

# Unraveling of the Doha Round: Good or bad for Developing Countries?

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By Walden Bello

In the past two weeks, in anticipation of the July 27-28 meeting of the World Trade Organization's General Council, a major rescue effort has been mounted to save the "Doha Round" of global trade negotiations from collapse. The most prominent of these efforts took place at the Group of Eight Summit in St. Petersburg, where the leaders of the world's most powerful economies called for a successful conclusion to the round, painting it as a "historic opportunity to generate economic growth, create potential for development, and raise living standards across the world."

This is pure myth. The idea that the Doha Round is a "development round" could not be farther from the truth.

At the very outset of the Doha negotiations in November 2001, the developed country governments rejected the demand of the majority of countries that the talks focus on the hard task of implementing past commitments and avoid initiating a new round of trade liberalization. From the very start, the aim of the developed countries was to push for greater market openings from the developing countries while making minimal concessions on their part. Invoking development was simply a cynical ploy to make the process less unpalatable.

## Lopsided Negotiations in Agriculture

The state of the agricultural negotiations is reflective of this. Even if the United States were to concede to the terms of WTO Director General's compromise on cutting its domestic support, this would still leave it with a massive \$20 billion worth of allowable subsidies. Even with the European Union agreeing to phase out its export subsidies, this would still leave it with 55 billion euros in other forms of export support. In return for such minimal concessions, the US, EU, and other developed countries want radically reduced tariffs for their agricultural exports in developing country markets.

Indeed, even at this late stage in the negotiations, the US appears determined to eliminate any protection for developing country farmers. US Trade Representative Susan Schwab has attacked the provisions for "special products" and "special safeguard mechanisms" already institutionalized in the December 2005 Hong Kong Ministerial declaration. Admittedly imperfect, these mechanisms would nevertheless allow governments to slow down the erosion of local agriculture by exempting some products from tariff cuts and raising tariffs on subsidized imports.

The WTO negotiations, if brought to a conclusion on such lopsided terms, would result in the slashing of poor countries' farm tariffs while preventing them from maintaining food security. This is a recipe for massively expanded hunger and threatens to further impoverish hundreds of millions of the poor worldwide. The consequences for the South were perhaps best summed up by a Philippine government negotiator before the WTO Agriculture Committee: "Our agricultural sectors that are strategic to food security and rural employment have already been destabilized as our small producers are being slaughtered by the gross unfairness of the international trading environment. Even as I speak, our small producers are being slaughtered in our own markets, [and] even the more resilient and efficient are in distress."

## The Prospect of Deindustrialization

But the developed countries not only want radically reduced agricultural tariffs from developing countries. They also want maximum entry to southern markets for their industrial and other non-agricultural goods. In the NAMA (Non-Agricultural Market Access) negotiations, they have demanded that the industrializing economies of the South cut their non-agricultural tariffs by 60-70 per cent while offering to cut theirs by only 20-30 per cent. This not only violates the GATT-

WTO principle of less-than-full-reciprocity. It is absurdly inequitable. The South African government reflected the frustrations of most of the global South about the Doha process when it stated that "developing countries will not agree to destroy their domestic industry on the basis of unreasonable and irrational demands placed on them by the developed countries."

The extinction of agriculture and deindustrialization is not the only price that developing countries are being asked to pay for a successful conclusion to the Doha Round. In addition, under the General Agreement on Trade in Services (GATS) negotiations in the WTO, they are being asked to allow foreign corporations more rights to buy and control public services in developing countries, at the expense of guaranteeing essential public services for the poor.

### The Cost-Benefit Equation

It is no longer just the developing countries or global civil society that is warning that WTO-managed liberalization will be detrimental to the interests of the developing world. Even the most pro-liberalization agencies are now admitting that the benefits of the Doha Round to the poor have been greatly inflated. According to a fall 2005 study by the World Bank, in a "likely Doha scenario" of reforms, developing countries would gain a mere \$16 billion in ten years. That's a minuscule 0.16 percent of developing-country gross domestic product, or less than a penny a day per capita. The poorest billion people are projected to increase incomes by a mere \$2 per year. That's why it is so heartbreaking to see "the poor" being invoked to sell the project of massive corporate expansion of the Doha agenda.

Yet the 2005 World Bank study, though less unrealistic than that agency's previous studies, is extremely inadequate, for it does not factor in many costs that the WTO regime imposes on developing countries. It fails to account, for instance, for the negative impact of corporate patent monopolies under the WTO's "Trade-Related Intellectual Property" agreement, which force the poor to pay vastly increased prices for access to life-saving medicines.

Some estimate that these costs to developing countries are far greater than any alleged gains from liberalization. For example, a recent United Nations Conference on Trade and Development (UNCTAD) study predicts that the losses in tariff income for developing countries under Doha could range between \$32 billion and \$63 billion annually. This loss in government revenues — the source of developing-country health care, education, water provision, and sanitation budgets — is two to four times the mere \$16 billion in benefits projected by the World Bank.

Africa, the least developed region, will be one of the most prominent victims should the round be concluded successfully. Summing up the findings of other recent research from the Carnegie Endowment, the European Commission, and the Food and Agriculture Organization (FAO), Aileen Kwa of Focus on the Global South points out that "the majority in Africa will be faced with losses in both agriculture and industrial goods liberalization. Even if agricultural export markets were open to Africa, the majority of African farmers — subsistence farmers — will not be in a position to compete. In addition, they will lose through having to open their domestic markets in the negotiations. The poorest countries in Africa will be worst hit — many are LDC countries in Sub-Saharan or East Africa."

### Breaking out of the WTO Paradigm

In sum, not only do the economic costs of a potential Doha conclusion clearly outweigh any projected benefits to the poor; the loss of policy space for developing countries — to create jobs through industrialization, guarantee public services, and protect farmers and food security — would be tantamount to kicking away the ladder of development, to use the image of Cambridge University economist Ha Joon Chang, and prevent developing nations from using the very tools used by developed nations to pull themselves out of poverty.

So clearly detrimental to development is free trade that a recent study of the United Nations Developing Program (UNDP) advised poor Asian countries to do what Japan and South Korea did successfully: protect key industries with tariffs before exposing them to foreign competition. To promote development and reduce poverty, governments should be encouraged to increase spending on health care, education, access to water, and other essential services, not pressured to sell them off to foreign corporations for private profit.

Trade can be a medium of development. Unfortunately, the WTO framework subordinates development to corporate-driven free trade and marginalizes developing countries even further. It is time to cease entertaining illusions about the alleged beneficial effects on development of the Doha Round. The collapse of the Doha Round will be good for the poor. The task now is to look for alternative frameworks and institutions other than the WTO and other neoliberal trade mechanisms that would make trade truly beneficial for the poor.

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