Press Release

WTO Negotiations Face Significant Challenges: CEPR Analysis

Seeing Few Gains Ahead from Doha Round, Developing Nations Are Reluctant to Abandon Food Security

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WASHINGTON, D.C. -- World Trade Organization (WTO) negotiations in Geneva next week face significant hurdles due to the recent spike in food prices, and the limited gains projected for developing countries, the Center for Economic and Policy Research noted today. Most developing countries are net food importers, and the recent increase in food prices has led some developing country governments to reconsider food security mechanisms such as tariffs, quotas, and domestic subsidies, which the WTO seeks to reduce. A number of countries have also imposed restrictions on exports, in response to the food crisis.

"In its first thirteen years in existence, the WTO has failed to deliver development results for the vast majority of low- and middle-income countries," said CEPR Co-Director and economist, Mark Weisbrot. "New factors such as rising food prices and the international financial crisis - which originated in the U.S. housing market - have made governments even more skeptical of international commercial agreements designed by the rich countries."

CEPR outlined five key factors that it sees as likely to cause problems for the Doha Round's completion next week, anticipating that developing countries may be even more reluctant to accede to developed nations' demands:

1). The idea that increased global commerce under rules designed by the rich countries would benefit everyone has turned out to be false. In fact, the vast majority of low- and middle-income countries have experienced a historic and unprecedented economic growth failure over the last 28 years.[1]

2). The projected gains from the Doha Round are very small. As the Research and Information System for Developing Countries noted in an April brief analyzing World Bank modeling, developing country benefits would be just 0.16

per cent of GDP, or less than a penny per day per capita, and poverty reduction would reach only 2.5 million people (less than 1 percent).[2]

3). Developed countries continue to ask developing countries to make sacrifices, but have not offered much in return. Proposed tariff schedules for industrial goods, for example, could see developing countries making greater cuts than developed nations, and tariff losses could be over $63 billion, or almost four times the projected benefits. Developed countries, meanwhile, could see 25 times as much in per capita income gains as developing countries.[3]

4). The Doha Round could increase world prices for food.[4] Liberalization of trade in agricultural goods has made many developing countries more vulnerable to price spikes or supply disruptions, and these countries are less likely to further liberalize agriculture while suffering from current high food prices. Some countries are turning to interventions such as export limits and fertilizer subsidies in order to mitigate the food crisis and to regain control over domestic agricultural production.

5). Developing countries are more independent, have a stronger voice, and more participation from civil society than they did when the WTO agreement was ratified thirteen years ago. It is doubtful that the WTO agreement of 1995 would be ratified in many countries today, even in the United States, where civil society has also become much more aware of the impact of international commercial agreements - which in 1995 were negotiated without any significant public awareness or participation.

[1]See Mark Weisbrot, Dean Baker and David Rosnick, "The Scorecard on Development." Center for Economic and Policy Research, September 2005.
[2] Kevin P. Gallagher and Timothy A. Wise, "Back to the Drawing Board: No Basis for Concluding the Doha Round of Negotiations." Research and Information System for Developing Countries Issue Brief. No. 36, April 2008.
[3] Ibid.
[4] Sandra Polaski, "Winners and Losers: Impact of the Doha Round on Developing Countries." Carnegie Endowment for International Peace, March 2006.

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