



The World Today

The Doha Round of Trade Negotiations and the Caribbean

Dr. Marie Freckleton

Senior Lecturer, Department of Economics, UWI, Mona;
Associate Fellow, The UWI Graduate Institute of International
Relations, UWI, St. Augustine

The Doha Round of trade negotiations also known as the Doha Development Agenda was launched in November 2001. The emphasis on development is due to pressure from the developing countries for the trade negotiations to address the imbalances in the international trading system that place them at a disadvantage. The main objectives of the Doha Round as outlined in the Doha declaration are reform of agricultural trade, increased market access for industrial goods and services and strengthening of trade rules. In keeping with the emphasis on development, the Doha declaration includes commitments to liberalise trade barriers that affect products of export interest to developing countries and to review the special privileges offered to developing countries under WTO rules, with a view to enhancing them.

While the Doha Round began with high hopes that the concerns of developing countries would be addressed, progress has been disappointing. The Doha Round was originally scheduled to be completed by December 31, 2004. That deadline was missed and it is now doubtful whether the revised deadline of December 31, 2006 will be met. To date agreement has been reached on only a few issues that affect developing countries. These include agreement by the developed countries to phase out subsidies on agricultural exports by 2013, acceptance of the principle that developing countries will not be required to reduce their tariffs on industrial goods by the same percentage as the developed countries and an offer of duty free access for the exports of the least developed countries.

The negotiations have been hampered by failure to reach agreement on reform of agricultural trade. The members of the Group of Twenty that includes middle income developing countries led by Brazil are insisting that no progress can be made on the other issues on the negotiating agenda until the developed countries agree to liberalise agricultural trade. This position is supported by poor developing countries that are heavily dependent on agricultural exports. The barriers to agricultural trade in developed countries restrict the export opportunities of developing countries. In addition, unfair competition from subsidised agricultural products imported into the markets of developing countries reduces agricultural production.

Given the important role of agriculture as a source of employment and foreign exchange earnings in many developing countries, reform of agricultural trade is critical for their development. This accounts for the determination of the developing countries to push for liberalisation of agricultural trade. ~~It must be noted however that there is strong political~~

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resistance to reform of agricultural trade in the developed countries. The United States and the European Union, two of the major markets for developing country exports, have so far failed to reach agreement on reduction of their barriers to agricultural trade.

In the cases of industrial goods and services the developed countries want increased access to the markets of developing countries. Many developing countries maintain high trade barriers on imports of industrial goods in order to promote industrialisation. The developed countries are asking for significant cuts in the tariffs on industrial products in developing countries in exchange for further liberalisation of agricultural trade.

The Doha negotiations have important implications for Caribbean countries. Reduction in barriers to agricultural trade in developed countries will provide limited benefit for Caribbean countries in the short term as our traditional agricultural exports are uncompetitive and dependent on preferential treatment. However, in the medium term there is the opportunity for increasing exports of non traditional agricultural products. Reductions in tariffs on both agricultural and industrial goods will reduce the preferential margins that Caribbean countries enjoy in their major export markets. Caribbean countries will also suffer a loss of government revenue with the impact being more severe in those countries that depend heavily on trade taxes. The agreement to phase out subsidies on agricultural exports by 2013 will mean higher food prices for Caribbean countries that are dependent on imported food. On the other hand, higher prices for imported food could provide an incentive for increasing regional food production.

With the exception of Trinidad and Tobago and Guyana, Caribbean countries are increasingly relying on exports of services. The limited progress in the area of services is therefore cause for concern. Liberalisation of trade in services has the potential to provide significant benefits to Caribbean countries particularly if the developed countries agree to liberalise movement of temporary workers. This would allow Caribbean countries to benefit from remittances without having to suffer the permanent loss of skilled labour associated with migration.

If the issue of agricultural trade reform is not resolved, it is possible the Doha Round could collapse. This is likely to lead to a proliferation of bilateral trade agreements that would not be in the best interests of Caribbean countries. Bilateral trade agreements are less favourable for the Caribbean due to the limited bargaining power of the region compared to more powerful trading partners. Negotiations under the auspices of the WTO are preferable because they offer opportunities for Caribbean countries to form alliances with other developing countries to strengthen their bargaining power.

While the outcome of the Doha Round is uncertain, it is certain that Caribbean countries will face an increasingly competitive trade environment regardless of the outcome of the negotiations. Survival of the small vulnerable economies of the region therefore requires sustained action to diversify exports and improve international competitiveness.