

Can Doha Round Still Help Poor Nations?

By Sophie Walker | November 25, 2005

WASHINGTON (Reuters) - The gains promised by a successful outcome to world trade talks are being hotly debated as some economists suggest they could be dramatically lower than first predicted and leave some poor nations losers.

Changes in the world economy, such as China joining the World Trade Organization and the expansion of the European Union, mean the economic gains from lowering trade barriers must be shared among more countries, some researchers say.

That means some of the world's poorest countries, including African nations, could be left with little, they argue.

The debate is particularly potent because of its timing.

Member countries of the World Trade Organization are struggling to make headway on the so-called Doha Development Round, launched in 2001 with the aim of trying to alleviate poverty by opening markets around the world to trade and boosting developing economies.

With the world trade talks in trouble, ministers from the 148 WTO countries head to Hong Kong next month for a top-level meeting. They will be accompanied by scores of lobbyists, activists and aid groups who warn that time is running out.

"There are very good reasons that the trade talks have lost some momentum and that is that for most countries there is very little development left in them," said Tim Wise, deputy director of a global development group at Tufts University.

"At the end of this period of reform, according to World Bank scenarios, Bangladesh, the Middle East and Africa are worse off than they were before they started," Wise told reporters at an event organized by activist group Public Citizen.

The World Bank estimated in a report last month that \$287 billion (167 billion pounds) could be gained from global trade liberalization, which would lift 66 million people out of poverty. Developing countries would reap \$86 billion of the total gains, it said.

The models on which the research was based differ from previous ones and include China's accession to the WTO and the expansion of the European Union.

As a result, the latest numbers are sharply lower than those offered by the bank two years ago.

RICH NATIONS CASH IN

Wise and Mark Weisbrot, co-director of the Center for Economic and Policy Research in Washington, said the old estimate was around \$800 billion in total gains, including \$539 billion for developing countries.

Further data based on a possible WTO outcome within the range of negotiators' current positions suggests actual gains could be smaller still, Wise said.

"Under what the bank calls a likely Doha outcome, 70 percent of the gains will go to developed countries," he said. "Only eight developing countries -- including Brazil, Argentina, China and India -- get 50 percent of all developing country benefits." Under the same scenario, only 6 million people would be lifted out of the \$2 a day poverty level category.

Will Martin, co-author of the World Bank report, said previous research was quoted out of context and the numbers were lower partly because some reforms already took place.

The \$287 billion figure for total gains quoted in the new report did not take productivity growth into account. So the comparable figure from the 2003 report would be \$355 billion -- not \$800 billion, he said.

"The estimated benefits have declined partly because developing countries have liberalized a great deal and reduced poverty in their own countries. So quite a bit of reform has already happened," said Martin, lead economist for the bank's development research group.

Another expert said the talks are more important for what they can achieve in making trade fairer.

"For us, the issue has always been the rules and the fairness of them. These models are instructive but not decisive and they can be wrong," said Gawain Kripke, senior policy adviser at Oxfam in Washington.

"We think Hong Kong is an opportunity because there's a negotiation going on and if successful we can get some reform. It could be \$100 billion, it could be \$20 billion -- and the economists can debate about that -- but we can move forward."

Nonetheless, Wise said, a bad trade pact at Hong Kong would "definitely" be worse than no deal.

"If you are a negotiator from a developing country that is not one of the obvious winners, you shouldn't be relying on models but looking at the specific economic needs of your country and your people," he said.

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