

Doha Trade Agreement Looks Dead, After Seven Years of Efforts

WTO Effort to Reduce Tariffs Worldwide Sputters over Farm Issues; Look to Logistics Improvements Instead, One Expert Says, to Encourage Trade

SCDigest Editorial Staff

It's been in the works for some seven years – and despite all those efforts, the World Trade Organization's massive effort to get more than 150 nations to lower tariffs and other trade barriers collapsed last week at a meeting in Geneva.

Called the Doha Round, the effort was originally designed to encourage economic growth in developing nations, adding a moral element to the economic ones regarding free trade. But over the many years of negotiations, that original purpose was largely forgotten, and the issues became increasingly parochial. Multiply that by trying to get the agreement signed off by 153 countries, and it became an almost impossible task.

"There's no use beating around the bush; this meeting has collapsed," World Trade Organization Director General **Pascal Lamy** said last week after nine days of last-ditch negotiations in Geneva.

As usual, agricultural issues were at the forefront. Many developing nations balked at the call for lower tariffs for food imports, and also wanted to be able to raise those duties if imports started to surge or local farmers needed protection, which large agricultural exporters found unacceptable.

"The U.S. is looking at enhancing its commercial interests, whereas I am looking at protecting the livelihood of farmers," said India's commerce minister **Kamal Nath**.

With economic woes and inflation, especially in food products, affecting much of the globe, nationalism and protectionist leanings are at their highest level in years, making a Doha agreement even more challenging. Indeed, European Union trade commissioner

The problem is particularly acute in getting goods in and out of many developing countries, where the average customs transaction involves 20 to 30 parties and requires 40 separate documents to complete, a 2004 U.N. study showed.

Peter Mandelson said earlier this year that Doha would be "one in the eye for protectionists, one up for trade, one up for trade-led development, one up for multilateralism."

Trade Marches Ahead Anyway

With no Doha agreement, global trade has marched ahead swiftly during the seven years of negotiations anyways, of course, facilitated by falling barriers in other areas and individual trade agreements between nations.

"While Doha negotiations have sputtered on for seven years, annual global trade flows have increased 70 percent to \$14 trillion, real annual foreign direct investment is up 25 percent to \$1.5 trillion and the global economy has expanded by 30 percent to \$54.4 trillion," says **Daniel Ikenson**, a researcher at the Cato Institute.

Ikenson says moves to improve the flow of goods across borders could actually do more to spur world trade than another round of tariff reductions.

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"Experience shows that trade facilitation alone could do even more to increase global trade flows than further reductions in tariff rates," Ikenson adds. "For example, just a one-day reduction in the average time required to move both outbound and inbound U.S. cargo through customs and to fulfill all other administrative requirements could increase U.S. trade by almost \$29 billion per year."

He adds that while "stroke-of-the-pen" tariff reduction are important contributors to trade growth, those lower tariffs will not improve trade flows if bureaucratic customs procedures and shoddy logistics and communications are still in place.

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But, says Ikenson, progress continues to be made. In the past three years, 55 countries have implemented 68 reforms to streamline procedures. India introduced an on-line customs declaration system which allows clearance to begin before the ship docks and helped reduce delays for exporters and importers by seven days. Rwanda partially privatized its cus-



toms-bonded warehouses, which sparked construction of new warehouses and a 40 percent reduction in storage fees. Macedonia eliminated duplicate customs procedures, slashing waiting times by 75 percent.

"Multi-lateral agreements from the latest Doha talks to reduce tariffs, subsidies and other barriers would be great for everybody," Ikenson says. "But even if the tottering Doha Round collapses for good, trade and growth can still rise sharply with the right unilateral reforms."