

# Notes

## 1 The Doha Round of Multilateral Trade Negotiations

- 1 For more details refer to Das (2001), chapter 1. See also Hoekman and Kostecki (2001).
- 2 Its genesis owes to the failure of an attempt to form an international trade organization during a meeting of the United Nations Conference on Trade and Employment in Havana, Cuba, in 1947.
- 3 In October 2004, the WTO had 148 members. Cambodia was the last country to accede to the WTO on 13 October 2004; it belongs to the category of least-developed countries (LDCs). In addition, 30 countries had observer status. With the exception of the Holy See, observers must start accession negotiations within five years of becoming observers.
- 4 Its formal title is *The Results of the Uruguay Round of Multilateral Trade Negotiations: The Legal Text*, and it was published by the General Agreement on Tariffs and Trade (GATT) in 1994.
- 5 Most of the WTO agreements are the result of the multilateral trade negotiations during the Uruguay Round (1986–94). They were signed at the Marrakesh Ministerial meeting on 15 April, in Marrakesh, Morocco, 1994. The so-called ‘Final Act’ signed in Marrakesh was like a cover note. Everything else was attached to it. Foremost was the Agreement Establishing the WTO, which serves as an umbrella agreement. Annexed were the agreements on goods, services and intellectual property, dispute settlement, the trade policy review mechanism and the plurilateral agreements. The schedules of commitments also form part of the Uruguay Round agreements. The Marrakesh Agreement was developed out of the General Agreement on Tariffs and Trade (GATT), which it included. However, it supplemented the GATT with several other agreements on such issues as trade in services, sanitary and plant health measures, trade-related aspects of intellectual property rights, and technical barriers to trade. The Marrakesh Agreement also established a new, more efficient and legally binding means of dispute resolution.
- 6 See Romer (1994a, 1994b) for an empirical and theoretical treatment of the welfare costs of trade distortions.
- 7 Das (2000 and 2001) provide a succinct analysis of this ignominious failure.
- 8 See speech by Commissioner Pascal Lamy ‘Can the Doha Development Agenda Live up to its Name?’ delivered in Cancún on 10 September 2003.
- 9 In 2004, the United Nations classification of least-developed countries (LDCs) included 50 countries, of which 30 are members of the WTO and five are observers.
- 10 We divide the various groups of developing economies according to the World Bank (2004) definition, which is available in *Classification of Economies* on the Internet at <http://www.worldbank.org/data/countryclass/countryclass.html>, where economies are divided according to 2003 per capita

gross national income. The groups are: low-income developing countries with per capita gross national income of \$765 or less; lower-middle income, \$766–\$3,035; upper-middle income, \$3,036–\$9,385; and high income, \$9,386 or more.

- 11 This sub-group of developing economies comprised Argentina, Bangladesh, Brazil, China, Colombia, Costa Rica, Cote d'Ivoire, the Dominion Republic, Haiti, Hungary, India, Jamaica, Jordan, Malaysia, Mali, Mexico, Nepal, Nicaragua, Paraguay, the Philippines, Rwanda, Thailand, Uruguay and Zimbabwe.
- 12 See, for instance, Dollar (1992), Ben-David (1993), Sachs and Warner (1995), Coe and Hoffmaister (1997), Frankel and Romer (1999) and Edwards (1998). World Bank (2002a) provides a good survey of this literature.
- 13 See McCulloch, Winters and Cirera (2001), particularly chapter 2. Berg and Kruger (2002) survey the links between trade liberalization and growth. Winters (2002) provides a theoretical survey.
- 14 At the Third Plenary Session of the 11th Central Committee of the Chinese Communist Party (CCP) in December 1978, the People's Republic of China adopted its 'open door policy'. This became famous as the Deng doctrine, because Deng Xiaoping was the intellectual father of this liberal economic strategy. This marked a turning point in Chinese economic performance as well as economic history. It grew at a healthy rate through the 1980s and 1990s, and gross domestic product (GDP) increased by 10 per cent per annum in real terms over the 1980–2000 period. In a short span of two decades China economically transformed itself. Between 1978 and 2000, the GDP grew almost fivefold, per capita income quadrupled, and 270 million Chinese were lifted out of absolute poverty (*The Economist*, 2001). In 1990, China's GDP was \$378.8 billion and per capita GDP was \$341.60. A decade later, in 2000, GDP reached \$1,080 billion, while per capita GDP rose to \$853.40. Between 1981 and 2001, China succeeded in bringing down the population living below the World Bank poverty line of \$1.08-a-day from 634 million to 211 million, a reduction of 66.7 per cent. If the poverty line is moved up to \$2.15-a-day, the population below the poverty line declined from 875.8 million to 593.6 million, a decline of 32.2 per cent (Chen and Ravallion, 2004).
- 15 On the first page, in the first paragraph, of the Doha communiqué one finds a reaffirmation of these objectives. It reads as follows: 'The multilateral trading system embodied in the World Trade Organization has contributed significantly to economic growth, development and employment throughout the past fifty years. We are determined, particularly in the light of the global economic slowdown, to maintain the process of reform and liberalization of trade policies, thus ensuring that the system plays its full part in promoting recovery, growth and development' (WTO, 2001).
- 16 Recent empirical studies that have come to these conclusions include Ben-David (2001) and Greenaway, Morgan and Wright (2002).
- 17 The classical theory of comparative advantage (1817) was a simple, albeit robust concept, and based on inherent difference in countries' capacity and costs of producing different products. Although the theory is still robust, we no longer live in the simple and pristine world of Portuguese wine and British textiles. To be sure, factor endowments are an important source of

- comparative advantage, but so are increasing returns to scale, product differentiation and technological differences.
- 18 For a detailed discussion refer to Mendoza (2002) and Mendoza and Bahadur (2002).
  - 19 See Mendoza and Bahadur (2002) for an analysis of balance and imbalance in the Uruguay Round and in various WTO agreements.
  - 20 The Rorschach test is a test for revealing the underlying personality structure of an individual by the use of a standard series of ten ink-blot designs to which the subject responds by telling what image or emotion each design evokes.
  - 21 Refer to Das (2001), chapter 3, for a detailed treatment of the achievements of the Uruguay Round. It cites results from the empirical studies that have computed the welfare gains for the global economy and different sub-groups. For a discussion and survey of various projections, see Safadi and Laird (1996) and Rodrik (1994). See also the discussions in the edited volume by Martin and Winters (1996).
  - 22 See UNDP (1997), pp. 80–6.
  - 23 According to mercantilist philosophy, exports are good and imports are bad. Adam Smith was the first economist to discredit mercantilism in the most vigorous manner.
  - 24 Similar views were also expressed by Stoeckel (2004).
  - 25 Sir Leon Brittan, Vice-President of the European Commission, was the first to use this nomenclature. After that it caught on with academics as well as the economic and financial press.
  - 26 The four Singapore issues are (i) trade and foreign investment, (ii) trade and competition, (iii) transparency in government procurement, and (iv) trade facilitation. They are referred to as the Singapore issues because they were broached for the first time during the Singapore Ministerial Conference by the industrial economies.
  - 27 The birth date of the WTO is 1 January 1995.
  - 28 The ASEAN was established on 8 August 1967 in Bangkok by the five original member countries, namely, Indonesia, Malaysia, Philippines, Singapore and Thailand. The ten present ASEAN members are Brunei Darussalam, Cambodia, Indonesia, Lao PDR, Malaysia, Myanmar, the Philippines, Singapore, Thailand and Vietnam.
  - 29 The GATT had 23 signatories when it came into effect in January 1948, and 84 signatories at the time of the beginning of the Tokyo Round in 1973. More than 110 countries signed the Uruguay Round accord in Marrakesh, Morocco, in April 1994.
  - 30 Pascal Lamy, the EU trade Commissioner, called the negotiation process ‘medieval’, as reported in *Financial Times*, 6 December 1999.
  - 31 It is also known as the Seven Wise Men’s report. Its formal title is *Trade Policies for a Better Future: Proposals for Action*, and it was published by the GATT Secretariat in 1985.
  - 32 The various agreements which make up the Marrakesh Agreement combine as an indivisible whole, or a ‘Single Undertaking’. No entity can be party to any one agreement without being party to them all.
  - 33 Technically a vote could be taken and it was done only at the time of new accessions. Technically there could be a vote for other purposes as well, but it was never done. The new WTO system operates expressly by consensus.

- 34 Although most-favoured nation (MFN) sounds like a contradiction, implying some kind of special treatment to a particular trade partner, in the WTO jargon it means non-discrimination. That is, treating all trade partners under the WTO regime equally. Each WTO member treats all the WTO members as 'most-favoured' trading partner. If any country improves the market benefits to one trading partner, it is obliged to give the same best treatment to all the other WTO members so that they all remain 'most-favoured'. However, historically MFN did not mean equal treatment.
- 35 World Trade Organization (WTO, 2001), 'Doha Declaration Explained'. Available on the Internet at [http://www.wto.org/english/tratop\\_eldda\\_e/work\\_organi\\_e.htm](http://www.wto.org/english/tratop_eldda_e/work_organi_e.htm). 15 December.
- 36 As Archbishop of Cracow in Poland, Pope John Paul II was a passionate supporter of globalization. However, as the 1990s wore on, the Pope became increasingly uneasy about 'unbridled capitalism'. He expressed his disapproval in his Apostolic Exhortation to the Catholic Church in the Americas in January 1999 by enumerating the following ill effects of globalization: 'the absolutizing of the economy, unemployment, the reduction and deterioration of public services, the destruction of the environment and natural resources, the growing distance between the rich and the poor, unfair competition which puts poor nations in a situation of ever increasing inferiority ...'.
- 37 More manifestations of the same backlash against globalization were seen soon after Seattle in Davos (against the World Economic Forum), Bangkok (against the UNCTAD X conference), and Washington DC (against the spring meeting of the International Monetary Fund and the World Bank).

## 2 Equilibrating the Global Trading System

- 1 The 23 founding members were: Australia, Belgium, Brazil, Burma, Canada, Ceylon, Chile, China, Cuba, Czechoslovakia, France, India, Lebanon, Luxembourg, the Netherlands, New Zealand, Norway, Pakistan, Southern Rhodesia, Syria, South Africa, the United Kingdom and the United States.
- 2 Enshrined in Article I of the GATT, and subsequently the WTO, the most-favoured-nation (MFN) principle is the cornerstone of the multilateral trading system. It is Article II of the General Agreement on Trade in Services (GATS) and Article IV of the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS). According to this principle, countries cannot normally discriminate between their trading partners. The expression most-favoured-nation (MFN) sounds like an oxymoron. It suggests some kind of special treatment for one particular country, but it means non-discrimination, that is treating everybody equally. Each member of the WTO treats all other members equally as 'most favoured' trading partners. If a member country improves the benefits that it gives to one trading partner, it is obliged to give the same 'best' treatment to all the other WTO members so that they all remain 'most favoured'. The expression MFN originated in the nineteenth century, when its meaning was just the opposite of what it is at present. A number of MFN treaties were signed during this period. Being a 'most favoured' trading partner was like being in an exclusive club, because only a few countries enjoyed the privilege.

- 3 The NIEs group comprises Chile, Hong Kong SAR, Korea, Singapore and Taiwan.
- 4 In a trade agreement, the negotiating parties make reciprocal concessions to put their trade relationships on a basis deemed equitable by each. The principle of reciprocity is extremely old, and in one form or another it is to be found in all trade agreements. The concessions exchanged by the negotiating parties are, however, in different areas.
- 5 See, for instance, Winters (2000a), Rodrik (2001b) and Hoekman *et al.* (2003).
- 6 Refer to WTO (2004), Appendix table 1.
- 7 The Group-of-Seven (G-7) was founded in 1978 by French President Giscard d'Estaing and German Chancellor Helmut Schmidt. Paul Martin, the erst-while Canadian Finance Minister, is credited with founding the Group-of-Twenty (G-20) in 1999 which comprised 10 industrial economies and 10 EMEs. The first group was composed of the G-7 economies, plus Australia, Russia and the President of the EU. The second group included Argentina, Brazil, China, India, Indonesia, Korea, Mexico, Saudi Arabia, South Africa and Turkey. With the passage of time, G-7 has become inadequate to address the economic challenges of the global economy. The G-20 is a more representative group of finance ministers that has attracted worldwide attention as a useful forum for discussing and negotiating policies on global economic issues (Bradford and Linn, 2004).
- 8 See, for instance, Parsley and Wei (2001), Rogers (2001), Hufbauer, Wada and Warren (2002) and IMF (2002).
- 9 In economics of international trade, the two expressions, namely, the GATT-1947 and the GATT-1994, are frequently used. The difference between the two is that the latter is the revised version of the original GATT Agreement of 1947. The text of the Agreement was significantly revised and amended during the Uruguay Round and the new version was agreed upon in Marrakesh, Morocco. Apparently, the GATT-1994 reflected the outcome of the negotiations on issues relating to the interpretations of specific articles. In its renewed version, the GATT-1994 includes specific understandings with respect to GATT Articles, its obligations and provisions, plus the Marrakesh Protocol of GATT-1994.
- 10 Refer to GATT-1994, Article XXVIII *bis*, in GATT (1994).
- 11 The concept of national treatment is as basic to the WTO system as the most-favoured-nation (MFN) principle. A tariff reduction at the border would provide absolutely no benefit if the imported goods are later discriminated against in the marketplace (beyond the border) by the host government by way of a differential sales tax, or other requirements of inspection on packaging. It is the principle of giving others the same treatment as one's own nationals. The requirement of national treatment prohibits against negative discriminatory treatment of imports. Imports cannot be accorded less-favourable treatment than products of national origin. GATT and WTO Article III requires that imports be treated 'no less favourably than the same or similar domestically produced goods' once they have passed customs. The General Agreement on Trade in Services (GATS) Article XVII and Agreement on Trade-Related Intellectual Property Rights (TRIPS) Article III also deal with national treatment for services and intellectual property protection, respectively.

- 12 For the logic behind it, see Das (2004b), chapter 2.
- 13 See, for instance, Deardorff and Stern (2002) and Miller (2003).
- 14 Relatively high tariffs, usually on 'sensitive' products, amidst generally low tariff levels, are known as tariff peaks. For industrial countries, tariffs of 15 per cent or above are generally considered as high tariffs or spikes.
- 15 David Ricardo's theory of comparative advantage was propounded in 1817.
- 16 Seekers of more information should refer to Deardorff and Stern (2003) and Brown *et al.* (2003).
- 17 In 2004, the United Nations classification of least-developed countries (LDCs) included 50 countries, of which 30 are members of the WTO and five are observers.
- 18 Tariff-binding is defined as commitment not to increase a rate of duty beyond any agreed level. Once a rate of duty is bound, it may not be raised without compensating the affected trading partners. Tariff binding is enshrined in Article II of GATT-1994.
- 19 Bound tariff rates of 15 per cent and above are known as international peaks or tariff spikes. As opposed to this, when tariffs are three times or greater than the domestic mean tariffs they are called national peaks.
- 20 Its full name is Mercado Comun del Sur, or the common market of the south. Its membership includes Argentina, Brazil, Paraguay and Uruguay.
- 21 Hoda and Verma (2004) provide details regarding each proposal culled from the WTO documents.
- 22 Such as catalytic converters, air filters, etc.
- 23 These statistics were cited in the *OECD Policy Brief, October 2003*.
- 24 See Das (2001), chapter 5, for a detailed treatment of the GTAP model.
- 25 The details of their modelling framework are documented in Hertel (1997).
- 26 Conclusions presented are only an abridged version. For complete results of the CGE exercise refer to Lippoldt and Kowalski (2004).

### 3 Setback in Cancún

- 1 As noted earlier, thus far five Ministerial Conferences of the World Trade Organization have taken place. They were: Singapore (9–13 December 1996), Geneva (18–20 May 1998), Seattle (30 November to 3 December 1999), Doha (9–13 November 2001) and Cancún (10–14 September 2003). The sixth Ministerial Conference is scheduled for December 2005 in Hong Kong SAR.
- 2 Refer to, for instance, Evenett (2003) and Srinivasan (2003).
- 3 Arthur Dunkel, a former member of the Swiss trade delegation, was the Director General of the GATT between 1980 and 1992.
- 4 The United States Trade Administration (USTA) signed eight bilateral trade agreements between September 2003 and May 2004.
- 5 See Bacchetta and Bora (2003) for these statistics. Also refer to Lall (2000) for a detailed exposition on the changing structure of developing country exports over the last two decades.
- 6 At the time of writing, the G-21 has the following 22 members: Argentina, Bolivia, Brazil, Chile, China, Colombia, Costa Rica, Cuba, Ecuador, Egypt, Guatemala, India, Indonesia, Mexico, Nigeria, Pakistan, Paraguay, Peru, Philippines, South Africa, Thailand and Venezuela. The role of collegial leaders of G-21 was played by Brazil, China, India and South Africa.

- 7 Fifty countries are presently designated by the United Nations as 'least-developed countries' (LDCs). The list is reviewed every three years by the Economic and Social Council (ECOSOC) of the United Nations. In its latest triennial review in 2003, the ECOSOC used the following three criteria for the identification of the LDCs, which were proposed by the Committee for Development Policy (CDP): (i) a low-income criterion, based on a three-year average estimate of the gross domestic product per capita (under \$750 for inclusion, above \$900 for graduation); (ii) a human-resource weakness criterion, involving a composite Augmented Physical Quality of Life Index (APQLI) based on indicators of: (a) nutrition; (b) health; (c) education; and (d) adult literacy; and (iii) an economic vulnerability criterion, involving a composite Economic Vulnerability Index (EVI) based on indicators of: (a) the instability of agricultural production; (b) the instability of exports of goods and services; (c) the economic importance of non-traditional activities (share of manufacturing and modern services in GDP); (d) merchandise export concentration; and (e) the handicap of economic smallness (as measured through the population in logarithm); and the percentage of population displaced by natural disasters.
- 8 See the following section for a definition of the Singapore issues.
- 9 Refer to the inaugural address of Mike Moore given in Doha, Qatar, on 9 November 2001, as well as his speech before the Third Ministerial Conference in Seattle.
- 10 See paragraph 45 of the Doha Ministerial Declaration, 14 November 2001.
- 11 They are referred to as the Singapore issues because they were raised for the first time by the industrial economies during the Singapore Ministerial Conference in 1996.
- 12 Bound tariff rates of 15 per cent and above are known as international peaks or tariff spikes. As opposed to this, when tariffs are three times or greater than the domestic mean tariffs, they are called national peaks.
- 13 See WTO (2001a), paragraph 2.
- 14 See note 10, Chapter 1.
- 15 For instance, the US Farm Bill of 2002 (or the Farm Security and Rural Investment Act of 2002) promised greater domestic support to farmers. Likewise, the European Commission's Luxembourg reform of the Common Agricultural Policy (CAP) declared in June 2003 failed to reduce the total level of European agricultural support. Japan also announced a programme of increased self-sufficiency in agriculture, implying higher production subsidies and trade barriers.
- 16 When the Cancún Ministerial Conference began, Chairperson of the Ministerial Conference, Luis Ernesto Derbez, Foreign Minister of Mexico, had warned of dangers of failure. He described the Cancún Conference as a 'once-in-a-generation opportunity', and that a failure would mean loss of momentum and that negotiations would take 'a long time to recover'. Pascal Lamy, who was confirmed the Trade Commissioner of the EU in 1999 by the European Parliament, was the EU's chief negotiator in Cancún. He had admonished the congregation at the outset to eschew 'the confrontational north-south ambiance of the 1970s and 1980s'.
- 17 This category of exportables includes textiles and apparel, toys, sporting goods, iron and steel products, and engineering products like engines, pumps and other instruments.

- 18 Borrowing an expression from Paul Krugman.
- 19 See, for instance, Deardorff (2001) and Hummels, Ishii and Yi (2001) for interesting analyses of production networks and the newest trends.
- 20 See WB (2003), in particular chapters 2 and 6.
- 21 \$1.08 a day is one of the two reference lines of poverty defined by the World Bank. The other reference line is \$2.25 a day.
- 22 See Hoekman (2003), who also provides a list of instances of creating such splits among the developing economies in the past.
- 23 These countries were Benin, Burkina Faso, Chad and Mali.
- 24 See Paragraph 16 of the Doha Ministerial Declaration, which states the aim of reducing 'or as appropriate eliminate' these three forms of persistent protection. 'Product coverage shall be comprehensive and without *a priori* exclusions.'
- 25 See studies like Cernat, Laird and Turrini (2002), Supper (2001) and WTO (2001).
- 26 The exceptions are Peoples' Republic of China, Hong Kong SAR, Macao and Singapore, which have low simple average bound tariffs.
- 27 Tariff binding implies commitment not to increase a rate of duty beyond an agreed level. Once a rate of duty is bound it may not be raised without compensating the affected parties.
- 28 The sample comprised 18 countries, the Quad economies (namely, Canada, the EU [of 15], Japan, and the USA), Australia, Brazil, China, Hong Kong SAR, Mexico, India, Korea (Republic of), Malaysia, Poland, Singapore, Switzerland, Taiwan, Thailand and Turkey.
- 29 See the previous footnote for a list of sample countries.
- 30 See Bacchetta and Bora (2001 and 2003) who provide a detailed analysis identifying each product with its four digit HS classification.
- 31 Between the biannual meetings of Ministerial Conferences, the main governing body of the WTO is the General Council. The Council meets in two other forms, namely the Dispute Settlement Body (DSB) to oversee the dispute settlement procedures and as the Trade Policy Review Board (TPRB) to conduct regular reviews of WTO members' trade policies. The main bodies that report to the General Council are the Council for Trade in Goods, the Council for Trade in Services, and the Council for Trade Related Aspects of Intellectual Property Rights. All the WTO councils and committees are open to all members (Das, 2001).
- 32 It must be acknowledged that all the implementation-related information and statistics regarding progress in the Doha Round of multilateral trade negotiations comes from WTO (2003d).
- 33 Movement of natural persons implies entry and temporary stay of people supplying a service. They could be either self-employed or employees of a services company.
- 34 Under this system, governments can issue compulsory licences to allow a competitor to produce the product or use the process under licence, but only under certain conditions aimed at safeguarding the legitimate interest of the patent holder.
- 35 They are also known as anti-trust or anti-monopoly laws.
- 36 Vertical agreement refers to agreements between suppliers and distributors.
- 37 Cartels are known to operate in the following industries: graphite electrodes, vitamins, citric acid, seamless steel tubes, lysine and bromine.



- 38 Cited in WTO (2003), p. 32.
- 39 See Paragraph 16 of the Doha Declaration, November 2001.
- 40 This number includes notifications made under GATT Article XXIV, GATS Article V, and the Enabling Clause.
- 41 These four issues are: (1) interpreting what is meant by 'substantially all trade', (2) trade-restricting regulations such as rules of origin (ROO), (3) the impact of RIAs on economic growth and (4) the primacy of the multilateral trading system and the possible negative effect of RTAs on non-member countries.
- 42 The European development cooperation policy is run in conjunction with the 77 ACP countries and, following the Lomé Convention, is governed by the Cotonou Agreement.
- 43 Pascal Lamy did not inform the negotiating group until the last morning in Cancún. Even at that late hour hints were dropped that the EU could drop three Singapore issues, leaving only negotiations on trade facilitation on the table.
- 44 See, for instance, Hoekman (2003) and Evenett (2003).
- 45 'Implementation-related issues' are one of the 20 agenda items of the Doha Round.
- 46 This was reversal of the US commitment embodied in its 1996 Farm Bill, which aimed at increasing the reliance of farmers on market-determined prices rather than government price support.
- 47 In WTO terminology, subsidies in general are identified by 'boxes' which are given the colours of traffic lights: green implies permitted; amber means slow down or reduce; while red stands for forbidden. In agriculture, things are in general more complicated. The Agriculture Agreement has no red box, although domestic support exceeding the reduction commitment levels in the amber box is prohibited; and there is a blue box for subsidies that are tied to programmes that limit production. All domestic support measures considered to distort production and trade (with some exceptions) fall into the amber box, which is defined in Article 6 of the URAA as all domestic supports except those in the blue and green boxes. These include measures to support prices, or subsidies directly related to production quantities. These supports are subject to limits: '*de minimis*' minimal supports are allowed (5 per cent of agricultural production for developed countries, 10 per cent for developing countries); the 30 WTO members that had larger subsidies than the *de minimis* levels at the beginning of the post-Uruguay Round reform period had committed to reduce these subsidies.
- 48 See Das (2001) for this debate.
- 49 This section draws on the following two sources: Hoekman (2003) and Hoekman, Michalopoulos and Winters (2003).
- 50 Jacques Chirac, the French President, declared that the draft framework was 'profoundly unbalanced'.
- 51 A petition was filed by Brazil in the WTO Dispute Settlement Panel challenging the annual payments of approximately \$3 billion to its cotton farmers by the USA. It constituted a violation of WTO rules. The WTO Dispute Settlement Panel gave a preliminary ruling on 27 April 2004, against US cotton subsidies, which is both a political victory and a financial gain for the cotton farmers from western and central Africa, including Benin and Burkina

Faso and Mali. Africa's cotton production is concentrated on small farms. Approximately ten million cotton farmers earn on average of \$400 per year, and lose an estimated \$250 million annually to heavily-subsidized cotton producers from the world's wealthier nations, in large part because subsidies enable American producers to offer their cotton at much lower prices and still record profits. In June 2003, led by Benin, Chad, Burkina Faso and Mali, West Africa presented a proposal for phasing out cotton subsidies to the World Trade Organization. Three months later, this issue was placed on the agenda at the Cancún Ministerial, which proved both a setback and a victory for West Africa's cotton farmers. Although the US Trade Representative Robert Zoellick had initially signalled a willingness to negotiate meaningful agricultural reforms, the USA ultimately joined the EU in opposing the demands. However, because of the pressure from the G-20 group, the EU and the USA were unable to force a compromise on this issue at Cancún (Rice and Smith, 2004).

#### 4 The Doha Round and the Developing Economies

- 1 See Das (2001), in particular chapter 1.
- 2 This chapter draws on chapter 6 of *Global Economic Prospects* (2004) published by the World Bank; see pp. 205–31.
- 3 As discussed in the preceding chapter, the G-21 achieved in Geneva what they could not in Cancún.
- 4 Canada, the EU, Japan and the USA are the four Quadrilateral (or Quad) countries.
- 5 For a detailed discussion on this issue refer to Stiglitz and Charlton (2004).
- 6 See note 9, Chapter 2.
- 7 See note 34, Chapter 1.
- 8 For instance, the Generalized System of Preferences (GSP), the Caribbean Basin Initiative (CBI), the Lomé Convention, the Cotonou Agreement, the NAFTA Parity Act, the Central American Common Market (CACM) and the CARICOM Common Market, are some of the PTAs that were created under the Enabling Clause.
- 9 The definition of absolute poor is based on subsistence, the minimum standard needed to live. Robert McNamara defined it as 'a condition of life beneath any reasonable standard of human dignity'. There has been a long drawn debate in the discipline regarding whether income or consumption poverty lines should be defined in absolute or relative terms. Most international organizations define the poverty line in an absolute way as the 'level of income necessary for people to buy the goods necessary to their survival'. In keeping with this concept, the dollar-a-day line, at 1985 purchasing power parity, is extensively used (Bouguignon, 1999).
- 10 See, note 7, Chapter 3.
- 11 See note 10, Chapter 1.
- 12 See, for instance, Brenton (2003) and Brenton and Manchin (2002).
- 13 Some of the recent studies include Oyejide (2002), Hart and Dymond (2003), Hoekman *et al.* (2003) and Hoekman *et al.* (2004).
- 14 *Ibid.*

- 15 See Das (2004) for these details, in particular chapter 3, as well as Schiff and Winters (2003).
- 16 Several researchers have addressed these issues. See for instance Hoekman *et al.* (2003), and Messerlin (2003) and Wolf (2003).
- 17 See also Hoekman *et al.* (2002).
- 18 As noted earlier, bound tariff rates of 15 per cent and above are known as international peaks (also tariff spikes). As opposed to this, when tariffs are three times or greater than the domestic mean tariffs they are called national peaks.
- 19 Francoise and Martin (2003) deal with this issue at great length.
- 20 The WB (2003) forecast the real GDP growth rate for the developing economies for 2003–15 at 4.7 per cent per annum, and that for the industrial economies at 2.5 per cent. Similarly, the medium-term forecast of the IMF (2003) for the 2003–07 period was 5.7 per cent for the developing economies and 3.1 per cent for the industrial economies.
- 21 The source of all the statistical data used here is WTO (2003).
- 22 *The Economist*, 13 November 2004, provides a detailed account of the possibility of such transformations in trade in textiles and apparel. See ‘The Looming Revolution’ on pages 75–7.
- 23 See paragraph 16 of the Doha Ministerial Declaration.
- 24 See two recent works of Winters (2000b) and McCulloch *et al.* (2001).
- 25 See Chen and Ravallion (2004), tables 2 and 3.
- 26 See World Bank (2002), chapter 6.

## 5 Trade in Services and the Doha Round

- 1 The sources of these statistics are the WTO, *International Trade Statistics*, various issues, and WTO (2004).
- 2 Das (2004a) discusses the onward march of globalization, global economic integration and its economic consequences in enormous detail.
- 3 This is a large well-researched document (190 pages) which took years to finalize. It was published in 2002.
- 4 The source of these statistics is WTO (2004), Appendix table 3.
- 5 *Ibid.*
- 6 Some analysts believe that the technological advances of the preceding quarter century have led to the creation of the so-called New Economy. They contend that the rules governing economic performance have been transformed due to a permanent improvement in the economy’s efficiency and productivity. The technological advances they refer to include increased use of faster computers with new software and the widespread availability of information that the Internet provides. Economists are trying to determine whether these factors are behind the sharp upward revision in worker productivity in the USA. Chairman of the Federal Reserve Board, Alan Greenspan, recently stated that he did not know whether the current ‘good performance of the economy’ is a part of ‘a once- or twice-in-a-century phenomenon that will carry productivity trends nationally and globally to a new higher track, or whether we are merely observing some unusual variations within the context of an otherwise generally conventional business cycle expansion.’ However,

Paul Krugman disagrees and argues that we are still operating under the same rules that applied to the earliest, most basic market economies.

- 7 In the audiovisual industry, international markets provide an important source of earnings for the Indian movie industry. Although Indian movies are exported to 95 countries, Canada, the UK and the USA are the largest markets. In 1998, a total of 198 titles were exported. This number exceeded 500 in 2001. Export earnings of the Indian movie industry rose from Rs2 billion to Rs5.25 billion between 1998 and 2001. Hong Kong SAR is one of the largest producers and exporters of movies in the world, ranking third after the USA and India. Thailand has also emerged as an active player in the audiovisual industry, producing movies, TV programmes, music and animation. Firms from Thailand provide production and post-production services for large clients like 20th Century Fox and Warner Brothers at competitive prices. Many developing economies have emerged as successful providers of port services, and several of them figure in the list of top 20 container terminals, in terms of throughput. Together they provided 54.3 per cent of the total container shipping services in 2002. Four of the five largest containers shipping terminals are in developing countries, namely Singapore, Taiwan, Korea and Hong Kong SAR. Likewise, in the construction industry, 51 of the largest 150 construction firms in the world were from developing countries. Firms from China, Turkey, Korea (Republic of), Brazil and Taiwan, in that order, were among the most active in this service area. Expertise in health services became an import source of foreign exchange earnings in Chile, Costa Rica, Cuba, South Africa and Thailand (OECD, 2003a).
- 8 The source of these statistics is NASSCOM (2004).
- 9 There are about 60 agreements and decisions in the text of the Uruguay Round agreement, or the WTO-1994, published in 550 pages.
- 10 This is the complete and formal name of the GATS.
- 11 Its date of coming into force is the same as that of the WTO, 1 January 1995.
- 12 Refer to WTO (2001a) for a simple and lucid exposition on the functions and operations of the General Agreement on Trade in Services (GATS).
- 13 This section is based on the WTO publications in this area. See in particular WTO (2003) 'Negotiators Agree on Modalities for Treatment of Autonomous Liberalization'. Press Release. no. 335. 10 March.
- 14 *Ibid.*
- 15 Cattaneo and Nielson (2003) have discussed the methodological imperfections in such empirical exercises and ways to resolve them.
- 16 See *Towards a Fair Deal for Migrant Workers in the Global Economy*, International Labour Conference, 92nd Session, October 2004. Report VI. Geneva. See Chapter 4 in particular for current regulations in this area.
- 17 For more details refer to the *Background Paper* prepared for the Trade and Migration Seminar by the IOM/WB/WTO (2004).

## 6 Trade in Agriculture and the Doha Round

- 1 See table IV.6, on page 106 of *International Trade Statistics 2003*, published by the WTO in August 2003.
- 2 See table IV.4, on page 105 of *International Trade Statistics 2003*.

- 3 A Corn Law was first introduced in Britain in 1804, when the landowners, who dominated Parliament, sought to protect their profits by imposing a duty on imported corn. During the Napoleonic Wars it had not been possible to import corn from Europe, which led to an expansion of British wheat farming and to high bread prices. However, farmers feared that when the war came to an end in 1815, the import of foreign corn would lower prices. This fear was justified and the price of corn fell by 50 per cent during 1812 and 1815. In 1846, the Corn Law had to be finally repealed.
- 4 These five rounds of MTNs were Geneva (1947), Ancey (1949), Torquay (1951), Geneva (1956) and the Dillon Round (1960–61).
- 5 The Cairns Group of 17 agricultural exporting countries, formed in 1986, has effectively put agriculture on the multilateral trade agenda and kept it there. The Cairns Group is an excellent example of successful coalition-building in the trade area. The 17 members of this Group are Argentina, Australia, Bolivia, Brazil, Canada, Chile, Colombia, Costa Rica, Guatemala, Indonesia, Malaysia, New Zealand, Paraguay, the Philippines, South Africa, Thailand and Uruguay. The members of the Cairns Group come from four continents and include a wide range of economies, from industrial to the least developed.
- 6 See WB (2004), chapter 3, as well as Beghin and Aksoy (2003), OECD (2003a) and Ingco and Nash (2004).
- 7 New Zealand's Ambassador, Tim Groser, is the current Chairman of the Committee on Agriculture of the WTO.
- 8 Early in 2004 Pascal Lamy and Supachai Panitchpakdi exchanged accusations of using 'contestable' statistics.
- 9 See Tangermann (2004) for more details.
- 10 The legal basis of an agricultural policy for the entire European Community is defined in Articles 32 through 38 in Title II of the EC Treaty. Agriculture sat high on the agenda of European policy-makers, especially at the time when the Treaty of Rome was being negotiated during the 1950s. The memory of postwar food shortages was still vivid and thus agriculture constituted a key element from the outset of the European Community. The Treaty of Rome (1957) defined the general objectives of a common agricultural policy. The principles of the Common Agricultural Policy (CAP) were set out at the Stresa Conference in July 1958. In 1960, the CAP mechanisms were adopted by the six founding member states and two years later, in 1962, the CAP came into force. The CAP is comprised of a set of rules and mechanisms which regulate the production, trade and processing of agricultural products in the European Union (EU), with attention being focused increasingly on rural development. Among the European Union's policies, the CAP is regarded as one of the most important policy areas. Not only because of its share of the EU budget (almost 50 per cent, and decreasing over the years), the vast number of people and the extent of the territory directly affected, but also because of its symbolic significance, and the extent of sovereignty transferred from the national to the European level. The significance of the CAP, nowadays, is also portrayed by the fact that it is directly related to the Single Market and EMU, two key areas in achieving European integration. The objectives of the CAP, as set out in Article 33 of the EC Treaty, are: (i) 'to increase agricultural productivity by promoting technical progress and by

ensuring the rational development of agricultural production and the optimum utilization of the factors of production, in particular labor; (ii) to ensure a fair standard of living for the agricultural community, in particular by increasing the individual earnings of persons engaged in agriculture; (iii) to stabilize markets; (iv) to assure the availability of supplies; (v) to ensure that supplies reach consumers at reasonable prices.'

- 11 These CAP reforms were announced in Luxemburg on 26 June 2003.
- 12 GTAP stands for Global Trade Analysis Project and is based on Hertel (1997). The GTAP model is a standard, multi-sector model that has become highly popular with researchers.
- 13 In *Financial Times*, 2 August 2004, Herve Gaymard the Agriculture Minister of France was quoted as saying that he would seek a 'proper' timetable for the cuts looking 'towards a horizon of 2015 or 2017'.
- 14 These non-tariff barriers (NTBs) included variable import levies, discretionary import licensing and voluntary export restraints.
- 15 This was taken up as the reference period because during these years the OECD economies maximized their support to the agricultural sector.
- 16 See World Bank (2004), chapter 3, table 3.8.
- 17 The source of statistics in this section is WB (2004), chapter 3.
- 18 Mauritius had submitted a proposal on behalf of the African countries.
- 19 According to WTO terminology, subsidies in general are identified by 'boxes' which are given the colours of traffic lights: green implies permitted, amber means slow down or reduce, while red stands for forbidden. In agriculture, things are in general more complicated. The Agriculture Agreement has no red box, although domestic support exceeding the reduction commitment levels in the amber box is prohibited; and there is a blue box for subsidies that are tied to programmes that limit production. All domestic support measures considered to distort production and trade (with some exceptions) fall into the amber box, which is defined in Article 6 of the URAA as all domestic supports except those in the blue and green boxes. These include measures to support prices, or subsidies directly related to production quantities. These supports are subject to limits: '*de minimis*' minimal supports are allowed (5 per cent of agricultural production for developed countries, 10 per cent for developing countries); the 30 WTO members that had larger subsidies than the *de minimis* levels at the beginning of the post-Uruguay Round reform period had committed to reduce these subsidies.
- 20 At the time of writing, the G-21 has the following 22 members: Argentina, Bolivia, Brazil, Chile, China, Colombia, Costa Rica, Cuba, Ecuador, Egypt, Guatemala, India, Indonesia, Mexico, Nigeria, Pakistan, Paraguay, Peru, Philippines, South Africa, Thailand and Venezuela. The role of collegial leaders of the G-21 was played by Brazil, China, India and South Africa.
- 21 See WTO (2003a, 2003b, 2004a) for more details.
- 22 Cited in AITIC (2004).
- 23 Of the three most important international currencies, the euro acquired a position of strength during the fourth quarter of 2004. High budget and current-account deficits caused concern regarding the future health of the US economy. Coupled with weakness of the US economy, Europe's interest yield advantage, and geo-political tensions sent the euro soaring. It peaked on 10 November 2004 at \$1.30. Although it soon came down from its high

perch by a small margin (\$1.20), it continued to remain strong. In addition, fears surrounding the new respiratory virus hitting Asia left the yen at its lowest level in four years *vis-à-vis* the euro. Japanese investors were aggressively purchasing euro-denominated assets during the fourth quarter.

- 24 Under the Uruguay Round Agreement on Agriculture (URAA), the United States and other countries agreed to keep the total value of trade-distorting domestic support to farmers from exceeding predetermined ceiling levels for the years 1995–2000. Ceilings were established for each country based on their level of trade-distorting domestic support in the base period 1986–88. Under the URAA, ceilings decline from 97 per cent of 1986–88 base levels in 1995 to 80 per cent in 2000 for the industrial economies. Countries also agree to notify the WTO about the current level of domestic support for each year in the implementation period, 1995 to 2000. The annual level of such support, called the ‘aggregate measurement of support’ (AMS), is measured as the sum of certain trade-distorting commodity-specific and non-commodity-specific farm programme benefits, as defined in the URAA. These AMS benefits include those from direct government payments as well as market price supports that are provided to farmers based on the level of current production, price, resource use or input benefits.
- 25 These details on agreement on modalities have been gleaned from WTO (2004b). Seekers of more detail should refer to this source.
- 26 See Hertell and Martin (2000).

## 7 Intellectual Property Rights and the Doha Round

- 1 Refer to the website of the World Trade Organization (WTO) ‘What are intellectual property rights?’ available at [http://www.wto.org/english/tratop\\_e/trips\\_e/intel1\\_e.htm](http://www.wto.org/english/tratop_e/trips_e/intel1_e.htm). September 2004.
- 2 Trademarks and indications of geographical origin are markedly different from each other. For instance, trademarks belong to a commercial enterprise, and are not limited by any territorial link, whereas geography is at the heart of the geographical indications (GIs). Besides, the GIs are not limited to any particular commercial enterprise, but enjoyed by all enterprises within the demarcated geographical area that meet the stipulated requirement for use of the geographical indication.
- 3 *Ibid.*
- 4 See note 9, Chapter 2.
- 5 The Marrakesh Agreement was signed on 15 April 1994 in Marrakesh, Morocco. Trade ministers who participated in the Uruguay Round signed the results of the seven-and-a-half years of trade negotiations – about 60 agreements and a decision totalling around 550 pages – as the Uruguay Round was formally concluded.
- 6 In 2004, the UN classification of least-developed countries (LDCs) included 50 countries, of which 30 were members of the WTO and five were observers.
- 7 The Free-Trade Area of the Americas (FTAA) has 34 members. Countries participating in the negotiations of the FTAA held their Seventh Ministerial Meeting in Quito, Ecuador, on 1 November 2002 with the intent to review progress in the FTAA negotiations to establish guidelines for the next phase of

these negotiations. The negotiations are scheduled to conclude on January 2005 in accordance with the terms agreed by the heads of state and government at the Third Summit of the Americas, held in Quebec City in April 2001. The negotiations are to seek FTAA's entry into force as soon as possible after January 2005, but in any case no later than December 2005. The 34 members of the FTAA are Antigua and Barbuda, Argentina, Bahamas, Barbados, Belize, Bolivia, Brazil, Canada, Chile, Colombia, Costa Rica, Dominica, Dominican Republic, Ecuador, El Salvador, Grenada, Guatemala, Guyana, Haiti, Honduras, Jamaica, Mexico, Nicaragua, Panama, Paraguay, Peru, St Lucia, St Kitts and Nevis, St Vincent and Grenadines, Suriname, Trinidad and Tobago, Uruguay, the United States of America and Venezuela.

8 See, for instance, Vivas-Eugui (2004).

9 See *A Proposal for Establishing a Development Agenda for the World Intellectual Property Organization*, published by the WIPO.

10 These explanations are provided on the TRIPS pages of the WTO website, where a good deal of relevant information on the TRIPS agreement is available.

11 See the literature survey conducted by Maskus, Saggi and Puttitanun (2004).

12 See also Gould and Gruben (1996) and Carr, Markusen, and Maskus (2004).

13 Related statistics are available on the website of the WTO and UNAIDS as well as in the *World Health Report* published annually by the WHO.

14 NGOs such as Médecins Sans Frontières, Oxfam and the Third World Network were among the most critical of the agreement.



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# Index

- ACP group, 74, 80, 100, 152  
African Growth Opportunity Act, 62–3  
Agreement on Textiles and Clothing,  
14, 109  
anti-dumping duty, 72  
anti-globalization lobby, 10–11, 27–8,  
applied general equilibrium model,  
91, 112  
ASEAN, 19, 108
- balancing modalities, 36–8  
balancing WTO architecture, 38–41  
bargaining and negotiations, 3  
blended formula approach, 163–5  
business process outsourcing, 43, 126–8
- Cairns Group, 145  
Cancún  
failure, 74–9  
impasse, 54–9  
Committee of the Whole, 18–19  
Common Agricultural Policy, 22,  
76, 164  
cost of trade barriers, 3–4  
Council for Trade in Services, 130, 132  
Council for TRIPS, 191–2
- Derbez, Luis Ernesto, 77  
Derbez Text, 81, 83, 163  
developing economies, 59–63  
Doha Communiqué, 43–4, 130  
Doha Development Agenda, 4, 46–8,  
63, 80, 90–2, 189–90  
modalities, 132–4  
special and differential treatment,  
96–8, 103–4, 165  
welfare gains, 50–2, 54–9  
Doha Round  
agriculture, 137–9  
development round, 90–2  
fourth mode, 137–8  
impact, 167–72  
issues, 5, 32  
participation, 63–6  
progress, 66–74  
services negotiations, 129–31  
tariff-slashing, 46–8, 69  
TRIPS, 182–8  
Doha Work Programme, 25–6
- economic needs test, 139–40  
environmental goods, 49  
European Union, 40–1, 48, 57–8,  
65, 165  
'Everything But Arms' initiative, 62
- Fifth Ministerial Conference, 54–6  
fourth mode, 133–7  
framework agreement, 47–8, 81–4,  
98–9, 162–5
- GATT (old system), 24–5  
generalized system of preferences, 94,  
99–101  
eligibility, 96  
genetically modified crops, 27  
geographical indicators, 157  
global economic governance, 1  
global public good, 6, 9–13  
Global Trade Analysis Project, 51–2,  
83, 91, 107, 109, 112, 123, 152–3  
'grand bargain', 12  
Green Room consultations, 18–21  
process, 24–5, 41–2  
Group-of-Seven, 35, 126  
Group-of-Eight, 21, 64  
Group-of-Twenty, 35  
Group-of-Twenty-One, 21, 74, 77, 78,  
81, 82, 89  
Group-of-Seventy-Seven, 22  
Group-of-Ninety, 35, 58, 63, 79, 84, 101
- Hamilton, Alexander, 6
- information and communications  
technology, 122–3, 126–8

- integration of goods markets, 35–6
- intellectual property rights, 174–6
- International Labour Organization, 23
- ‘join text’, 161–2
- July Package, 47–8, 81–4, 98–9
- Kennedy Round, 93
- launching the round, 4–6
- least developed countries, 99–104, 107, 108, 110, 133, 179, 187
- liberalization of trade in services, 119–23
- LINKAGE model, 169–70
- List, Friedrich, 6
- market access, 64–6
- Marrakesh Agreement, 13–14, 178
- mercantilist logic, 15
- mergers and acquisitions, 119
- Millennium Development Goals, 58, 104–5, 110, 111
- Millennium Round, 16–18
- mini-Ministerial meetings, 41–2, 161
- most-favoured-nation (MFN), 24, 109, 131
  - based liberalization, 104–5
- multilateral trade negotiations, 3–4, 31–4, 54–5, 66–74, 145
  - liberalization, 124–6
  - trade expansion, 8–9
  - trade and growth, 6–9
- Multi-Fibre Agreement, 13, 49–50
- Negotiation Group on Market Access, 46–8
- negotiating modalities, 36–8
- non-rival good, 10
- Palais des Nations, 2
- poverty line, 111–12
- protectionism in agriculture, 144–7
- quadrilateral group, 19, 35, 90
- quantitative restrictions, 62, 153
- rebalancing the country groups, 34–5
- regional integration agreements, 65, 181
- Regional Trade Agreement Committee, 72–3
- Ricardo, David, 6, 43
- Seattle debacle, 54–5
- Seattle Ministerial Conference, 17–18, 78–9
- Singapore issues, 69–70
- Singapore Ministerial Conference, 71
- Single Undertaking, 2, 5–6, 25
- ‘slicing the value chain’, 60
- Smith, Adam, 6
- Special and Differential treatment, 22, 96–8, 104, 159–60, 177
- structural limitation, 21–2
- tariff rate quotas, 147, 153–4
- tariff-slashing modalities, 44–8
  - escalation, 64–5
  - peaks, 64–5
- technical barriers to trade, 32
- technology transfer, 184–8
- Third Ministerial Conference, 16–18, 67
- Tokyo Round, 19, 68, 94
- total factor productivity, 183, 185, 186, 192
- total support estimates, 151
- Trade and Development Committee, 67, 72
- Trade and Environment Committee, 73
- trade and growth, 6–9
- trade in services, 115–19
- transnational corporations, 27–8, 118, 128
- TRIPS regime, 179–81
- TRIPS-plus regime, 181
- Uruguay Round, 13–16, 48–9, 54–5, 88–9, 103, 123–4
  - agenda, 14–15
  - agreement on agriculture, 146, 153–5, 160, 165–6, 157–9
  - high-tariff regime, 156–8
  - unbalanced outcome, 15–16, 28–30, 33
- World Intellectual Property Organization, 178–9