Brussels, 28 January 2011

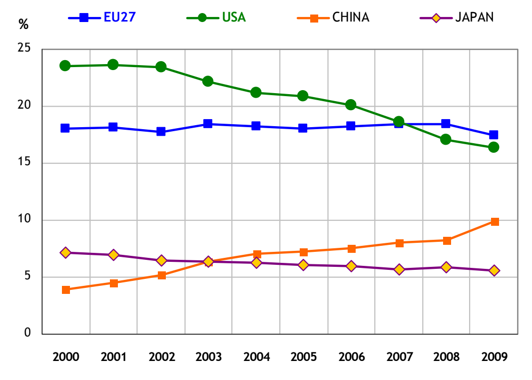
WTO trade negotiations: Facts and Figures on the Doha Development Agenda

The Doha Round of world trade negotiations was launched in Doha (Qatar) in November 2001. Named the Doha Development Agenda, this round of trade negotiations is specifically targeted at addressing the needs of developing countries. The focus of negotiations has been on reforming agricultural subsidies, improving the access to global markets and ensuring that new liberalisation in the global economy respects the need for sustainable economic growth in developing countries.

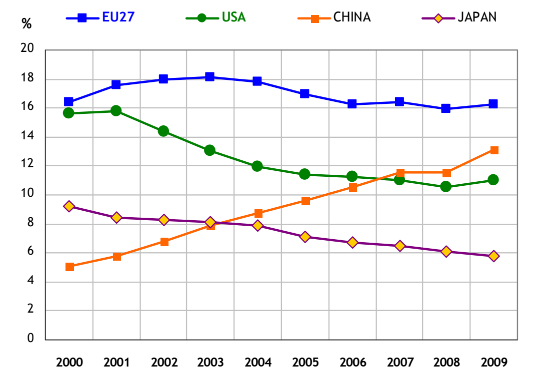
What are the overall economic benefits?

The EU is the largest trading bloc worldwide and therefore stands to gain from improving the global trading environment. It exported goods and services worth €1.6 trillion in 2009, equivalent to 13% of EU's GDP and imported €1.6 trillion.

Share of World Imports (Evolution)



Share of World Exports (Evolution)



The Doha Development Agenda (DDA) would have positive effects on the world economy:

- A successful and comprehensive DDA would add €135 billion ($167bn) to global output on an annual basis after the full implementation period (2026)[1]. This means an increase of 0.24% in world GDP.
- World exports would increase by €310 billion ($383bn) on an annual basis. This equals a 2.56% increase.
- Even in the first year of implementation, tariffs will begin to come down across the board, and by the 5th year half of the Doha gains will have been reaped.
- If there is a top up negotiated for industrial goods and services, these GDP gains would increase, according to one study, to just under $300bn per year[2].

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[1] Study by CEPII on the "Economic impact of the potential outcome of the DDA", May 2009.
[2] Study by the Peterson Institute, 2010.

What are the benefits for developing countries?

- Many emerging economies are significant global exporters and will stand to gain from greater market opening.
- Smaller developing countries also stand to gain from more level playing field in agriculture through major cuts in developed countries' farm tariffs (by at least 54%) and trade distorting subsidies (80% for the EU and 70% for the US) as well as through the elimination of all export subsidies.
- Least Developed Countries (LDCs) stand to gain significant duty-free, quota-free access to developed countries' markets.
- Developing countries benefit from flexibilities in tariff cutting, and are thus asked to make considerably less ambitious cuts than developed countries. They will also benefit from special and differential treatment across the board (such as Special products, special safeguard Mechanism). The Least Developed Countries are not required to take any market opening commitments. Preference erosion concerns will also be addressed. In Services, the goal is to construct an effective waiver for LDCs.

What's the cost of not completing this round?

- A study by IFPRI[3] estimated that if all WTO members were to raise their applied tariffs on goods to the maximum level allowed under WTO rules, world income would fall by €258 billion ($353bn).
- In a more conservative scenario, in which all countries raise their tariffs to the highest level they applied since 1995, then the loss to global output would be €98 billion ($134bn).
- There would also be a serious risk of countries backtracking from their commitment to the multilateral, rules-based trading system and a rise in protectionist measures.
- Furthermore, failing to close the Round would put in jeopardy all the development gains that it stands to deliver.

How far have we got in the negotiations?

- At the Geneva Ministerial in July 2008 the Doha Round came very close to a modalities agreement on tariff cuts for industrial goods and agricultural products and a comprehensive package of farm reform in developed countries.
- This package would have gone further than any previous multilateral trade agreement. It would remove almost all remaining tariffs between developed countries for industrial goods and reform farm trade in a way that was considered unimaginable until recently.

3 "The Potential Cost of a Failed Doha Round" IFPRI Issue Brief 56 • December 2008, INTERNATIONAL FOOD POLICY RESEARCH INSTITUTE, Washington

What is already on the table?

On industrial goods in developed countries:

- Reductions on import duties of around 40% on average for developed countries. No import duties above 8% allowed.
- This would effectively end tariff protection as an effective policy instrument in developed countries. The highest import duty in the EU would be 6.1% and the average duty would be 2.1%.

On industrial goods in developing countries:

- The reductions in import duties for developing countries would vary according to the type of formula used and the difference between the maximum level of import duties allowed and the actual level applied.
- The reductions of import duties take place from the maximum level agreed between individual countries and the WTO (known as "bound tariffs"), which are often much higher than the actual level of import duties (known as the "applied tariffs"). Reducing bound tariffs can offer an important guarantee against future tariff hikes, but without reductions in applied rates, this does not in itself lead to increased trade flows.
- The reductions of the bound tariffs in developing countries would typically be in the order of 50-60%. Reductions of applied tariffs vary between 2% and 36%. The formula would also slash peak tariffs (of over 15%) but developing countries may shield around half of their peak tariffs through the use of flexibilities.
- Developing countries would also have more time (10 instead of 5 years) to implement reductions, with three more years for Recently Acceded Members such as China.

On agricultural goods:

- The EU would open its market further to imports of agricultural goods with “formula cut” of import duties. The EU has offered to cut these duties by an average of 39% in 2005 and has increased that offer to an average 60% cut in 2008.
- The EU would reduce its trade-distorting agricultural subsidies by 80%, and the US by 70%.
- The EU has agreed to eliminate all its export subsidies by 2013.

On services:

- Services negotiations are done on a request-offer basis. Therefore there are no current figures relating to the global value of the offers made.
- However, the offers made in July 2008 fell short of actual applied levels of access to global services markets, and therefore represented a very modest level of ambition.

Why does it take so long to negotiate?

These are very complex negotiations that require progress across a number of topics, where the interests of the membership do not always converge. The Doha Round will be completed as a "Single Undertaking", meaning that nothing is agreed until everything is agreed.

In addition, decisions in the WTO are taken by consensus, meaning that all members must agree with all elements of the final package. In recent years, the challenging global economic situation has made it even more difficult for WTO members to engage in an ambitious liberalisation agenda.

DDA: chronology

- **November 2001, Doha, Qatar**. The Doha Development Round is launched.
- **September 2003, Cancun, Mexico**. Ministerial meeting collapses due to lack of agreement on agricultural issues, including cotton, and the inclusion of the "Singapore issues". New country groupings emerge, such as the G20 and the G90.
- **July 2004, Geneva, Switzerland**. The Round is revitalised and there is agreement on a framework for continued negotiations.
- **December 2005, Hong Kong**. Developed countries agreed to provide full unrestricted access to their markets for products from the least developed countries. Negotiators also agreed to eliminate agricultural export subsidies by 2013.
- **July 2006, Geneva, Switzerland.** Negotiators fail to reach agreement on agricultural subsidies and import tariffs.
- **July 2008, Geneva, Switzerland.** Negotiators came very close to a modalities agreement on tariff cuts for industrial goods and agricultural products and a comprehensive package of farm reform in developed countries. But ultimately no agreement was reached.
- **2009-2010**. There have been a number of high-level calls to complete the round, notably at G20 meetings. But progress in the negotiations has been limited.

Why did the 2008 Ministerial meeting collapse?

The 2008 Ministerial meeting broke down over a disagreement between exporters of agricultural bulk commodities and countries with a large number of subsistence farmers on the precise terms of a 'special safeguard measure' to protect farmers from surges in imports.

Where are we now?

Today, nearly 10 years after the round was first launched and in the light of global economic challenges, many countries feel a sense of urgency to complete the negotiations. There is a strong willingness at the highest political level to complete the negotiations in 2011. There is also perception that if the current window of opportunity is not seized, the WTO rule book and negotiating agenda will simply not be able to keep up with the global economy.

Where do we go from here?

Following a strong political message by the G20 Leaders in their Seoul Summit, the objective is to conclude the Doha Round in 2011. In order to meet this objective, negotiators should reach agreement on all main issues of the Single Undertaking by summer 2011, leaving the rest of the year for scheduling the commitments taken and finalising the legal texts.

Negotiations in Geneva have already entered an intensive phase, with all Negotiating Groups meeting regularly. In addition, senior officials and WTO Ambassadors will continue to engage in various configurations to provide horizontal oversight for the individual negotiating areas.

For further information:

DG Trade website on the Doha Development Agenda:
http://ec.europa.eu/trade/creating-opportunities/eu-and-wto/doha/

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