

**UNITED NATIONS CONFERENCE ON TRADE AND DEVELOPMENT**

**BACK TO BASICS:  
MARKET ACCESS ISSUES IN THE DOHA AGENDA**

VI. CONCLUSIONS

*REFERENCES*



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One of the most challenging tasks for the Doha meeting was to ensure that the concerns of the developing countries were reflected in the negotiating mandates; and in the area of market access the texts agreed at that meeting provide an opportunity to improve developing countries' effective participation in international trade. But this cannot be taken for granted and will have to be given substance in the negotiations.

The paper shows that there are important biases against the trade of developing countries and that there are important gains to be made from further negotiations in market access. However, much depends on the effective participation of the developing countries in the negotiations.

The paper does not discuss a number of related and very important issues, such as tariff rate quotas and domestic supports. It touches on export subsidies only insofar as there is cross-linkage with market access liberalization. Some of the issues in the paper are relevant to a possible development box in agriculture, but any detailed discussion is beyond the scope of the paper. Again, there are implications for tariff preference schemes, but these are not discussed in any detail. As far as far as targets and modalities for the market access negotiations are concerned, these can in part be derived from the analysis of existing barriers and the liberalization scenarios. The following provide some pointers:

- A formula approach is in the best interests of the large majority of developing countries that have little bargaining power in bilateral request and offer negotiations because the small size of their market. A request and offer approach also tends to lead

to exceptions, especially in the most protected sectors (where developing countries are exporters).

- In order to tackle tariff peaks and escalation, there is a need to make deep cuts in protection against agricultural and manufactured exports of the developing countries. This could best be achieved by a harmonizing formula such as the Swiss formula, used in the Tokyo Round. However, a low Swiss coefficient to be generally applied may be too much too soon for many developing countries, and would mean that they would be making a much greater percentage reduction than developed countries. Thus, application of the same Swiss coefficient to developed and developing countries would imply greater percentage cuts by the developing countries as they start from a position of having higher rates. For example, applying a Swiss coefficient of 10 to base rates of 5 per cent and 40 per cent lead to average cuts of 33 per cent and 80 per cent, respectively. To obtain a broadly similar or slightly lower average cut by developing countries would require a substantially higher Swiss coefficient or some way of modulating the Swiss coefficient for higher rates.
- A linear cut in tariffs, e.g. 40 per cent by developed countries and 30 per cent by developing countries, would also go a long way to reducing tariff escalation and peaks. This is because a similar percentage cut on high rates makes a greater reduction in terms of *percentage points*, e.g., a 50 per cent cut changes a 40 per cent rate to 20 per cent, while it changes a 5 per cent rate to 2.5 per cent. This change in the higher rates leads to a much greater multiplier effect on trade creation (the increase in imports) resulting from liberalisation.<sup>1</sup> It also means that, proportionately, developing countries would be making a greater percentage contribution to trade expansion, while developed countries would be contributing more in absolute terms because of the greater volume of their trade.
- The Doha Declaration states that there are to be no a priori exclusions to the negotiations. If exceptions were to be allowed, then it would be desirable to set a target average cut as well as agreeing on the modality. Following the Uruguay Agreement on Agriculture, consideration should be given to establishing a minimum cut of, say, 15 per cent on each tariff line.
- Cutting low rates, for example through a zero-for-zero approach, may be administratively tidy but does not reduce paper work and can increase distortions in protection (Dee, Hardin and Schuele, 1998). In fact as much paperwork is required to justify duty-free access as to pay duties. Such paperwork is also required to prove origin, to collect domestic taxes and other charges on imports, and for TBT/SPS reasons.
- Tariff cutting should be based on bound MFN rates, as this is the only legal basis for negotiations. This should provide some latitude or “comfort zone” for developing countries where bound rates exceed applied rates. The resulting flexibility may also reduce the risk of resort to contingency protection, e.g. anti-dumping measures. While longer-term liberalization is widely accepted as beneficial, this is not always the expe-

rience in the short term, and developing countries may wish to have some policy space for adjustment. Support could be provided from the international finance institutions (IFIs) for countries that wish to move faster, without further conditionality.

- The Doha Declaration makes no explicit reference to the binding coverage. In agriculture this is 100 per cent for all WTO Members, but the binding coverage in non-agricultural products is lower for developing countries. Increasing the binding coverage would also be seen as making a positive contribution to the negotiations by increasing security in the conditions for trade, even where applied rates are not cut (as in the Uruguay Round negotiations in agriculture, where many countries made ceiling bindings). Setting new bound rates above applied rates would again provide policy flexibility for developing countries (see previous point). The new base rate would normally be established as the starting date for implementation of the results of the current negotiations.
- Developing countries should be able to avail themselves of their rights of less than full reciprocity under Article XXVIII *bis*, for example by being allowed a lower average cut in tariffs.
- There should be accelerated implementation of liberalization of tariffs on products of export interest to developing countries, especially the LDCs. A longer transition period should be provided for developing countries, especially the LDCs, but support should be provided by the IFIs – without further conditionality – for countries that are interested in implementing more rapidly.
- The elimination of non *ad valorem* rates would enhance transparency in tariff regimes. However, if it were felt that this could lead to an increase in anti-dumping actions, it might be preferable to allow specific rates with a maximum percentage equivalent and an obligation to publish the *ad valorem* equivalent of such rates.
- Rates should be based uniquely on the FOB or CIF value.
- Additional charges on services provided in trade imports should be based on the cost of the service, and not for example on a percentage of value. There is need for extra rigour in controlling the use of additional charges.

However, in addition to targets and modalities, there are certain important questions about strategies. It is emphasized that the modelling results discussed in the paper are comparative static, comparing two situations in time, without regard for the duration of any transition or adjustment costs, which may be considerable in political and economic terms. Under the assumptions of the modelling, the simulations show that:

- There are globally greater benefits from liberalizing simultaneously in manufactures and agriculture.

- There is a need to reduce export subsidies in agriculture in parallel with tariff liberalization; if they are not reduced, the negative terms-of-trade effects are greater for food importers.
- The countries/regions that liberalize tend to gain more, but not necessarily in the short term.
- There is no broadly defined developing world region that would gain by not participating in agricultural liberalization.
- There are small negative effects for some regions, especially in Africa. They suggest the need for support or social safety nets for these countries.
- The large majority of gains accruing to low-income countries from agricultural liberalization come from the elimination of tariffs on food and processed agriculture.

Many of these issues are technically highly complex and there are interactions across producers and whole sectors, as well as between different forms of existing intervention. For these reasons, many developing countries will need considerable assistance in the negotiations.

Assistance can take several forms. While analysis such as that presented in this and other papers may be of some value, they cannot hope to cover all products and issues from the perspective of all countries. Even among developing countries, there are quite diverse interests. For this reason it is also important to provide data and analytical tools that allow the developing countries to undertake their own assessment and develop their own positions. The data and analytical possibilities in the World Integrated Trade Solution (WITS), which is being developed by UNCTAD and the World Bank, are one such option which is now starting to be delivered to interested countries. Another is the Agricultural Trade Policy Simulation Model (ATPSM), which is being developed at UNCTAD in cooperation with FAO is another.<sup>2</sup> The ATPSM also uses data from the Agricultural Market Access Database (AMAD), stored at OECD and compiled as a cooperative effort of a number of national and international agencies.<sup>3</sup>

#### **Notes:**

<sup>1</sup> For example, using the standard formula for trade creation, and assuming an import demand elasticity of 2, a 50 per cent cut in base rates of 5 per cent and 40 per cent lead to trade increases of 2 per cent and 14 per cent, respectively.

<sup>2</sup> The development work and dissemination by UNCTAD is being supported by the UK Department for International Development.

<sup>3</sup> Recent work in extending the AMAD database at UNCTAD has been supported by the Government of Ireland.

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