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MANCHESTER
1824

Is the Doha Round dead? What is the way forward?

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** This article is written in his personal capacity and the views expressed do not necessarily represent that of the South African government.*

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May 2012

BWPI Working Paper 167

Brooks World Poverty Institute
ISBN : 978-1-9077247-66-8

Creating and sharing knowledge to help end poverty

www.manchester.ac.uk/bwpi

Abstract

The WTO Doha Round of negotiations has been at an impasse since December 2008. Several academics and opinion makers have argued recently that the Doha Round is “dead”. This paper discusses the US narrative on the reasons for the impasse in the Doha round and way forward. It contrasts this narrative with that of the major developing country alliances in the WTO and considers some underlying causes for the current impasse in the Doha round. The paper concludes that the US narrative that the Doha round is dead is not supported by the majority of the WTO’s members and that whilst a conclusion of the Doha round is not likely in the near future, there is no viable alternative to concluding the Doha round on its current development mandate.

Keywords: WTO, Doha Round, Development, Trade, Negotiations, Developing Countries, Alliances

Acknowledgements

The author is indebted to James Scott, Rorden Wilkinson, Brendon Vickers and Chris Stevens for comments on earlier drafts.

1. Introduction

The continuing impasse in the Doha round since the collapse of the 2008 WTO ministerial meetings has created much frustration amongst long-standing supporters of the round, leading some to call for dramatic action. On 18 April 2011, the *Financial Times* editorial carried a provocative headline: "Life after Doha. Time to give the decade-old trade round a dignified burial".¹ Professor Jean-Pierre Lehmann, an ardent supporter of the Doha Round, from the Evian Group called for the Doha Round to be "buried".² Other academics closely associated with supporting the Doha Round, such as Richard Baldwin and Simon Evenett, argued that after 10 years of "much progress and frustration" with the DDA programme, "business as usual" will not work any more and stated that "it is time for a new approach to bringing negotiations to a successful conclusion..".³ However, these writers do not provide any reasons for the impasse in the Round, nor do they provide any reasons for the new approaches they propose. These narratives on the impasse in the Doha Round are similar to that offered by the US. The US, as the dominant developed country player in the round has provided its own narrative for the impasse in the Doha round. More recently, and particularly since the December 2012 WTO Eighth Ministerial Conference, the US has also developed a narrative on the way forward for the Doha Round. These narratives, together with that of the US business lobbies, have dominated the discourse on the Doha Round. Although the EU (representing 27 of its member states) is the largest economy in the WTO, it has played a relatively insignificant role in the negotiations since July 2008, being sometimes critical of the strong US positions, but generally tending to follow US leadership. This paper will thus focus on the role of the US in the Doha negotiations.

The US negotiators have argued that there is "not enough on the table". However several World Bank researchers have argued that what is currently on the table in the Doha Round is good enough to conclude the Round.⁴ These researchers argue that "what is on the table would constrain the scope for tariff protection in goods, ban agricultural export subsidies in the industrial countries and sharply reduce the scope for distorting domestic support". The World Bank researchers' findings are that global income gains from improved market access for goods resulting from what is now on the table could be as large as \$US160 billion. They also point out that phasing out fish subsidies that cost the world economy over \$US50 billion dollars annually would be an important outcome. In addition the World Bank researchers' findings are that a trade facilitation agreement is likely to generate the largest trade and income gains of over \$US350 billion. Another trade economist, Patrick Messerlin,⁵ has also argued that if the Doha Round package is accepted, it would improve certainty. In the industrial sector, he argues, the emerging economies would cut their average bound tariffs to roughly 13-15 percent, with very few tariffs remaining above 20 percent. In agriculture, the "pacifying impact" of the Doha Round would have a much greater effect, as the uncertainty in agriculture is much worse. Developing countries have argued that the market access contribution that they will be making in the Doha Round on industrial tariff liberalization will be greater than the contribution of both developed and developing countries in all previous GATT rounds.⁶

¹ *Financial Times*, editorial, 18 April, 2011.

² Jean-Pierre Lehmann (2011), "End the charade in talks on global trade", *Financial Times*, 24 August.

³ Richard Baldwin and Simon Evenette (2011), "Keeping the WTO on track: A Doha down payment and more", in Baldwin, R., and Evenette, S. (eds.) *Next Steps: Getting Past the Doha Crisis*, A VoxEU.org eBook, 28 May. <http://www.voxeu.org/index.php?q=node/6576>

⁴ B. Hoekman, W. Martin and A. Mattoo (2009), "Conclude Doha. It matters!", The World Bank, November .

⁵ P. Messerlin (2008), "Walking a tightrope. World trade in manufacturing and the benefits of binding", SciencesPo and the German Marshall Fund of the United States, June.

⁶ See Ismail, F. (2012). "Developing country coalitions in the WTO Doha Round: the NAMA 11", in Mehta, P.,

This assessment thus refutes the arguments being put forward by the US stakeholders and negotiators that have undervalued the contribution being made by other trading partners in the WTO, particularly the emerging developing countries. Thus, whilst the outcomes of the Round may be relatively modest compared to the highly onerous demands of the developed countries for more market access in Agriculture, NAMA and Services, what is on the table is also considerably less than what developing countries would like to achieve. Developing countries had called for deeper cuts in trade-distorting agriculture subsidies than the offers now on the table from the US and EU; least developed countries (LDCs) had called for 100 percent duty free quota free market access, more than the 97 percent that the US negotiators agreed to at the WTO Hong Kong Ministerial Meeting in December 2005; and in Services trade most of the developed countries, including the US, are unable to offer real concessions to developing countries in opening their markets to the supply of temporary movement of persons. In fact the US negotiators have turned the arguments made by developing country negotiators on their head. Some developing country groups in the WTO have argued that the outcomes of the 2008 texts in agriculture and NAMA were imbalanced against them as the offers made in the “Pascal Package” in July 2008 required onerous market access cuts in industrial tariffs to be made by developing countries, whilst the cuts in the agriculture subsidies of developed countries would still allow them significant space to increase their subsidies.⁷

Why has the US continued to raise the bar on the contributions that developing countries, especially the emerging countries have to make to conclude the Round? What is the US narrative? What is the alternative narrative for the impasse in the Doha Round? What are the underlying causes for the impasse in the Round? What is the US narrative on the way forward in the Doha Round and what is the developing country response to this?

In this paper I will begin by examining the US narrative on the impasse in the Doha Round (Section 2). The alternative narrative is then discussed (Section 3). I then provide three reasons for the Doha Round impasse suggested by developing countries and discuss the underlying causes of the Doha Round impasse (Section 4). The US narrative on the way forward in the Doha Round is then evaluated (Section 5). The developing country response to this narrative is then discussed (Section 6). The paper concludes (Section 7) by arguing that the US narrative that the Doha Round is dead is not supported by the majority of the WTO's members and that, whilst a conclusion of the Doha Round is not likely in the near future, there is no viable alternative to concluding the Doha Round on its current development mandate.

2. What is the US narrative on the impasse in the Doha Round?

The new United States Trade Representative (USTR), Ron Kirk, under the Obama Administration, has offered a consistent narrative for the impasse in the Doha Round since coming into office in early 2009. The argument has been that the current package on the table embodied in the 2008 WTO Chairs Texts did not offer any real gains to the US stakeholders and that the US thus required the major developing countries to provide additional market access to that already provided in the Chairs Texts.⁸ The main

Kaushik, A., and Kaukab, R., *Reflections from the Frontline. Developing Country Negotiators in the WTO* (New Delhi: CUTS International, and Academic Foundation).

⁷ See Ismail, F. (2012), *ibid*.

⁸ *Washington Trade Daily*, 29 June 2009.

rationale for this argument presented by the US was that the “emerging economies were growing faster than the US and increasing their share of global growth”.⁹ Michael Punke, the new US Ambassador to the WTO, appointed by the Obama Administration, argued that “emerging countries had to make significantly more concessions on market access to conclude the Doha Round”.¹⁰ At the G20 Leaders Seoul Summit, President Obama repeated the arguments of the USTR that called for the emerging developing countries to take more responsibility in the Doha Round by making more market access commitments.¹¹ Obama’s concern was clear. Whilst on his visit to several Asian countries and to the APEC Summit, Obama reflected on the rise of these Asian economies and the “healthy competition for jobs and industries of the future”, by stating that: “as President of the United States I make no apologies for doing whatever I can to bring these jobs and industries to America”.¹²

By Easter 2011 the so-called “window of opportunity” that the G20 Leaders spoke of for the Doha Round in 2011 had already begun to close. In his reaction to the Easter (21 April 2011) Reports of the WTO Chairs, the US Ambassador declared that the Round was at an impasse. He argued that the reason for this was that the gaps between the main emerging developing countries and the US remained wide, spanning across the entire spectrum of the Doha Round issues. He explained that these were not technical gaps, but were essentially political.¹³ In a comprehensive statement delivered to the Cairns Group ministerial meeting held in Saskatoon, on 18 September, Michael Punke argued that “no amount of tinkering with the process of the Doha Round negotiations will result in a breakthrough as the issues that divided the US and other emerging markets were related to the fundamental differences that exist on the nature of the responsibilities that emerging markets have with regard to the provision of additional market access”.¹⁴

There is a remarkable convergence in the perspectives of several current and past US trade officials on the main reasons for the impasse in the Doha Round. Interestingly, the narrative of the Democratic Party officials discussed above is not very different from that of some of the former Bush Administration trade officials. Susan Schwab, the chief US trade negotiator (USTR) during the Bush Administration, in her critique of the Doha Round, in an article in the journal *Foreign Affairs* states emphatically that, “the Doha Round has failed. It is time for the international community to acknowledge this sad fact and move on”.¹⁵ In an article analysing the causes of the impasse, Dan Price, the former US Deputy National Security Advisor and Chief Sherpa to President Bush ascribes the current impasse to two “game changing facts”. First, he states that “the relative economic weight of the big emerging markets has expanded dramatically”; and, second, he argues that “the slower recovery in the advanced economies has caused

⁹ WTO doc, Statement by HE Mr Ronald Kirk, USTR. Ministerial Conference, Seventh Session, Geneva, 30 November-2 December WT/ Min (09)/ST/3 1 December 2009.

¹⁰ *Financial Times*, “Leaders warn on Doha deadlock”, 12 November 2010.

¹¹ See Kirk, R. (2011). “The great debate. Moving Doha forward”, Reuters, 11 March.

¹² *Wall Street Journal* (2010). “Obama seeks his trade groove”, 15 November.

¹³ Punke, M., Statement to the WTO TNC, 29 April 2011, see <http://www.ustr.gov/about-us/press-office/speeches/transcripts/2011/april/statement-ambassador-michael-punke-world-trade>

¹⁴ See Statement by Ambassador Michael Punke, Deputy United States Trade Representative, Cairns Group Ministerial Meeting, Saskatoon, Canada, 8 September 2011. See <http://www.ustr.gov/about-us/press-office/speeches/transcripts/2011/september/statement-ambassador-michael-punke>

¹⁵ Schwab, S. (2011). “After Doha: why the negotiations are doomed and what we should do about it”, *Foreign Affairs*, May-June, 2011.

many to question the benefits of globalization, making trade more political than ever”.¹⁶ Susan Schwab puts this more starkly: “More fundamental” she states in her article:

has been the Doha Round failure to address the central question facing international economic governance today: What are the relative roles and responsibilities of advanced (or developed), emerging, and developing countries?

She states that this is a fundamental flaw in the current Doha mandate and thus she concludes that: “What this means, simply, is that it is time to give up on trying to save Doha”. In another recent Op-ed, the former Ambassador of the US to the WTO, Peter Allgeier, describes the impasse in the Doha Round as follows:

This impasse is reflective of a larger phenomenon: what additional responsibilities do the emerging economies have to undertake in return for having a greater role in international decision-making? The two sides have not been able to agree on that price in the WTO and are not likely to agree in the near future.¹⁷

This message became the main narrative for the Doha Round impasse by both the current and former US Administration senior trade officials. All these USTR senior officials, past and present, and including President Obama, have been arguing for three years that the current mandate has not foreseen the rise of the emerging economies, and they have demanded that these economies must pay a much higher price than the Doha mandate envisaged. This narrative for the impasse has been advanced by several other observers of the round. It has also permeated the reasoning of the Director General, Pascal Lamy. In his report to Ministers on the state of play in the Doha Round ahead of the Eighth Ministerial conference, Lamy calls for Ministers to provide political guidance on the “essential question behind the current impasse”, which in his view are “the different views as to what constitutes a fair distribution of rights and obligations with the trading system, among members with different levels of development”.¹⁸ In his final report to the last General Council before MC8, Pascal Lamy repeated this narrative.¹⁹ Having established the broad contours of the US narrative for the impasse in the Doha Round I proceed to discuss some myths and misconceptions in this narrative below.

3. An assessment of the US narrative on the reasons for the Doha round impasse

In addition to the argument that “there is not enough on the table” for US market access interests in the Doha Round (discussed above), there are two other arguments advanced by the US in their narrative of the impasse. First, the US is portrayed in the media as a very aggressive liberalizer, whilst the emerging developing countries are portrayed as being defensive. Second, the emerging markets are considered to be high growth economies that have “emerged” out of poverty and thus are required to make a more

¹⁶ Price, D. (2011). “Trade deals require involvement from Obama and other heads of state”, *The Washington Post*, 19 April.

¹⁷ Allgeier, P. (2011). “We need a December Doha package”, *The Hill*, 14 July, <http://thehill.com/opinion/op-ed/171633-we-need-a-doha-december-package>

¹⁸ WTO doc, “Report by the Director-General”. Ministerial Conference, Eighth Session, Geneva, 15-17 December 2011, WT/MIN(11)/5 18 November 2011.

¹⁹ WTO doc, “General Council, Agenda Item 2 – Report by the Chairman of the Trade Negotiations Committee”, Job/GC/16, 30 November 2011.

significant level of contribution in the Doha Round. These arguments have been advanced by the narrative of the US and other developed country representatives during the past three years to justify their current standoff in the round. We discuss each of these issues more fully below.

Firstly, the US posture in the Doha Round is that of an aggressive trade liberalizer seeking a high level of ambition in the Doha Round, yet some observers have argued that this belies an underlying defensive posture. Ujal Bhatia (Vox e-book)²⁰ has argued that, whilst the US positioning in the Round appears to be offensive – calling for higher levels of ambition in the round – in NAMA and Services, this masks an essentially defensive position:

... the impression that the US is holding out for a more ambitious outcome in defence of global trade liberalization and that the emerging economies in particular are resisting this. Judged by whatever metric we may adopt, the facts do not square with this claim. The US has defensive red lines across the range of negotiating areas – agricultural subsidies, carve outs in agricultural market access, the cotton issue, 100% DFQF, zeroing in anti dumping investigations, stronger disciplines on Standards, disciplines for Services subsidies, Mode 4 market access in Services.... The list is long....

Another recent critique of the Obama Administration trade policies is sceptical of the high ambition for trade liberalization extolled by the US trade negotiators. Greg Rushford argues that “the Obama White House is asking other negotiating partners to express willingness to liberalize their own markets, while remaining determined not to grant additional access to US markets until some undetermined time after the November presidential elections”.²¹

In the course of the Doha negotiations since its collapse in 2008, the US has asserted an offensive posture, demanding more market access from emerging developing countries and a higher level of ambition of the Round. Its offensive posture has masked a more defensive position. The US was demanding that China, India and Brazil indicate the concessions they are willing to make without being able to reciprocate. The US continuously set the bar higher than any of its main negotiating partners could jump, thus appearing to be offensive in its trade policy. The EU has been critical of this more extreme approach of the US to advance its market access interests. By the end of 2009, the EU was frustrated with the inability of the US to provide leadership. This was reflected in the sharp critique posed by the most senior EU trade official, David O’ Sullivan, in a speech made to the Washington International Trade Association on 20 January 2010, where he blamed the US for the impasse in the Doha Round and stated that a conclusion of the Round in 2010 was unlikely because the US was not ready to conclude.²² The EU statement delivered to the TNC on 29 April by the DG of the EU Trade Commission, Jean Luc De Marty, argued that the EU was trying to make “a last ditch effort” to save the Doha Round:

As you have correctly pointed out, Mr. Chairman, the negotiations on NAMA sectorals constitute at this moment, the immediate and next gateway issue. It is clear that without an ambitious result on

²⁰ Bhatia, U. (2011). “Next steps: getting past the Doha Round crisis”, in Baldwin, R., and Evenette, S. (eds.), *Next Steps: Getting Past the Doha Crisis*, A VoxEU.org eBook, 28 May. <http://www.voxeu.org/index.php?q=node/6576>

²¹ Rushford, G. (2012). “The Rushford Report 2012. Obama’s 21st century trade policies”, 30 January. <http://rushfordreport.com/>

²² *Washington Trade Daily*, 21 January 2010.

sectorals – particularly as regards the economically significant sectors of chemicals, machinery and electronics – it will not be possible to conclude the Round in its current form.

However, as concerns developing countries that are highly competitive exporters accounting for a large share of world trade, it is only logical and legitimate to expect them to join developed countries in additional liberalisation through NAMA sectorals.

Whilst the EU proposal made an effort to offer some flexibility to developing countries it make it clear that there will have to be “additional market access on top of the tariff cutting formula...”. The EU proposal was aimed at all formula cutting developing countries (including China, India, Brazil, South Africa, Argentina, etc.). Thus thee EU proposal, whilst attempting to provide a compromise to the more extreme demands of the US, merely joined the US in increasing the pressure on the “emerging developing countries” to open their markets to the US and other developed countries in sectors of interest to them.

In his assessment of the impasse in the Doha Round as part of the 21 April 2011 WTO Chairs Reports, Pascal Lamy describes the unreasonable positions adopted by the US as the most aggressive demandeur on NAMA sectorals. He states bluntly that on the issue of sectorals:

On one end of the spectrum, I heard the need for sectorals to complement the outcome of the formula tariff reductions by delivering significant additional market access. The objective of sectorals would be to rebalance the disparity in the contribution between developed and emerging countries and to achieve, if not equalisation, a harmonization of their tariffs. In other words, the goal of sectoral negotiations would be for emerging countries to “catch up” with developed members regarding the level of market opening.²³

In Lamy’s assessment then the US was going beyond the reasonable expectations of developing countries that their development situation would be recognized and the necessary special and differential treatment and flexibilities, as envisaged in the Doha mandate, would be provided for in the tariff cutting formulas and methodologies.

The second argument in the US narrative for the impasse in the Doha Round has been described in various statements made by the USTR as that of the rising economic growth of “emerging developing economies”. I proceed to discuss this below. The USTR, Ron Kirk, repeated the refrain that he had been making for several months in his speech to the December 2009 WTO Ministerial Conference Plenary Session. He quoted an IMF study which claimed that “58 percent of global economic growth between now and 2014 will be provided by China, India, Brazil, Argentina, South Africa and the ASEAN countries”. He went on to state that “ the creation of new trade flows and meaningful market opening, particularly in key emerging markets, is required to fulfill the development promise of Doha”.²⁴ In its 2010 Trade Policy Agenda, the US states that:

²³ WTO doc, Report by the Director-General on his consultations on NAMA Sectoral Negotiations”, TN/C/14, 21 April 2011.

²⁴ WTO doc, Statement by HE Mr Ronald Kirk, USTR. Ministerial Conference, Seventh Session, Geneva, 30 November-2 December WT/ Min (09)/ST/3 1 December 2009.

key emerging developing countries must take on the additional responsibilities that come with their increased influence in the global economy and make commitments that result in meaningful new trade flows.²⁵

This assertion of the US is based on the erroneous assumption that these so-called emerging economies have made substantial gains in their share of global GDP. In fact, the high growth rates of some major emerging developing countries and high volume of exports often mask the low per capita incomes of developing countries and the levels of poverty that remain high. What is true is the remarkable growth rates of China and India over the past three decades, with China growing at over 10 percent and India over six percent between 1980 and 2010.²⁶ Other developing countries, such as Brazil and South Africa, have also grown more rapidly (over three percent) during the past decade before the onset of the great recession in 2008, whilst the advanced developed countries, such as the US, UK, Germany and France, have grown more slowly at less than two percent.²⁷ However, the share of global GDP of these so-called emerging economies is still relatively small, as this growth has been based on a much lower income base than that of developed countries. By 2010 the share of the BICS (Brazil, India, China and South Africa) in world GDP was 12.8 percent, whilst that of the high-income OECD countries was around 70 percent (see Annex 1). The US economy has enjoyed a 30 percent share of global GDP since 1970, falling slightly after the Great Recession. Amongst developing countries, India has improved its share from one percent in 1990 to over two percent, whilst China has increased its share from one percent in 1980 to over seven percent by 2010.²⁸ The US economy is thus 12 times larger than India and four times larger than China. The wide gap in the shares of the GDP of these emerging developing countries and the OECD countries is further underlined when the share of their respective populations is also compared. The population of the BICS countries was about 40 percent of the world's total population by 2010, whilst the high income OECD countries' share of the world's population had fallen from about 20 percent in 1970 to about 15 percent in 2010 (see Annex 1).²⁹

The US assertion that developing countries are growing and must therefore take on board greater responsibilities in the Doha Round assumes that these countries have been converging with or closing the development gap with the developed countries. In fact developing country per capita incomes remain relatively low and the gap between their per capita GDP levels and that of the OECD countries remains large. A recent comparison undertaken based on World Bank data calculates real per capita GDP in 2010 of Brazil at US\$4699, South Africa at US\$3745, China at US\$2423 and India at US\$829, whilst the average per capita GDP in OECD countries was US\$25635 (see Annex 2).³⁰ Interestingly this study finds that gap between the per capita income of the emerging BICS countries and that of the OECD has been growing and not converging. The study finds that the average per capita income of the high income OECD countries was around nine times higher than the average per capita income of the BIC countries

²⁵ US Trade Policy Agenda, 2010.

²⁶ Farooki, M. and Kaplinsky, R.(2012), *The Impact of China on Global Commodity Prices: The Disruption of the World's Resource Sector* (London, Routledge Studies in the Modern World Economy; Routledge).

²⁷ UNCTAD (2011). "The development responsibilities of key emerging economies", mimeo, Unit on Economic Cooperation and Integration Among Developing Countries, UNCTAD, December.

²⁸ UNCTAD (2011), "The development responsibilities of key emerging economies", mimeo, Unit on Economic Cooperation and Integration Among Developing Countries, UNCTAD, December.

²⁹ World Bank (2011). *World Development Indicators*.

³⁰ UNCTAD (2011). "The development responsibilities of key emerging economies", mimeo, Unit on Economic Cooperation and Integration Among Developing Countries, UNCTAD, December.

in 1970, but in the 2000s it is 11 times higher.³¹ This study finds that during the duration of the Doha Round the absolute per capita income gap between the “key emerging economies” and the advanced economies has widened further.

Some recent scenarios of global growth, undertaken by the Carnegie Endowment for International Peace, project that whilst China will become the world’s largest economy by 2050 and India will be the world’s third largest economy after the United States, US per capita GDP will still be three times that of China and over eight times that of India in 2050.³² Whilst the growth of emerging countries has significantly reduced global poverty levels, the emerging countries are still the home of a large number of poor people (living on under \$1.25 per day): with over 200 million in China; 456 million in India and 81 million in Brazil in 2005.³³ Thus the US assumption that the high growth of emerging developing countries should be associated with increasing “convergence” of these economies with the OECD high income countries is misconceived. It does not take into account the relatively small share of global GDP of the BICS economies (about 10 percent); their relatively low per capita incomes (and the widening gap with OECD high income countries); and their remaining burden of a large share of the world’s poorest people.

I proceed below to provide a different perspective from the US narrative on the reasons for the current impasse. I also provide an analysis of the underlying causes of the current impasse.

4. What is the developing country narrative for the Doha Round impasse and the underlying causes of the Doha Round Impasse?

What is the developing country narrative for the impasse in the Doha Round? There are at least three reasons that developing countries and NGOs have provided for the impasse in the Round.³⁴ These include: the increasing demands of the US for additional market access beyond the agreements reached in the July and December 2008 texts; the increasing shift away from the development mandate of the Doha Round; and the failure of the US to deliver on the LDC package, which includes duty free quota free market access and an outcome for the four LDC cotton producers (“the Cotton Four”) that continue to suffer employment and production losses from the trade-distorting subsidies provided to US cotton farmers. This is the alternative narrative for the current impasse in the Round. However, these reasons do not reflect the deeper underlying causes of the Doha Round deadlock. It does not answer the question, why the US (and the EU) has not been able to deliver on the promises made in the Doha Development mandate and conclude the Round? I proceed below to discuss this question, and the underlying causes for the current impasse in the Round.

The Doha “development mandate” established a number of principles and commitments in favour of developing countries. These include a provision that called for the Round to address the needs and

³¹ UNCTAD (2011). “The development responsibilities of key emerging economies”, mimeo, Unit on Economic Cooperation and Integration Among Developing Countries, UNCTAD, December.

³² Dadush, U., and Stancil, B. (2010). “The world order in 2050”, Carnegie Policy Outlook, Carnegie Endowment For International Peace. Working Draft. February. See also Dadush, U. and Shaw, W. (2011). *Juggernaut. How Emerging Markets are Reshaping Globalization*. Washington, DC: Carnegie Endowment for International Peace.

³³ UNCTAD (2011). “The development responsibilities of key emerging economies”, Draft Paper, December.

³⁴ See South Centre, *Bulletins*, May 2010, Issue 46; April 2011, Issue 54; and December 2011, Issue 58 www.southcentre.org

interests of developing countries.³⁵ The principles of Special and Differential Treatment and Less than Full Reciprocity (LTFR) recognized the different levels of development of developed and developing countries to be applied to the market access formulas. And the mandate agreed that the central focus of the Round will be on reforming the agriculture policies of developed countries that continue to distort trade and undermine the agricultural development of the majority of developing countries. In each of these areas, the US and other developed countries have been unable to deliver on the promises and commitments made in the Doha mandate.

In a recent study, Alasdair Young³⁶ provides an assessment of the underlying causes for the impasse in the Doha Round. He argues that this is due to the interaction between three factors: firstly, the presence of a superior alternative (BATNA)³⁷ or the status quo for key actors in both the US and the EU; secondly, the demanding ratification procedures means each of them have a relatively small “win-set”³⁸ and, thirdly, that the relatively even distribution of power in the global economy has thus far prevented the US and the EU negotiators “from being able to shift the negotiations such that a prospective agreement is sufficiently superior to the status quo..”³⁹ Each of these three hypotheses for the current deadlock and of the underlying causes of the deadlock advanced by Young are discussed further below, with specific reference to the role of the US.

Firstly, a study undertaken by the Washington-based Peterson Institute⁴⁰ argues that there is insufficient market access to appease the US constituencies and spur them to take the Round seriously. These constituencies, the study states, have argued that “there isn’t enough on the table”. However, as discussed above, a number of World Bank studies,⁴¹ including a recent book⁴² have provided sufficient evidence that reveals that the US will make real gains in market access in agriculture and NAMA. Whilst these gains are modest, the gains from increased stability and security in the bound tariffs, and strengthened rules in important areas of interest to the US, such as Trade Facilitation, Environment and Fish Subsidies, the World Bank writers argue, are considerable. The World Bank writers all make a compelling argument that market access gains alone should not be the main parameter or metric for assessing gains from the Doha Round. However, as the analysis above reveals, the US constituencies have consistently adopted a narrow approach to the gains to be made in the Doha Round, ignoring the

³⁵ See Paragraph 2 of the Doha Mandate and Paragraph 24 of the Hong Kong Ministerial Conference.

³⁶ Young, A. (2010). “Transatlantic intransigence in the Doha Round”, in Narlikar, A. (ed.) (2010), *Deadlocks in Multilateral Negotiations. Causes and Solutions* (Cambridge: Cambridge University Press). A win set is defined as “the range of outcomes for which a sufficient majority can be constructed” (p. 124).

³⁷ BATNA is defined as, Best Alternative To No Agreement (BATNA) in Young, A. (2010). “Transatlantic intransigence in the Doha Round”, in Narlikar (2010), *ibid.*

³⁸ A win set is defined as “the range of outcomes for which a sufficient majority can be constructed”, Young, A., “Transatlantic intransigence in the Doha Round”, in Narlikar (2010), *ibid.*

³⁹ Young, A. “Transatlantic intransigence in the Doha Round” in Narlikar, A. (2010), *ibid.*

⁴⁰ G. Hufbauer, J. Schott, M. Adler, C. Brunel and W. Wang (2010). “Figuring out the Doha Round”, Peterson Institute for International Economics, 2010. This study revises and updates an earlier working paper titled: “What’s on the Table? The Doha Round as of August 2009”, which was posted on the Peterson Institute website in August 2009.

⁴¹ Hoekman, B., Martin, W., and Mattoo, A. (2009). “Conclude Doha. It matters!”, The World Bank Poverty Reduction and Economic Management Network, International Trade Department and Development Research Group Trade Integration Team, November, Policy Research Working Paper, 5135. See also Laborde, D., Martin, W. and van der Mensbrugge, D. (2011). “Implications of the Doha Market access proposals for developing countries”, The World Bank Development Research Group, Agriculture and Rural Development Team and Development Prospects Group, June, Policy Research Working Paper, 5679.

⁴² Martin, W., and Mattoo, A. (eds.) (2011). *Unfinished Business? The WTO’s Doha Agenda*. The World Bank, Washington.

more systemic impact of the Round. In addition, the US legislators guided by these lobbies have taken the view that “no deal is better than a bad deal”, preferring the status quo rather than to lose votes in an increasingly hostile environment for trade in the US prior to the US 2012 Presidential elections.

Second, Professor Jagdish Bhagwati, in his famous “dead parrot” article, puts the blame squarely on the lack of political resolve by the Obama administration to provide leadership since the breakdown of the Doha negotiations in 2008.⁴³ He ascribes this lack of movement on trade by the Obama Administration to the political gridlock in Congress and within the Democratic Party and its main allies in the Trade Unions. Bob Zoelick, the former USTR and current President of the World Bank, in a speech to the Society for International Development, warned that the “general trend towards isolationism in the United States is a bit frightening”.⁴⁴ Moreover, the US has had no consensus on trade policy since the onset of the Obama administration. And this had weakened its ability to pass the three bilateral trade deals that were negotiated by the Bush Administration. These three agreements were finally passed by the US Congress in the autumn of 2011. Moreover, the haggling over these trade agreements reflects how difficult trade is generally for the current Administration. Dan Price has thus argued that the slow recovery from the Great Recession and the persistence of high levels of employment in the US has reduced the political support for trade in the US.⁴⁵

The third hypothesis above, advanced by Young as an underlying cause of the impasse, is the changing configuration of economic and political power and the more even balance in the WTO negotiations which has prevented the US and other developed countries from tilting the balance of the negotiations totally in their favour. For the first time in the entire history of the GATT/WTO negotiations, since 1947, the United States has been unable to drive the negotiating process towards its own interests.⁴⁶ Developing country groups led by the larger developing countries in the G20, NAMA 11, G33 and the G90 group have succeeded in blocking unfair demands and proposals of the US and the EU. This has been an important reason for the impasse in the Round at each stage of the process (for example, at Cancun) and is clearly one of the underlying reasons for the current impasse.⁴⁷

It is the interaction of all three hypotheses advanced by Young that best explain the current deadlock in the Doha Round. These include the presence of a superior alternative (or status quo), combined with demanding ratification procedures, and a relatively even distribution of power in the global economy. To this must be added the lack of leadership of the major developed countries, the US and EU, to deliver on their promises made at Doha to address the current imbalances and underlying development challenges of developing countries in the trading system. The impasse in the Doha Round is thus principally due to the perception of the major lobbies in the US that they are better off with the current status quo rather than the outcomes of the Doha Round based on its current mandate and texts. The lack of political leadership displayed thus far by the Obama administration in bringing to the fore the larger gains in the round for the US stakeholders and the US economy reflects the delicate balance of political power and the high propensity of the political system towards gridlock. This is compounded by the growing mythical

⁴³ See Bhagwati, J. (2011). “Dead Parrot Trade Talks”, Project Syndicate, 17 March <http://www.project-syndicate.org/commentary/bhagwati10/English>

⁴⁴ WTD, 1 August, 2011.

⁴⁵ See Price, D. (2011). “Trade deals require involvement from Obama and other heads of state”, *The Washington Post*, 19 April.

⁴⁶ See Wilkinson, R. (2006). *The WTO: Crisis and Governance of Global Trade* (London, Routledge, 2006).

⁴⁷ See Braz, B. (2012). “Running into a brick wall: the WTO Doha Round, governance gaps and geopolitical risks”, *Global Policy*, 3(1), February 2012.

perception in the US that the emerging developing countries, led by China, India and Brazil, are making more gains from the trading system than the US and should thus pay more. These are the main underlying causes of the current impasse in the Doha Round.

5. What is the US narrative on the way forward for the Doha Round?

In the period leading up to the G20 Cannes Summit held in November 2011, the views of the US Ambassador on the way forward in the Doha Round, expressed in his statement to the Cairns Group⁴⁸ were complemented by separate submissions sent to all the G20 countries by Australia⁴⁹ and the EU.⁵⁰ The Australian submission, the US statement made to the Cairns Group, and the EU submission do have some similarities and notable differences. We discuss these in turn. What are the similarities in the views of all three submissions? Firstly, they all declared the Doha Round to be undoable in the short term and called for “new approaches” to the WTO negotiations. Secondly, they all argued for new “plurilateral” negotiations to be undertaken on a sectoral basis. Thirdly, they expressed support for a mandate to negotiate so-called “new issues”, including: climate change, investment, competition, and food security. Fourthly, they called for the single undertaking to be abandoned with issues to be negotiated “piece by piece”. What are the differences between these papers? Firstly, whilst the EU submission calls for “plurilaterals” to be explored on the basis of the MFN (most favoured nation) principle (where concessions are extended to all participants), the US and Australia argue that these “plurilaterals” should be based on a non-MFN basis (where concessions are only extended to participants such as in the WTO Government Procurement Agreement). The views of the US government on the impasse in the Round and the way forward resonated with that of the US services industry. We discuss these views below.

The US business lobbies were actively involved in trying to shape the future of the Doha Round. A meeting of US business lobbies representing services, agriculture and manufacturing associations met on 27 July 2011, in Washington to discuss how to get beyond the current impasse in the Doha Round. At the meeting convened by the Washington International Trade Association (WITA), some delegates called for a new “business model” to secure additional market access from the emerging developing countries.⁵¹ These delegates proposed as alternatives, “plurilateral negotiations, single-sector talks, and non-MFN discussions”. Another delegate argued that; “we need to move away from the current texts”, and called for “increases in market access in the major emerging markets in agriculture, NAMA (Non-Agricultural Market Access) and services trade”.⁵² The delegates also called for the single undertaking principle (“nothing is agreed until everything is agreed”), that the Doha Round negotiations is based on, to be “abandoned”.

⁴⁸ Punke, M. (2011). Statement at the Cairns Group Ministerial Meeting, Saskatoon, Canada, 8 September, <http://www.ustr.gov/about-us/press-office/speeches/transcripts/2011/september/statement-ambassador-michael-punke>

⁴⁹ Craig Emerson (2011), “A new pathway to global trade reform” 17 October www.trademinister.gov.au/releases/2011/ce_mr_111017.html

⁵⁰ European Union (2011). G20 Summit in Cannes, EU non-paper on the WTO Doha Round, 19 October.

⁵¹ See *WTO Reporter* (2011). “Business representatives explore ways to liberalize trade as Doha falters”, 29 July. Also see: *Inside US Trade* (2011), “Business groups say countries should rethink, or abandon, Doha Round”, 29 July.

⁵² Dave Salmonsens, Senior Director of Congressional Relations with the American Farm Bureau.

Frank Vargo, vice president for international economic affairs, with the National Association of Manufacturers, and Bob Vastine, President of the Coalition of Service Industries, also argued that the MFN principle (where concessions are extended to the entire membership of the WTO) should be replaced by a new concept: “we could have plurilateral sectorals that only benefit the countries that agree to participate”.⁵³ On the future of the Round, one of the delegates (Frank Vargo) argued that it was a waste of time to actually declare that Doha is “dead”. Instead, he argued, the Doha Round should be conceived “as an ‘agenda’ for reaching agreements in different areas at different times”.

The WTO Eighth Ministerial Conference (MC8), held in December 2011, was inconclusive on the way forward (discussed below) in the Doha Round, as members had very different perspectives on this issue. In the period subsequent to MC8 some of these business lobbies were to meet again and discuss how to advance a “services plurilateral agreement” in the post-MC8 period. The reports⁵⁴ of these meetings help to provide some insights into the motivations and intentions of the proponents for a so-called “plurilateral” services agreement. The main proponents of the agreement are the US Coalition of Service Industries (CSI) and the Australian Services Industry. Both the UK and the European Services Forums were also considering the issue, although they have declared a preference for a services plurilateral based on the MFN principle – where concessions are extended to the entire membership of the WTO, such as in the WTO Information Technology Agreement (ITA).

However, the United States CSI did not support an MFN type “plurilateral”, as they believed this would suffer from a “free rider” problem. Instead they supported a non-MFN plurilateral – where the concessions are extended only to the participants of the agreements, such as the WTO Government Procurement Agreement (GPA). In Geneva, the US Ambassador led the argument that a solution to the current impasse was unlikely in the near future, as the impasse was rooted in the different perspectives on the new responsibilities of the emerging developing countries.⁵⁵ He stated that the US would begin to work with those members that were willing (“coalition of the willing”) to discuss a possible plurilateral agreement in services. This agreement would be based on Article 5 of the General Agreement on Trade in Services (GATS). Article 5 provides for FTAs (Free Trade Areas) to be negotiated between a subset of the WTO membership in Services, provided substantially all trade is covered.⁵⁶ We proceed to discuss why this approach by the US towards “plurilaterals” in services negotiations is misconceived and is unlikely to succeed.

⁵³ Plurilateral Agreements between a small group of members can be negotiated in the WTO, but need all the members to agree to this by providing a **waiver** from the MFN Principle. The MFN principle is a core principle of the WTO and requires that no country should be discriminated against, and thus concessions agreed by some members have to be available to all members of the WTO unless the membership agree to **waive** their rights in this regard.

⁵⁴ Coalition of Service Industries (2012), “Moving services liberalization forward using a plurilateral approach”, 19 January,; Bloomberg BNA; *TheCityUK* (2012), “After Doha: ‘next generation’ services negotiation. Current arguments for a services-only approach”. Note by TheCityUk (undated); Bloomberg BNA, *WTO Reporter* (2012), “Services, US in initial talks on launching services plurilaterals outside of Doha”, 19 January.

⁵⁵ Bloomberg BNA, *WTO Reporter* (2012, *ibid.*

⁵⁶ *Washington Trade Daily* (2012), “A plurilateral services pact”, 21(14), 19 January.

6. An assessment of the US narrative on the way forward

The US Coalition of Services Industry's (CSI) motivation for a "stand alone" agreement on Services is that the Doha Round single undertaking that established linkages between the various issues in the negotiations, including Agriculture, NAMA and Services, has impeded progress in the services negotiations. It therefore believes that an ambitious services "plurilateral" would create a powerful incentive for "recalcitrant emerging market economies to join".⁵⁷ However, this "stand-alone" and "plurilateral" approach favoured by the US CSI is not likely to succeed, as the majority of developing countries are not likely to become part of such a services agreement for several reasons. Firstly, the proposed Services "plurilateral" will undermine the single undertaking by negotiating a standalone agreement in Services that eliminates the linkages that developing countries have in the DDA to negotiate reforms in Agriculture. Secondly, such a "piece by piece" approach to issues will withdraw the linkages to the development issues that are part of the Doha single undertaking, such as the LDC package and other development issues of interest to the African Group and African Caribbean and Pacific Group (for example, the negotiations to strengthen Special and Differential treatment and the special treatment accorded to Small and Vulnerable Economies). Thirdly, the commitment in the Doha Round to the development mandate that contains the promise of making the WTO agreements and rules more development friendly will be undermined by this new approach of the US, Australia and other developed countries. In addition those members that will be willing to join such initiatives, such as the EU, Japan, Canada, Australia, Mexico and Singapore, have little additional value to add to US mercantilist market access interests. In most cases the US already has FTAs with these countries (Mexico, Canada, Singapore, Australia) and has well developed market access into the other markets (EU, Japan). Thus ministers from Brazil, India and South Africa, meeting on the margins of the Davos meeting in January 2012, were critical of the "new pathway" to address the Doha Round impasse by stating that such "plurilateral initiatives go against the fundamental principles of transparency, inclusiveness, and multilateralism".⁵⁸

Why is the US pursuing such an approach? A "plurilateral" approach based on the "coalition of the willing" proposed by the US is the only way that the US still attempts to maintain some control and dominance over the process. In addition, the demand for a higher level of ambition beyond the capacity of the major developing countries, such as China, India and Brazil, to participate, projects the US as a liberalizer whilst masking its inability to make any market access concessions itself, due to the lack of political support for the Doha Round in the US. The US initiative for a "services plurilateral" in the WTO can be compared with the US initiative for a Trans Pacific Partnership (TPP) agreement or plurilateral on goods trade. The TPP initiative,⁵⁹ which is a first major transcontinental (plurilateral) trade agreement in Goods, has limited capacity to gain real advances for US market access. The group includes the US, Singapore, Australia, Peru, Chile, Brunei, Vietnam, Malaysia and New Zealand. Except for Vietnam, Malaysia and New Zealand, the other countries (Singapore, Australia and Chile) already enjoy FTAs with the US. Thus there has been speculation in the press by political analysts that the real reason for the TPP is to create the pressure to bring China into conformance with the standards of the US.⁶⁰ The main

⁵⁷ Coalition of Service Industries (2012), "Moving services liberalization forward using a plurilateral approach", 19 January.

⁵⁸ *Washington Trade Daily* (2012), "An inconclusive discussion on trade", 21(21), 30 January.

⁵⁹ Bloomberg BNA, *WTO Reporter* (2012), "Trans-Pacific partnership talks to dominate trade negotiations agenda in 2012", 23 January.

⁶⁰ *Financial Times* (2011), "Obama to laud progress on trans-Pacific free trade pact", 10 November.

objective of the TPP according to Karen Bhatia, a former US Deputy Trade Representative is to “create a bloc of sufficient mass to put pressure on China to join and thus subject more of its economy to such disciplines”.⁶¹ Bhatia went on to state that “the idea of the TPP was to use an initial core group of enthusiastic free-traders to create a gravitational force that would bring others in”.

Thus we have argued that the “stand-alone” services “plurilateral” or “new approaches” proposed by the US as a way forward in the current Doha Round is misconceived and is unlikely to succeed. The majority of developing countries, especially the major emerging economies, will not participate in this plurilateral approach as it will undermine the conclusion of the Doha Round. Furthermore, the high ambition being sought by the US in such a “services plurilateral” is unlikely to attract developing countries as the bar is deliberately set higher than the major developing countries will be willing or able to accept. Thus the US will be projected as a liberalizer, whilst masking its inability to make any market access concessions in an election year while there is a hostile attitude to trade liberalization amongst the majority of its constituencies. In the concluding section below we set out the alternative narrative expressed by developing countries on the way forward in the Doha Round.

7. Conclusion

Thus far, this paper has argued that the narrative advanced by the US (and others) that the Doha Round is dead and that its mandate is obsolete does not reflect the views of the majority of developing countries. We have argued that the narrative that the Doha Round is dead and the reasons advanced by the US trade officials for the current impasse in the Doha Round are based on several misconceptions. These misconceptions relate to the posture of the US as an aggressive liberalizer whilst it remains largely defensive. Secondly, the US is depicted as not making sufficient gains from the Round, whilst there is sufficient evidence provided by researchers that there is “enough on the table” and that the US in any event is taking too narrow a view of the benefits of the Round. Thirdly, the high growth of emerging developing countries that the US points to ignores the reality that these countries are still poor, with per capita incomes that are much lower than the US. In addition, the failure to conclude the Round is mainly based on the underlying economic conditions and political gridlock in the United States. It is clear that the US remains the largest obstacle to overcoming the current impasse in the Round at this juncture, as Bhagwati has stated. So a renewed momentum in the Round will depend on a change in the political and economic conditions in the US that has given rise to the “dead parrot”. The paper has also argued that the US (and some other developed countries) demand for new approaches on the way forward will have the effect of undermining the Doha Round and is unlikely to succeed as the major emerging developing countries are unlikely to join the proposed services plurilateral. In any event, the US approach raises the bar above the capacity of these countries to participate in such an agreement. At the WTO Eighth Ministerial Conference, held in December 2011, developing country groupings including the Africa Group, ACP, LDCs, the SVEs, Argentina, Brazil, China, Ecuador, India, Paraguay, Uruguay and Venezuela, comprising over 100 developing countries, stated their views on the impasse in the Round and the way forward in a Ministerial Declaration, called “Friends of Development”.⁶² They committed to concluding the Doha Round on its Development mandate, on the basis of the single undertaking in an inclusive and transparent manner. They rejected attempts to move forward by adopting plurilateral approaches that

⁶¹ *Financial Times* (2011). “Obama to laud progress on trans-Pacific free trade pact”, 10 November.

⁶² WTO doc, “Friends of Development Declaration, 15th December 2011, Geneva, Switzerland”, Ministerial Conference Eighth Session, Geneva, 15-17 December 2011 WT/MIN (11)/17 16 December 2011.

excluded and marginalized the majority of developing countries. They also rejected efforts to focus instead on so-called new issues, such as investment, competition or energy and climate change in the WTO, whilst the Doha Round is abandoned or placed on the backburner. They argued that if any issues are to be harvested early, the priority should be on issues of interest to the LDCs, such as cotton and Duty Free Quota Free Market Access.

Whilst the major developing countries have recognized that their economies have been growing much faster in recent years than the developed countries and that as a consequence their share of international trade has been improving, they have pointed to the continuing severe developmental challenges that they still face as developing countries. These developing countries argued that they have already offered significant concessions in the Round and that it is unfair for the developed countries to expect additional concessions from emerging economies without commensurate reciprocity. The WTO membership thus remained divided at the December 2011, Eighth Ministerial Conference, with no solution as to how to break out of the deadlock and without a way forward or work programme for 2012. Thus, a way forward in the Doha Round is not going to be clarified soon.

A new pathway out of the current impasse will require the US to move beyond its narrow “mercantilist” assessment of the gains that it will make from the round. Seen from this narrow perspective “what’s on the table” is relatively modest and falls short of the demands of US business lobbies. However, the gains for developing countries “on the table” will also fall far short of their initial demands and the promises made in the Doha development mandate. As World Bank researchers have implored, “instead of judging what is on the table in the DDA by the metric of significant liberalization, it should be recognized that the WTO is primarily an institution that provides a mechanism for members to make policy commitments ... that bind current levels of openness in industry, agriculture and services and current levels of subsidization in agriculture”.⁶³ In any event as the assessment made in this paper suggests the US is more defensive on several issues in the Doha round and its current rhetorical demand for a high level of ambition has more to do with its lack of a clear mandate on trade policy as Bhagwati has pointed out. Part of the underlying reason for this I have argued is related to the poor economic environment since the onset of the Great Recession in 2008. A recent report of the ILO on employment suggests that “in most advanced countries, especially in Europe, job recovery is not expected before the end of 2016 – unless there is a dramatic shift in policy direction”.⁶⁴

Trade liberalization that threatens to exacerbate job losses is unlikely to be supported by stakeholders and constituencies in both developed and developing countries. However, a careful calibration of further market opening that is supportive of socially inclusive development is more likely to gain support including in developed countries faced with high levels of unemployment. Thus the need to re-calibrate the current onerous and unrealistic market access demands by some developed countries will be essential to re-invigorate the Doha negotiations and conclude the Doha round on the basis of its development mandate. The conclusion of the Doha round on its development mandate will restore confidence in the trading system and build trust that will be required to engage on the many new challenges that confront the trading system such as climate change. A strengthened and more legitimate

⁶³ Hoekman, B., Martin, W., and Matoo, A., “Conclude Doha. It Matters!”, The World Bank Poverty Reduction and Economic Management Network, International Trade Department and Development Research Group Trade Integration Team, November 2009, Policy Research Working Paper, 5135

⁶⁴ ILO, “World of Work Report 2012: Better Jobs for a Better Economy”, Geneva, 2012.

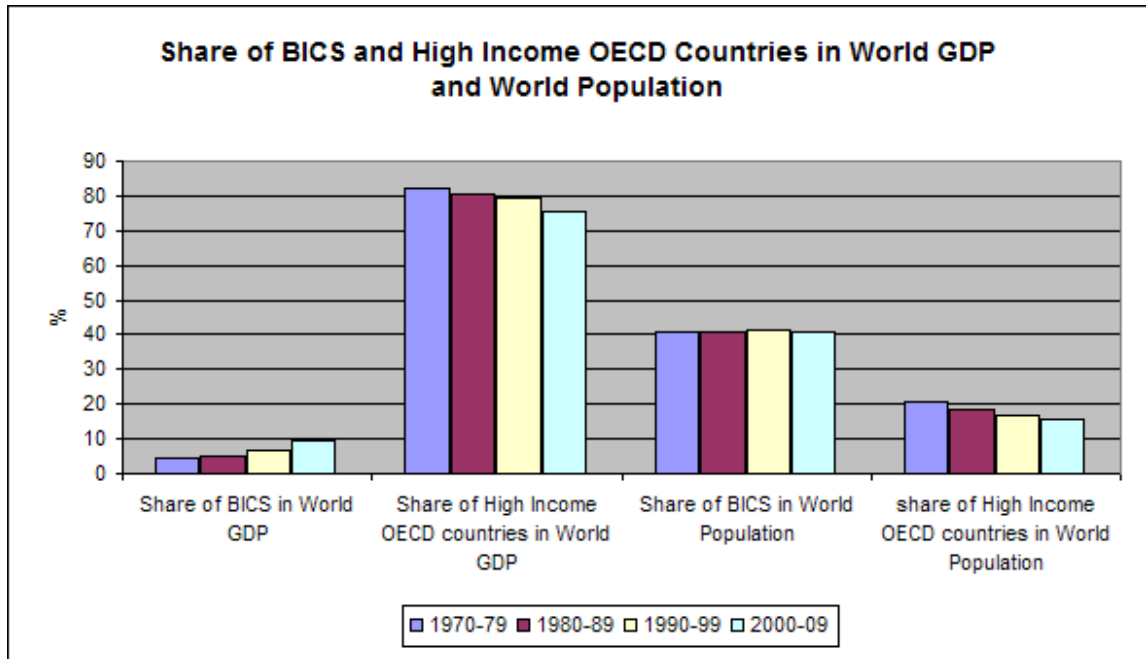
multilateral trading system is the most effective collective insurance policy the world has against the downward spiral of protectionism witnessed during the Great Depression in the 1930s.

How soon such a new pathway out of the current impasse is defined depends on the political will of the major players, principally the US. Fred Bergsten, a leading US trade economist, has argued that the US is the world's largest economy and remains the largest beneficiary of liberalization under the GATT.⁶⁵ It is also still the world's richest economy, with a per capita income 15 times that of China and 47 times that of India.⁶⁶ For the Doha round to succeed the US must provide the leadership that is consistent with this economic strength and deliver on the promises made in Doha to conclude the round on its development mandate.

⁶⁵ F. Bergsten, 'Obama needs to be bold on trade', Financial Times, 24th June 2009.

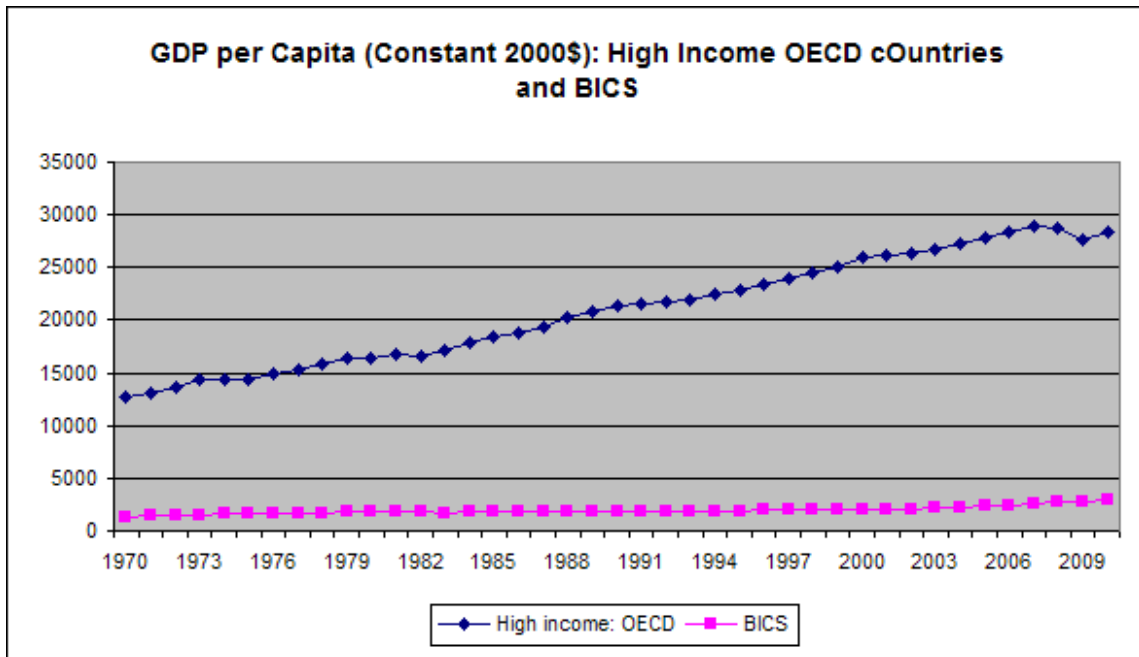
⁶⁶ World Bank, World Development Report, Washington, 2010

Annex 1



Source: UNCTAD, Unit on Economic Cooperation and Integration among Developing Countries, December 2011.

Annex 2



Source: UNCTAD, Unit on Economic Cooperation and Integration among Developing Countries, December 2011.

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