



China, the European Union and the Restructuring of
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What we have learned from the Doha Round?

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1. The State of Play of Doha Round

- Launched in 2001 in Qatar, broad agenda, 153 participants, the longest Round in GATT/WTO history.
- 80% of work done.
- Major remaining challenges: SSM , Sectoral, Country-specific flexibilities
- Major players: G4 (US, EU, China, India, Brazil); G5 (G4+China), G7 (G5+ AUS and JPN)
- Multilateral approach+ bilateral engagement: negotiating meetings under Chairs, wait for the right political moment

2. What we have achieved so far

- Agriculture: elimination of export subsidy; tariff reduction in a tiered formula by both developed and developing members; 70% reduction of trade-distortive domestic subsidy in EU and US, etc.
- Industrial tariff reduction: 60% reduction on average bound rates in developed; 40% reduction in developing. Example: US, JPN, EU AVE bound from 4% to 2%; China 9% to 6.5%; India 45% to 20%; Brazil:35% to 12%
- A new agreement on Trade Facilitation in good shape
- Other areas: Services, Rules, GI/CBD, fishery subsidies etc.

3. Underlying factors of Doha Stalemate

- Membership: Geneva Round 23; Kennedy Round 74; Tokyo Round 99; Uruguay Round 128; Doha 153
- Issues for negotiations: from tariff to anti-dumping, to services, intellectual property, to trade facilitation, GI/CBD, fishery subsidy etc.
- New technology: formula v.s. average cut
- Domestic political cycles in key members
- Other comments: lack of leadership, rigidity in emerging country positions, lack of business push etc.

4. Fundamental reasons

- The balance of power has changed, rise of emerging countries: GDP, trade, core group
- A proliferation of FTAs/RTAs: provide an alternative to achieve market access
- Various kinds of flexibilities and developing country negotiating tactics
- Current decision making process cannot cope with new challenges

5. Shift in balance of power

- All global governance institutions are facing challenges, WTO is not an exception.
- World Bank: vote shift, senior positions; IMF: quota reallocation.
- Rise of emerging countries, in what way? GDP, trade share, core group, discourse power
- What gives emerging countries leverage: their imports.
Developed: 75% in 1990, 70% in 2000, 60% in 2008;
Developing: 20% in 1990, 35% in 2008. Chinese share in global imports: 1% (1980), 8% (2009). Market gives leverage to emerging countries, esp. China
- Core group in WTO: QUAD replaced by GX.

6. FTA/RTA

- A proliferation of FTAs/RTAs: 71 notifications(1979);129 (1994); 277 (2001);462 (2009)
- Benefit of FTAs: quicker, deeper, politically attractive, targeted market access, etc.
- Relationship with multilateral trading system: conventional wisdom: building blocks, spaghetti bowl.
- Cost on WTO: provide alternatives for achieving market access; competition for trade expertise; create new problems in Doha Round.
- Intra-regional trade: US 50% to NAFTA; EU 70% within EU, Korea (EU, US, ASEAN, China), others catching up

7. Developing country flexibilities and negotiating tactics

- New phenomenon: further classification of developing countries in DDA
- New groups: NAMA 11, G33, G20, Cotton 4, G90, Para.6 group, SVEs, RAMs (Recently Acceded Members, V-RAMs, S-RAMs)
- Identity problem: G33 & Cairns Group; Developed & Developing.
- Race to the bottom: competition for better flexibilities, hardening negotiation positions of Groups
- Create new problems in solving problems
- Huge cost on efficiency

8. Traditional decision making v.s. new challenges

- Consensus principle: democratic, but at the expense of efficiency
- Single undertaking: reach a deal among 153 members on 20 issues at the same time turns to be extremely difficult
- These systemic issues need to be considered in depth at right time in the future.

9. The Value of the multilateral Trade System underestimated

- The GATT/WTO served world economy well for the past 60 years.
- Successfully contain high-intensity trade protectionism in financial crisis, global markets remain open in general.
- What's on table already significant.
- A Doha failure will be a heavy blow to the Multilateral Trading System and the world economy.

10. Areas for future improvement

- Find an equilibrium between legitimacy and efficiency, power sharing.
- Improve efficiency: a more efficient way of decision making, while maintaining efficiency and legitimacy
- Be forward looking: explore new issues, WTO should remain at the forefront of the rules making.
- Enhance the sense of ownership of Members.

11. Conclusion

- WTO is at a cross road. What's on the table already significant.
- Underlying factors of Doha Stalemate: the new power equilibrium has not been reached; FTAs as competitors; concerns on backdoor exits, decision making process need to be reconsidered.
- The value of the WTO is underestimated.
- Finishing the Doha Round is task No.1 and it is the basis for further reform of governance in the WTO.



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● Thank you for your attention