OECD FORUM 2006
BALANCING GLOBALISATION
22-23 May 2006, Paris

Doha Development Agenda

Jennifer A. Hillman, Commissioner, United States International Trade Commission

I. Introduction

Pleased and honored to be here and to be on this panel with such giants in the world on international trade. It is also a pleasure to take off my normal hat as an ITC commissioner as the adjudicator of antidumping, countervailing duty, safeguards and patent infringement cases to speak about some of the other work going on at the U.S. International Trade Commission— research and analysis on trade issues that is used to inform the trade policy decisions of the United States.

I need to note at the outset that the remarks I am making this afternoon are my own and do not necessarily reflect the views of the U.S. International Trade Commission or the U.S. government—which hopefully means that I can be brutally honest.

At this point in this afternoon's proceedings, I am mindful the U.S. senator who found himself in similar circumstances at the end of a long line of eloquent speakers and noted that while everything that needed to be said had been said, the problem was that not everyone had had a chance to say it and so he went on anyway—and so must I.

I hope in a few short minutes to give you a sense of what some of the date and the recent research have to say about the topic of this conference –balancing globalization. Applied here, the question before us is what will it take to reach a global trade agreement that truly addresses the interests of the developing countries and holds real possibilities to lift their incomes while at the same time offers sufficiently expanded trade opportunities for developed countries in order to win their support.

II. Shifts to More Trade Among Developing Countries

What the trade data show is the tremendous increase in trade from, into and among the developing countries since the close of the Uruguay Round 10 years ago. Indeed, many of the developing countries have become the rising stars on the global trade stage. This developing country trade—both imports to and exports from and trade among themselves has been much more substantial than the growth in trade overall. Indeed, while trade in the world at large has shown at an average annual growth rate of 8% since 1994, trade between the developing countries has grown nearly twice as fast—15.7% on average per year, while exports from developing countries to the developed world have grown by over 11% on average per year during those 10 years. These shifts in trade to and among the developing countries have significant implications for achieving the balance that everyone desires to come from the Doha Round

However, some of these broader numbers mask some of the difficulties faced by certain of the developing countries and certain regions of the world. For many smaller countries, a key component of their ability to compete in the increasingly globalized markets of today is the ability to make or readily source all the input materials needed to produce a final product. For example, in all of the studies conducted in the U.S. in and around the phasing out of the quotas on textiles and apparel, the dominant response of U.S. importers and retailers is that, in a post-quota world, they intend to buy their clothing from those countries that have fully integrated production—that produce their own fibers, yarns, fabrics and finished clothes—or those that are located close to the source of such yarns and fabrics. The trade patterns that we have seen in the U.S. have borne that out, as significant shifts have already occurred away from those countries who lack their own yarn and fabric production to those that do. For many countries, becoming an integrated producer of any good frequently requires increased trade with their neighbors or within their region. Here again, the data shows that some regions have gone a long way toward creating these intra-regional connections—including East Asia, Eastern Europe and the former Soviet Union, and South Asia, but other regions have not managed to integrate their economies much or to significantly increase intra-regional trade—this would include most notably Sub-Saharan Africa, Latin America and to a lesser extent the Middle East and North Africa.

III. Studies on the Impact of the Doha Round

In addition to these shifts in trade that have occurred over the past 10 years, a number of studies have come out recently that have significantly improved on the ability to assess what is likely to occur if various of the negotiating scenarios in play in the Doha Round were to come to fruition. In particular, the World Bank released the results of a major study on the market and welfare implications of Doha reform scenarios in June of last year, and two weeks ago, the Carnegie Endowment for International Peace published a study focusing specifically on the impact of the Doha Round on developing countries. The study is entitled "Winners and Losers: Impact of the Doha Round on Developing Countries and can be found at www.carnegieendowment.org.

What do these changes in trade flows and new studies suggest we need to do to achieve real results for the developing world? Three prescriptions:

Studies Show Much Smaller Gains for Developing Countries if Ambitions are Lower

1. Keep the level of ambition high—especially for the prospect of increasing trade in and among the developing countries.

The studies indicate that it is only if high ambitions are achieved that the developing countries are likely to see substantial results from the Doha Round. The World Bank study shows that if we were to be very ambitious and achieve full liberalization in tariffs on goods and agriculture and selected Non Tariff Measures, such as domestic support for agriculture) the developing countries would see gains of $90 billion, which is roughly 30% of the $287 billion in gains for the world. If, on the other hand, there are more limited cuts in agricultural domestic supports and tariffs but still full elimination of domestic export subsidies—what some have described at the "realisitic Doha scenario", the gains to developing countries go down substantially, to $16 billion, or only 17% of global gains.

The Carnegie Endowment uses a different model which focuses more attention on the labor issues in developing countries. Nonetheless, its results if full liberalization were to be achieved, show gains to the developing countries of $75 billion, which is 45% of the total gains to the world. Like the World Bank study, the gains to developing countries drop off significantly if the more “realistic” Doha scenario numbers are used—in this case the model shows gains to developing countries of $30 billion, with developing countries capturing 51% of the gains of the world.

In these “realistic” Doha scenarios, the Carnegie study also shows developing countries gaining the most from non-agricultural market access, while the World Bank shows larger gains from agricultural market access. Under either model, if less is achieved than these “realistic” Doha scenarios, the gains for the developing world will fall very far from this already relatively small gains.

Deeper Special Treatment but for Fewer Developing and Least Developed Countries

2. Be honest about the fact that under almost any realistic Doha scenario, many countries will win but some countries will lose. Additional adjustments will have to be made to minimize the impact on those that are likely to lose out, especially those countries with a high concentration of their labor in small-scale farming. But not all developing or even least developed countries are the same; therefore, any special treatment needs to be very carefully tailored to meet the genuine needs of those countries that are not predicted to fare well.

The Carnegie study outlines the factors that should be examined in determining which developing countries are more likely to be winners or losers by examining the degree to which a country can absorb their subsistence farmers who are likely to lose out to more efficient farm imports into newly created manufacturing jobs, if there are any, made available by greater export opportunities. These factors include the relative size of the agricultural and manufacturing sectors, the sequencing of the liberalization, the rates of growth or contraction of each sector, the relative productivity levels and other factors. The study notes that the countries with the highest percent of their working populations engaged in agriculture include Kenya (74.1%), Vietnam (66.1%) Zimbabwe (60.9%) India (58.3%) Ghana (56.1), Cameroon (56.0%) but goes on to note that a number of these countries have greater opportunities for displaced farm worker than others.

The study indicates that countries such as Bangladesh and many Sub Saharan African countries start with large numbers of desperately poor people and show income losses from both agricultural and manufacturing liberalization, leaving little hope that farmers in those countries would find work in the manufacturing sector. Others on the list of high percentages of farm workers, such as India, may lose from agricultural liberalization but gain from manufacturing liberalization. As such, the need for even deeper levels of special treatment may be greater than some had thought for those countries that truly need it, but this special treatment should be limited to a much smaller set of countries than the much larger block of developing countries currently standing in line to get it

Trade Facilitation

3. Focus even more attention on the trade facilitations issues that have the potential to produce greater gains that even the largest tariff cuts being considered—including more efficient customs regimes, improvements to ports and infrastructure, greater

access for logistics service providers, and the removal of burdensome or outdated documentation requirements.

While the studies on the impact of achieving the "realistic" Doha scenarios in terms of trade in goods and agriculture suggest total benefits to the world of $169 to $278 billion, the studies on the potential impact of significant improvements in customs procedures and related trade facilitation measures show potential benefits of more than twice that amount, with a recent World Bank study suggesting an increase in trade flows in all regions of $377 billion from improved trade facilitation. A recent study by the ITC on express delivery services showed as much as a 20% increase in US exports to some countries solely from improvements to customs and logistics. The ITC study revealed that the key impediments to more trade and more timely trade are border clearance procedures, including customs processing and inspection, weight and value restrictions, limited hours of operation at customs and regulations that limit the ability of firms to provide customs brokerage services. Countries such as Brazil, India and Thailand, for example, maintain a number of paper documentation requirements, while China and Indonesia have particularly extensive document submission requirements. Other countries have inconsistent application of regulations at different ports of entry.

One recent study suggested that each day saved in shipping time due to faster customs clearance equals a 0.8% ad valorem reduction in cost for manufactured goods. Given that customs clearance times alone in much of Sub Saharan Africa average 9.9 days for imports and 6.1 days for exports, it is not hard to see that simply cutting customs clearance times by a few days could have a dramatic impact on trade flows into and out of those countries with slow customs.

The ITC's analysis on customs facilitation indicates that imports into a number of countries, including Brazil, Bolivia, Bulgaria, Colombia, Ecuador, Iceland, Indonesia, Peru, Russia, Ukraine, Venezuela and Vietnam would like increase by more than 20 % if those countries would improve their airport customs score just halfway to the median score.

The joint OECD/WTO program on trade capacity building has been doing significant and important work on three key areas relating to these issues: 1) trade and policy regulations to help countries negotiate better; 2) trade development—to help develop and improve the business climate in countries and 3) infrastructure—to help build the physical infrastructure required to move goods and export successfully. However, in light of the results of the studies that show just how much can be gained by improving the process of trade, it is clear that more attention needs to be paid and more dollars spent to make the gains of Doha come to life in many developing countries.

IV. Conclusion

Certainly none of these three prescriptions is new. We know this. But now, as we enter the "red zone" of these negotiations, it is critical that we keep all three of them in mind as we strive to achieve that illusive balance between meaningful, achievable gains for the developing countries, appropriate recognition that not all developing countries are created equal, and sufficient gains for the developed countries such that the results can be sold to all members of the WTO.