APAC Agricultural Policy Analysis Center
The University of Tennessee

PolicyPennings by Dr. Daryll E. Ray

WTO Development Round misses the poorest of the poor?

During the December 2005 Hong Kong Ministerial meeting of the World Trade Organization (WTO), numerous press reports lamented that the failure to ink an agreement would deprive the world of $520 billion in economic gain, $350 of which would be captured by developing countries, lifting 140 million people out of poverty. These thoroughly discredited numbers came from a World Bank Report, *Global Economic Prospects 2004* (GEP2004), that had been released on the eve of the 2003 Cancun Ministerial of the WTO.

At that time, assisted by APAC modeler and researcher Chad Hellwinckel, we wrote a series of columns identifying a number of serious flaws in the study and suggesting that the gains from a "Pro-Poor" trade liberalization scenario might not be nearly as rosy as the World Bank authors suggested in GEP2004. Among the major flaws of the World Bank's study were (1) the assumption that anyone who was laid off in one economic sector would immediately find work in another sector; (2) the failure to put limits on land available for crop production; and (3) the lack of consideration of the political ramifications of various trade liberalization policies. For instance, it is highly unlikely that China, with a population of 1.3 billion, would allow itself to become dependent upon imports of a significant amount of its food staples.

In advance of the Hong Kong Ministerial, the World Bank came out with a new report, *Agricultural Trade Reform and the Doha Development Agenda* (ATRDDA) available on the web at http://web.worldbank.org/WBSITE/EXTERNAL/TOPICS/TRADE/0,,contentMDK:20716544~menuPK:207652~pagePK:148956~piPK:216618~theSitePK:239071,00.html. This time the benefits for a likely Doha Round scenario were much smaller and reversed with the developed countries reaping the bulk of the gain. The new total gain is projected to be $96 billion, less than one-fifth of the potential gains announced in 2003 and still used by reporters in 2005. Of that $96 billion, $80 billion, fully four-fifths, of the gain goes to developed countries, with the developing and less developed countries left to pick up the scraps.

Sandra Polaski of the Carnegie Endowment for International Peace also ran an updated model of the impact of various Doha scenarios in her report, *Winners and Losers: Impact of the Doha Round on Developing Countries* (W&L) available on the web at http://www.carnegieendowment.org/publications/index.cfm?fa=view&id=18083&prog=zgp&proj=zted. Like the World Bank study, Polaski uses a more recent database in developing her model. In addition she did not assume away unemployment.

Polaski says, "The most important finding at the aggregate, global level is that any of the plausible trade scenarios will produce only modest gains, on the order of a one-time increase in world income of $40-$60 billion." She then goes no to note that "the modest overall gains have different economic effects under different scenarios, and the poorest countries are among the losers under all likely Doha scenarios."

For instance, Bangladesh stands to lose in excess of $50 million in income under all Doha Scenarios, East Africa loses between $110 and $145 billion and the Rest of Sub-Saharan Africa loses between $195 and $240 million dollars in income.

Another analysis of the Doha Round trade projections has been done by Frank Ackerman of the Global Development and environment Institute at Tufts University. Ackerman's paper title says it all, *The Shrinking Gains from Trade: A Critical Assessment of Doha Round Projections*. His paper is available on the web at http://ase.tufts.edu/gdae/policy_research/shrinking_gains.html. Ackerman laments the fact that "the results of complex modeling exercises are typically reported as if they were hard, objective facts, providing unambiguous numerical measures of the value of [trade] liberalization."

The results of these three projections and analyses are quite different from the rationale we hear from trade negotiators, agricultural officials, reporters and others who argue that selfish American and French farmers do not want to give up their subsidies so that Sub-Saharan farmers can benefit from higher prices when Polaski's study shows that Sub-Saharan countries stand to lose around $200 million from trade liberalization. In Polaski's study the price gain for grains is 3.73 percent (less than a dime for a bushel of corn) while the price gain for other crops, which includes cotton, is 1 percent. Neither of these gains is likely to lift farmers anywhere around the world out of poverty.

All this leaves us with the question: "If the purpose of the Doha Round is to benefit the poor and if the poor are in effect losers from trade liberalization, what is the driving force behind the Doha **DEVELOPMENT** Round?"

Daryll E. Ray holds the Blasingame Chair of Excellence in Agricultural Policy, Institute of Agriculture, University of Tennessee, and is the Director of UT's Agricultural Policy Analysis Center (APAC). (865) 974-7407; Fax: (865) 974-7298; dray@utk.edu; http://www.agpolicy.org. Daryll Ray's column is written with the research and assistance of Harwood D. Schaffer, Research Associate with APAC.

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