

Poverty and the WTO:
Impacts of the Doha Development
Agenda

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and

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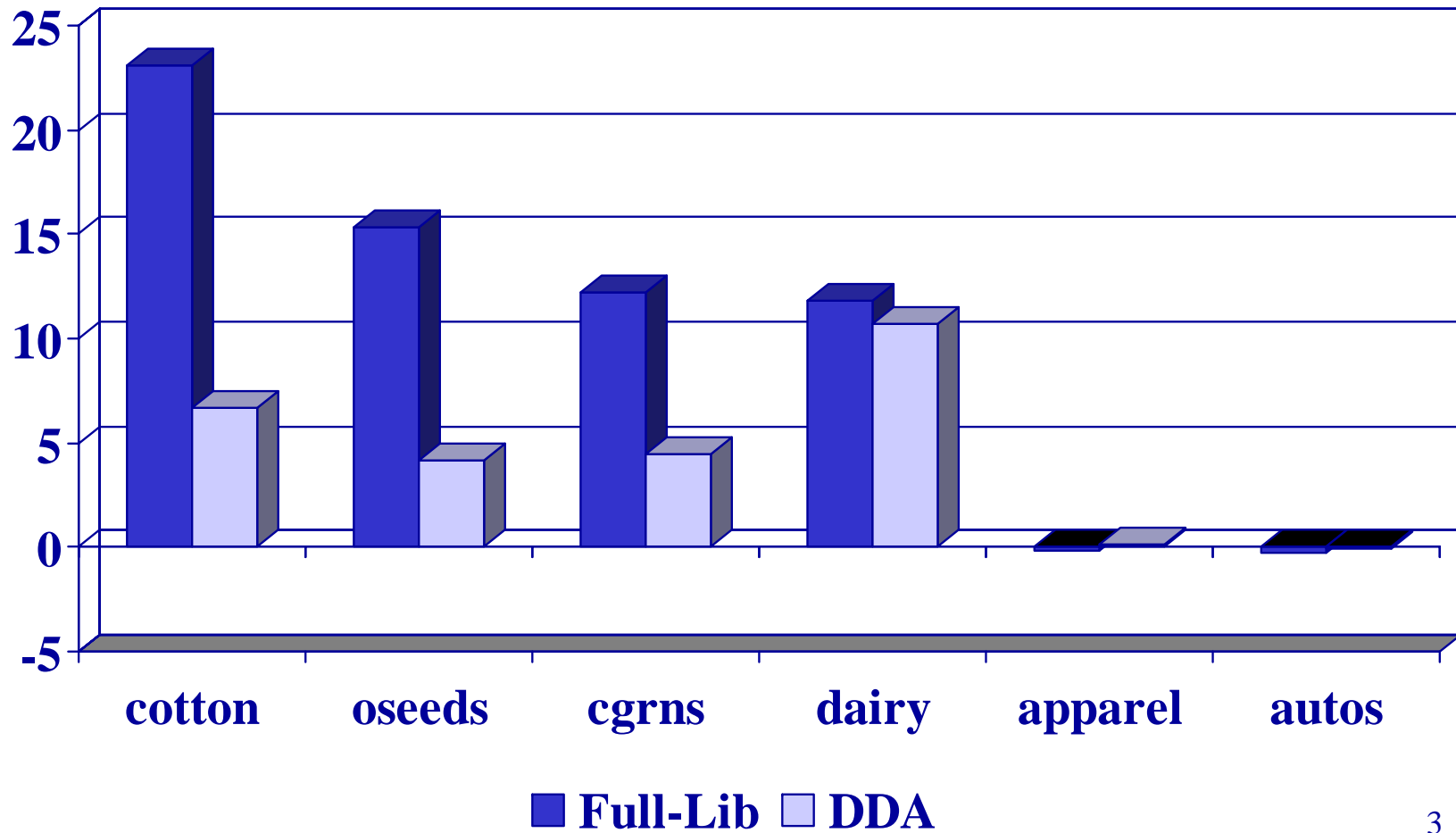
Purdue University and Development
Research Group, The World Bank

Method

- Establish new “policy benchmark”:
 - Post-UR, including ATC quota elimination
 - Post-WTO accession for China and others
 - Post-EU enlargement
- Define an ambitious DDA scenario
- Assess implications for world markets
- Communicate them to national models
- Implications for poverty in individual countries: 12 case studies in Latin America, Africa and Asia
- Near term vs. long run impacts
- Supplement with 2 global studies

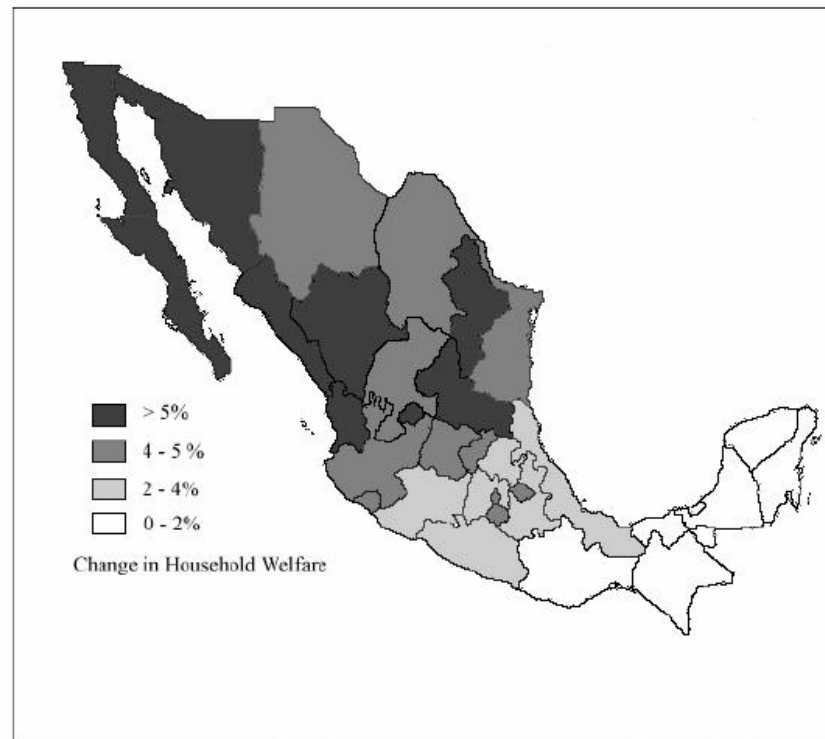
Impact Of Trade Reforms On World Prices

(percentage change in average price)



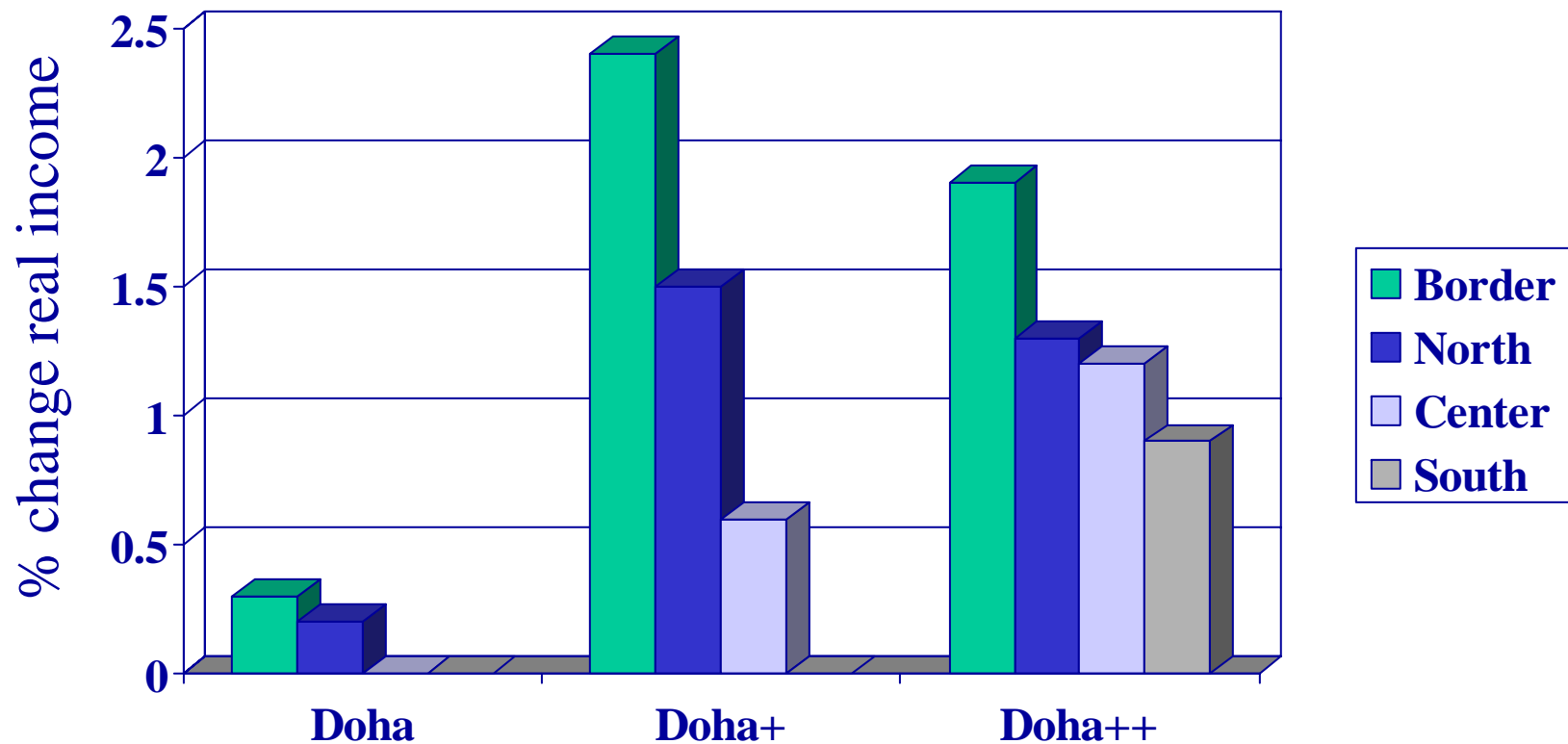
Incomplete price transmission yielded unequal gains from Mexican trade reforms in 1990's

Figure 5.3 Trade Liberalization and Households Welfare: Regional Effects.



Source: Nicita, 2004.

Doha impacts on poorest rural households in Mexico
also influenced by price transmission (Nicita, 2005)

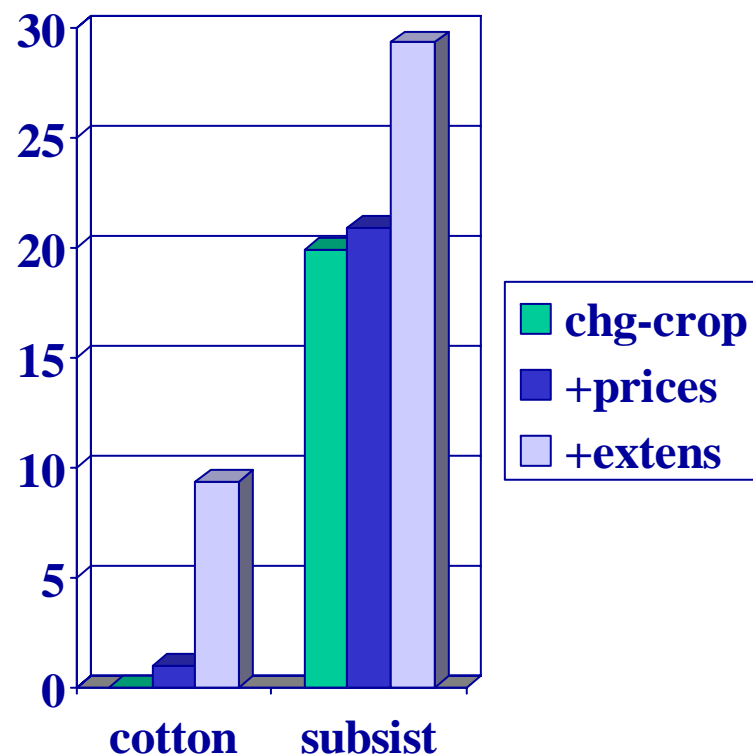


Doha+ = Doha and Productivity enhancement

Doha++ = Doha+ and enhanced price transmission

Complementary reforms can greatly enhance poverty gains

- Consider subsistence hhlds with same characteristics as cotton growers; consider gains from switching to cotton as opportunities improve
- Switch boosts income 20%
- Higher cotton prices add 1%
- Improved extension services boost productivity by 8.4%
- Total income gains to hhld could be nearly 30%
- Also improved LR nutritional status of children

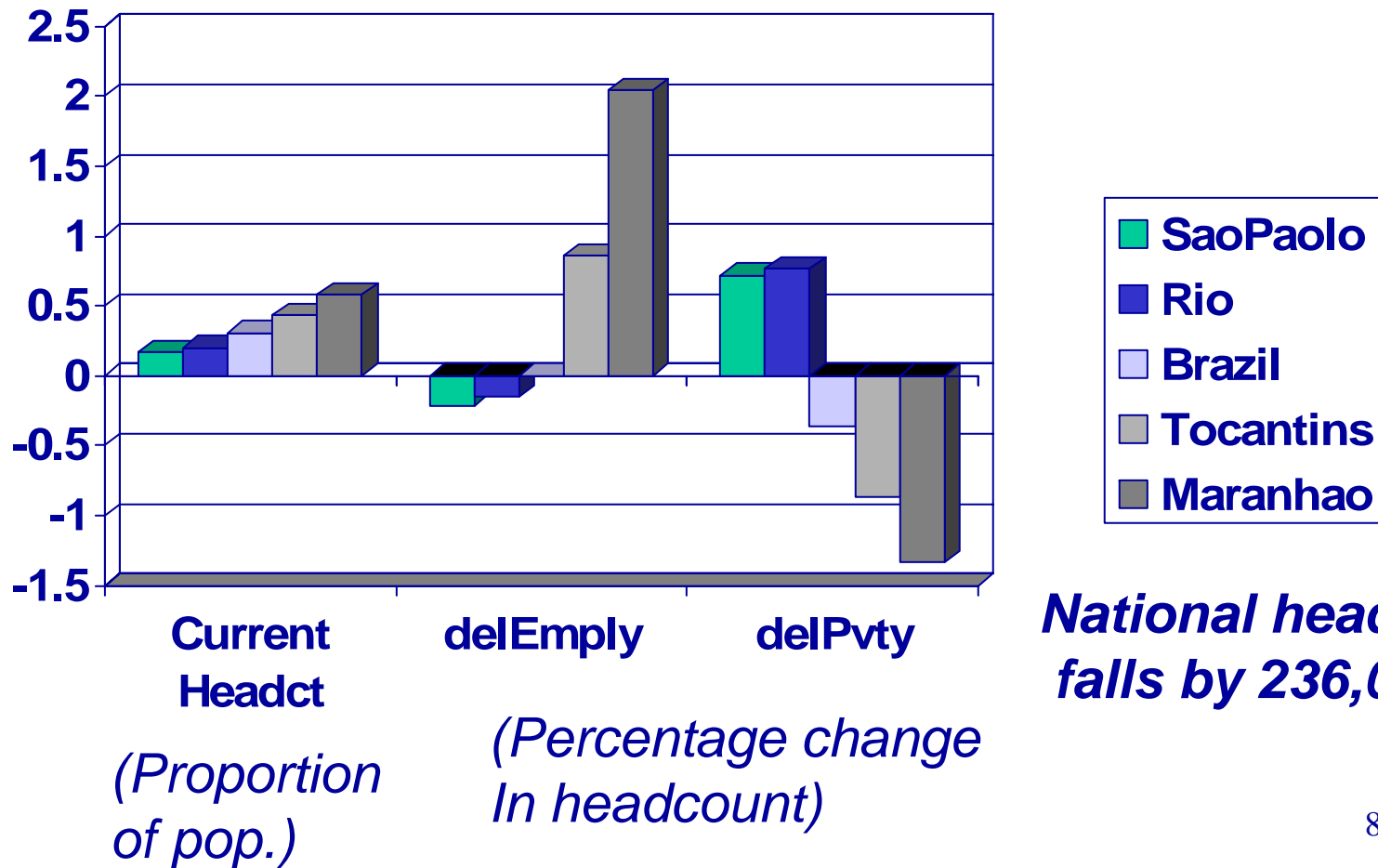


Real income gains to farm households in Zambia 6

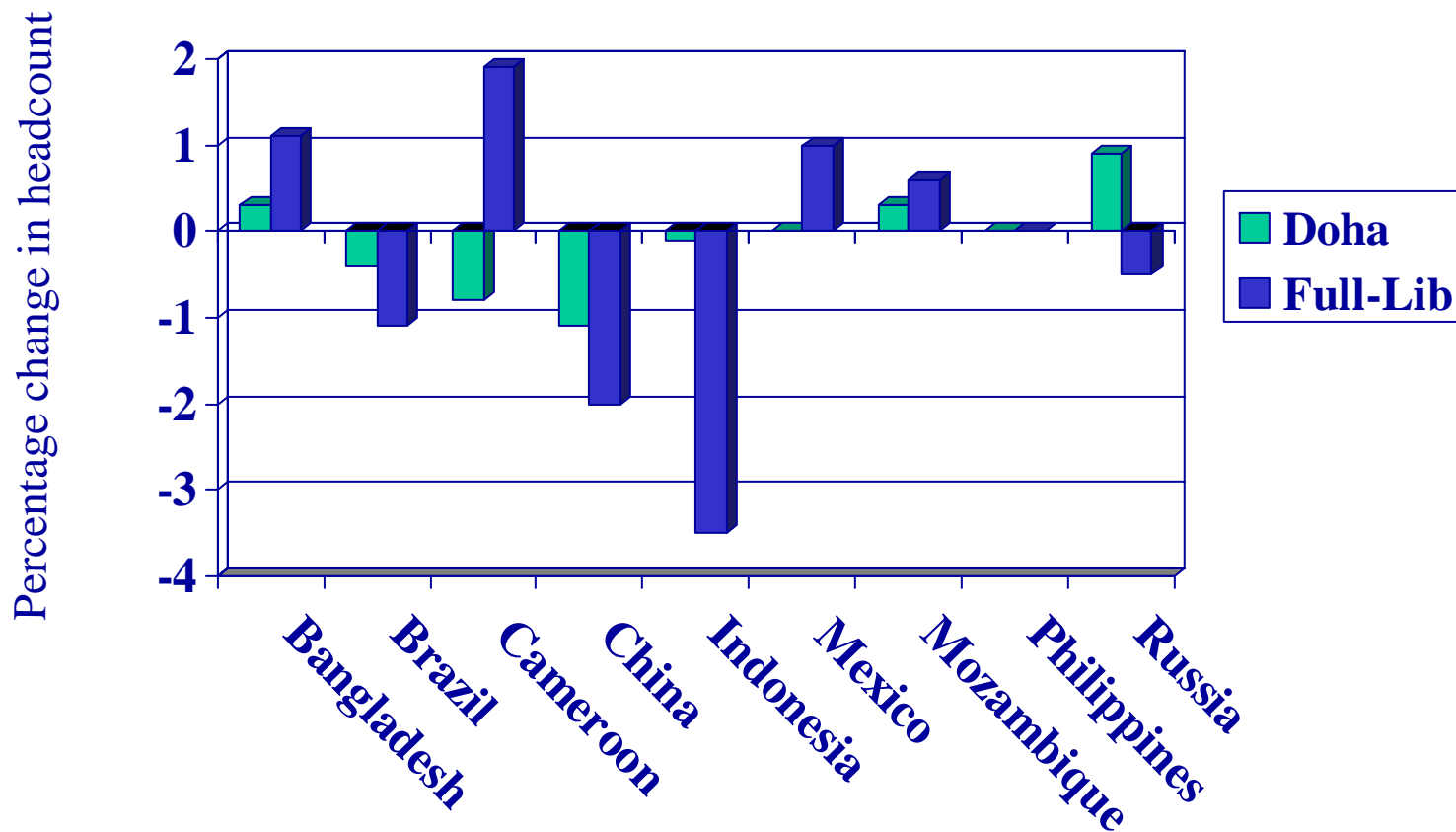
Broad Impacts of Doha for Brazil

- Decline in manufacturing employment
- Increased agr employment: 253,000 new jobs filled by
 - 56,000 workers coming from contracting non-agr sectors
 - 197,000 workers coming from unemployment: 78% drawn from lowest 3 income classes
- Increased returns to farm land

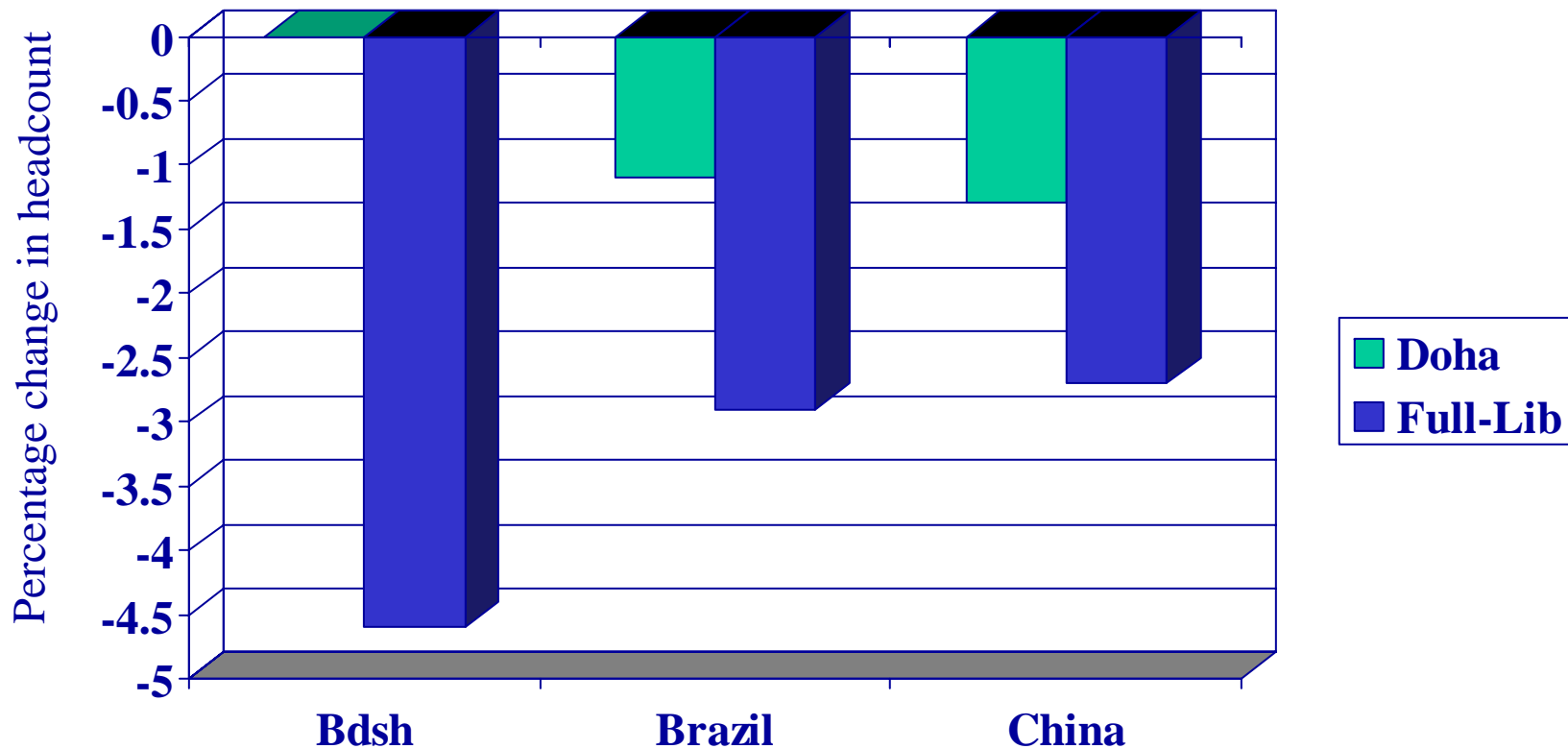
Doha boosts employment in relatively poorer regions thereby reducing poverty



Country Studies Summary: *Near Term* *Poverty Impacts of Trade Reform are Mixed*



*Long Term Poverty Impacts of Trade Reform
are Uniformly Favorable:
(these studies add impact on investment)*



Note: LR results only available for 3 countries and world

Impacts of Doha and Full-Lib Compared

- Doha is less poverty friendly than Full-Lib
- Operate on same instruments, but differing degrees
- DDA eliminates export subsidies, but developing country applied tariffs will be barely reduced
- Poverty focus requires the opposite
- Engagement by developing countries in liberalizing their trade regimes would make Doha more poverty friendly

Conclusions

- DDA must be ambitious
- Short-run mixed but sum < 0 ; long-run < 0 .
- Complementary policies
- Deeper cuts in developing country bound tariffs
- Sustained long term poverty reduction depends on economic growth:
 - Impact of the DDA on investment is critical
 - Trade reforms need to be far reaching -- reducing barriers to services trade and investment, in addition to merchandise tariffs