



Leverhulme Centre
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The World Economy Annual Lecture 2011

The sheer scale of “latecomers” involved in the Doha round of trade negotiations presents a challenge unprecedented in the history of the World Trade Organisation, a leading authority on the WTO has told an audience at GEP.

Delivering The World Economy Annual Lecture 2011, Professor Robert Staiger, of Stanford University, said the issues surrounding the successful integration of developing nations could not be dismissed as a “trivial problem”.

Underlying the difficulties, he suggested, is the fact that some of the aims stated in the declaration at the start of the Doha round in 2001 are simply “incoherent from the perspective of economic analysis”.

The declaration states in part: “We agree that special and differential treatment for developing countries shall be an integral part of all elements of the negotiations.”

Professor Staiger told an audience at the University of Nottingham: “If pursued as stated, these aims are unlikely to deliver the meaningful trade gains for developing countries that the WTO membership seeks.

“Yet these aims, with one key change, can still form the basis of a coherent plan for delivering trade gains for developing countries.

“The Doha round must move away from the non-reciprocal ‘special and differential treatment’ (SDT) norm as the cornerstone approach to meeting developing country needs in the WTO.

“Instead developing countries must come to the bargaining table and negotiate reciprocally with each other and with developed countries.”

Stanford’s Holbrook Working Professor in Commodity Price Studies, Professor Staiger is the author of a number of highly influential works – including *The Economics of the World Trading System*, co-authored with his Stanford colleague, Professor Kyle Bagwell.

He has won widespread acclaim from some of the most distinguished economists around the globe for his studies of the WTO and GATT.

Professor L Alan Winters, the Department for International Development’s Chief

Economist, has described *The Economics of the World Trading System* as “a must-read for all serious trade scholars”.

Another admirer is Patrick Low, the WTO’s Director of Development and Economic Research, who praised Staiger’s “refreshing and useful insights into what lies behind the design of trading rules”.

Addressing GEP and summarising in part his recent work with Professor Bagwell, Professor Staiger said there could be little dispute that developing countries have enjoyed few gains, if any at all, from a half-century of GATT/WTO-sponsored tariff negotiations.

He added: “It’s a fact that as a result of exception from the reciprocity norm developing countries have committed to few tariff cuts over eight GATT multilateral negotiating rounds spanning 50 years.

“They were supposed to get a ‘free pass’ on the Most Favoured Nation [MFN] tariff cuts that the developed countries negotiated with each other.

“Apparently, however, it didn’t work out that



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way – and some simple economics suggests we might have expected this.”

A key mechanism that has to be considered, said Professor Staiger, is that a country’s own tariff cuts stimulate its exports.

Therefore, in the context of reciprocal MFN negotiations, a country that agrees to cut its own import tariffs in exchange for tariff cuts in the markets served by its exporters will see its exporters gain more export volume than exporters from countries that did not reciprocate.

Professor Staiger said: “The lesson for Doha is ‘What you get is what you give’.

“Doha’s current non-reciprocal approach, which is anchored in SDT, won’t deliver meaningful trade gains for developing countries, just as it didn’t over the previous half-century.

“That’s why the developing nations need to negotiate reciprocally with each other and with developed countries.”

According to terms-of-trade theory, developing countries stand to benefit from reciprocal trade liberalisation only when they are sufficiently large for foreign exporters to “feel the pain” of their tariffs.

This, said Professor Staiger, gives rise to two potential issues surrounding the integration of “latecomers” for those who have been actively engaged in tariff bargaining for over 50 years: the preservation of bargaining power and “globalisation fatigue”.

He added: “Developed countries may have little to offer developing countries in reciprocal bargains, which could lead to difficulties in negotiating reductions in developing country tariffs.

“In addition, the existing MFN tariffs of developed countries may be too low for a

world in which developing countries are fully integrated into the global trading system.

“These issues are not unfamiliar, as evidenced by a struggle to accommodate latecomers from early on in GATT/WTO history.

“But the scale of the latecomers problem that faces Doha is unprecedented – and this, rather than sheer numbers of members, may be the biggest difficulty.”

One solution, suggested Professor Staiger, could be for developed countries to renegotiate their existing tariff commitments with each other to “make room at the table” for developing nations such as China, India and Brazil.

He said: “This might seem extreme, but other possibilities that sound less extreme may have much the same effect.”

In particular, Staiger went on to argue, an agreement to limit subsidies to agricultural exports in the developed world could serve this purpose.

Staiger also identified a separate challenge that the Doha round may be struggling with: the rise in offshoring.

He described how offshoring could change the nature of the basic problem that trade agreements must solve and suggested several institutional responses that might be necessary in a world where offshoring is prevalent.

He concluded: “Even if Doha fails and no new commitments are agreed, these issues won’t go away. Nor will the WTO cease to exist or the role it plays stop being central to the performance of the world trading system.

“An over-arching challenge is therefore to understand how best to design the WTO contract and adjudicate and enforce WTO

commitments.

“Adopting an incomplete contracting perspective can be fruitful in meeting this challenge, as such a perspective can help shed light on core features of the GATT/WTO that deserve more attention from economists.”

Sponsored by The World Economy publisher Wiley-Blackwell, The World Economy Annual Lecture represents one of GEP’s most prestigious occasions.

Professor Staiger said he was “honoured” to deliver the 2011 address, entitled What Does Globalisation Mean for the WTO? A View From Economics.



Robert Staiger

Professor Robert W Staiger is the Holbrook Working Professor in Commodity Price Studies in the Department of Economics at Stanford University.

Educated at Williams College and the University of Michigan, he was an Assistant Professor of Economics at Stanford from 1985 until 1991, when he was promoted to Associate Professor with tenure. He joined the University of Wisconsin in 1993 before returning to Stanford as a Professor of Economics in 2006.

Staiger is a Fellow of the Econometric Society and currently serves as a Research Associate with the National Bureau of Economic Research and as a Reporter for the American Law Institute in its study Principles of Trade Law: the World Trade Organisation. He also served as Co-Editor of the Journal of International Economics from 1995 until 2009, becoming Editor in 2010.

GEP lectures

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The Nottingham Lectures in International Economics represent a 'masterclass' series and attract leading academics from around the world.

The World Economy Annual Lecture, The World Economy Annual Asia Lecture and The World Economy Annual China Lecture are all sponsored by Wiley-Blackwell, publisher of The World Economy.

The Leverhulme Globalisation Lecture Series attracts speakers from the policymaking, business and media communities.



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About GEP

Based at the University of Nottingham in the UK and primarily funded by grants from the Leverhulme Trust, GEP is the major centre in Europe studying the impacts of globalisation and economic policy.

In January 2008 it opened GEP in Malaysia at the University of Nottingham's purpose-built Semenyih campus, 30km from Kuala Lumpur. In November 2008 it launched GEP in China at the University of Nottingham, Ningbo, China.

GEP is keen to promote its research work and is committed to communicating its expertise. Its academics have advised the Treasury, the OECD, the World Bank and the WTO.