU, Japan)
 - Advantaged in producing capital intensive goods and services.
 - Disadvantaged in producing labor-intensive goods.
 - Labor Abundant and Capital Scarce (China, India, Developing countries generally).
 - Advantaged in producing labor-intensive goods.
 - Disadvantaged in producing capital intensive goods and services.
- Get Access for Advantaged Goods, Give Access for Disadvantaged Goods.
 - U.S. expands exports of capital-intensive goods and expand its imports of labor-intensive goods.
 - China expands its exports of labor-intensive goods in exchange for expanding its imports of capital-intensive goods.

The Distributional Consequences

- The bargain creates clear winners and losers.
 - Those employed in the expanding export sector win
 - Those employed in the shrinking import-competing sector lose.
- *In the United States:*
 - Low-skilled workers employed in labor-intensive manufacturing industries lose, while those employed in high-skill industries gain
- *In Developing Countries:*
 - Low-skilled workers employed in labor-intensive manufacturing industries gain, while those employed in capital-intensive industries lose.
- In short, trade redistributes income across groups within societies.
 - Rising income inequality in the U.S.
 - Poverty reduction in developing societies

The Doha Round in Context

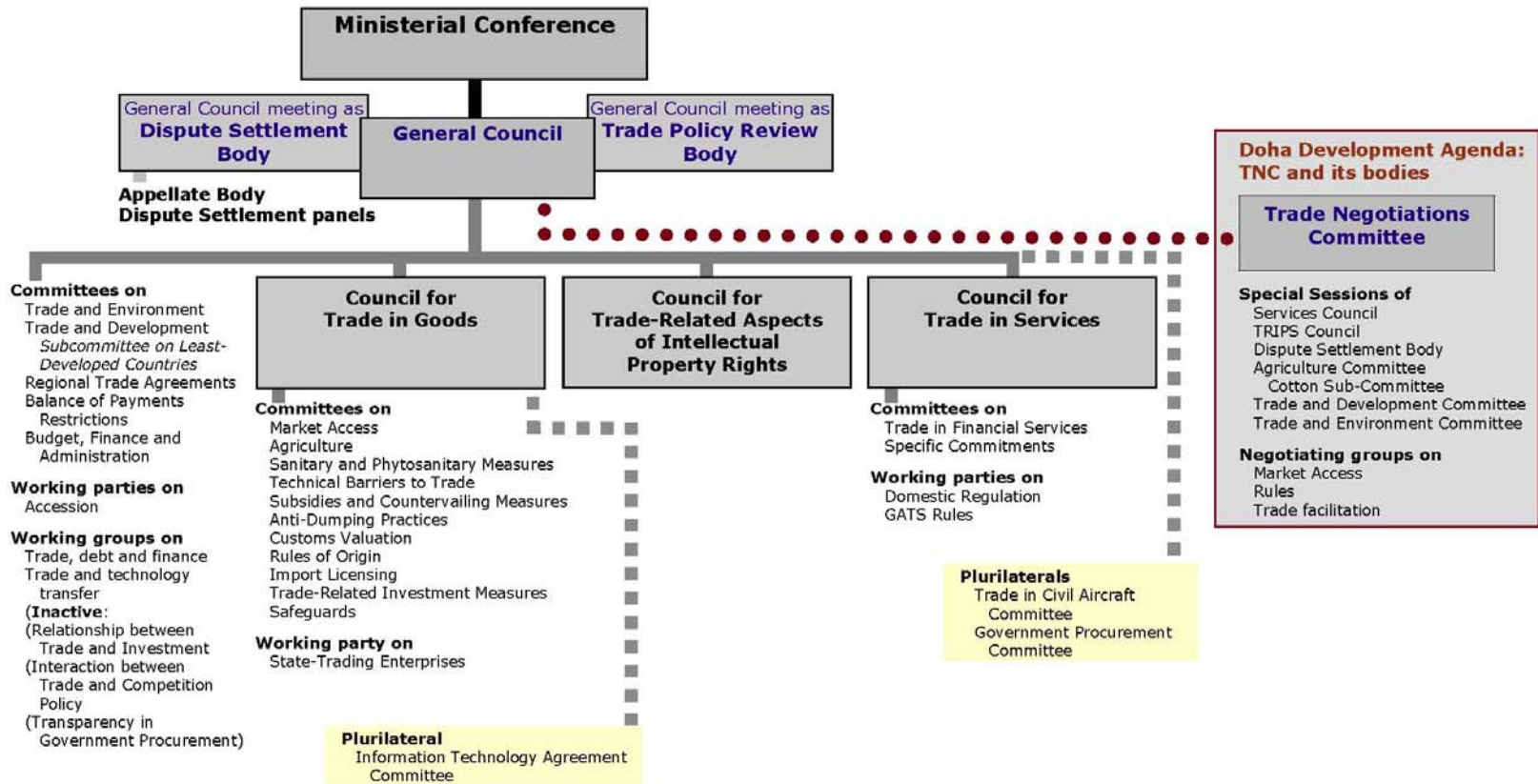
- Extent of trade adjustment has grown substantially
 - All OECD 1947-1990 to OECD & Developing Countries
 - Shift from all K-abundant countries to K & L abundant countries.
- Extending liberalization into agriculture
 - Reduce tariffs and eliminate subsidies
 - Farm incomes in US and EU will fall
 - American and European Farmers not enthusiastic and well represented in political system.
- Developing Countries Now Better Organized
 - Group of 20 bring the largest developing countries together into an effective coalition to press for agriculture liberalization
- Unable to reach agreement on agriculture; now in a “pause”.

In Lieu of a Conclusion...

- Current unease about globalization well founded—trade does have distributional consequences that hurt low-skill workers in the U.S.
 - Qualification—trade is not the most important cause of rising inequality.
- Will the Doha Round be a casualty of this unease?
 - Fast Track authority expires in July 2007.
 - Will a Democratic majority renew it?
 - Passed by slimmest of margins (2 votes)
 - Newly-elected Democrats are (rhetorically) more skeptical of trade than the Republicans they have replaced.
- Is there an alternative to the WTO and globalization?

WTO structure

All WTO members may participate in all councils, committees, etc, except Appellate Body, Dispute Settlement panels, and plurilateral committees.



The General Council also meets as the Trade Policy Review Body and Dispute Settlement Body