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Multilateralism beyond Doha

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Abstract

A fundamental shift is taking place in the world economy to which the multilateral trading system has failed to adapt. The Doha process focused on issues of limited significance while the burning issues of the day were not even on the negotiating agenda. The paper advances five propositions: (1) the traditional negotiating dynamic, driven by private-sector interests largely in the rich countries, is running out of steam; (2) the world economy is moving broadly from conditions of relative abundance to relative scarcity, and so economic security has become a paramount concern for consumers, workers, and ordinary citizens; (3) international economic integration can contribute to enhanced security; (4) addressing these new concerns—relating to food, energy, and economic security—requires a wider agenda of multilateral cooperation, involving not just the World Trade Organization but other multilateral institutions as well; and (5) despite shifts in economic power across countries, the commonality of interests and scope for give-and-take on these new issues make multilateral cooperation worth attempting.

Keywords: WTO, Doha, trade, security
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I INTRODUCTION

When the Doha Round of multilateral trade negotiations was launched in 2001, the price of oil was $25 not $105 per barrel; the price of rice was $170 not $730 per ton; China's current account surplus was 2 not 10 percent of GDP; the term "sovereign wealth fund" could have been mistaken for the retirement kitty of impecunious monarchs rather than the trillions of dollars of wealth at the strategic disposal of foreign governments; and American finance was in the vanguard of privatization and globalization rather than teetering between socialization and oblivion. The Doha process has been Nero-like in dwelling on issues of relatively minor consequence while the burning issues of the day are not even on the agenda.

The Doha postmortems have tended to focus on the behavior of particular countries (recalcitrant India and China), on the political difficulties of reforming particular sectors (agriculture in the United States and the European Union), on the changing nature of global power (where the United States and the European Union are less able to secure the outcomes they want), and on the cumbersome nature of the negotiating process (involving 153, diverse countries).

While all these arguments have some validity, they overlook a fundamental shift taking place in the world economy to which the multilateral system has failed to adapt. We advance five propositions: (1) the traditional trade negotiating dynamic, driven by private-sector interests largely in the rich countries, is running out of steam; (2) the world economy is moving broadly from conditions of excess supply to stresses on supply, and so economic security has become a paramount concern for consumers, workers, and ordinary citizens; (3) international economic integration can contribute to enhanced security; (4) addressing these new concerns requires a wider agenda of multilateral cooperation involving not just the World Trade Organization (WTO) but also other multilateral institutions; and (5) despite shifts in economic power across countries, the commonality of interests and scope for give-and-take on these new issues make multilateral cooperation worth attempting.

That the private sector—the traditional demanders for multilateral liberalization—has largely been absent in the Doha round has been widely noted. Trade in goods, trade in services, and investment flows have been surging ahead in large part due to unilateral policy liberalization. What was on the table in the Doha round would have delivered little by way of incremental liberalization. Even agriculture, where there was a lot at stake for exporting countries, saw a decline in interest as food prices soared and import barriers came tumbling down. This reality led supporters of Doha to emphasize its locking-in benefits—the insurance against future reversal of trade policies. But the rhetorical strategy of raising the specter of Smoot-Hawley as the consequence of failure sat uneasily with the fact that the Doha offers would have been much more permissive than actual policy. Furthermore, liberalization spurred by domestic imperatives seems less susceptible to reversal. Hence, even the insurance value of Doha would have been modest.

Meanwhile, the global economic landscape has changed. The years 2002–2008 saw the largest consecutive period of world growth ever, fueled by productivity increases and low inflation. We now seem to be transiting from a period of abundant supply to stresses on supply. This new landscape has revealed serious threats to economic security, broadly defined. Rising commodity prices threaten food and energy security. On trade we see, especially in the United States, perceived threats to economic security for workers and the middle class, which are reinforced by distorted exchange rates. Financial security has been threatened by the recent crisis; moreover, the world is uncomfortable with the massive global transfer and renationalization of finance that is reflected in the emergence of sovereign wealth funds.

Our third proposition is that the appropriate response to some or all of these threats to security is in fact multilateral cooperation and that this cooperation is either superior or complementary to unilateral responses.[1] On food security, the imposition of export taxes by any one country might help reduce domestic prices, but when undertaken by many countries simultaneously, it results in increases in world prices, rendering unilateral actions ineffective. Oil subsidies and/or reductions in gasoline taxes may reduce domestic prices in any one country, but if implemented by many countries, they serve to raise world prices. Similarly, unilateral actions against undervalued exchange rates or investments by foreign governments are also less effective and prone to being captured by protectionist interests. In the aftermath of the recent financial crisis, unilateral efforts to strengthen regulation in some jurisdictions will be ineffective or even undermined if other jurisdictions do not take similar actions. In each of these cases, appropriate multilateral rules—relating to export restrictions, cartelization of oil markets, persistently undervalued exchange rates, and core financial regulation—would sustain economic integration, while also enhancing economic security.

Fourth, many of these new issues should be on any future agenda of multilateral cooperation. The drivers of this new agenda could be new actors for whom security will be an overriding concern: consumers (affected by food, energy, and financial insecurity), immobile labor (affected by undervalued exchange rates), or just the population at large, which is worried about environmental security. That these diffuse interests can have a strong influence on national policy has already been demonstrated. Around the world, the swift actions of governments—whether on food, energy, or inflation—attests to the power of these interests. The question is whether governments can now exploit more fully the scope for international cooperation to render policy more effective in serving those concerned about security. The forum for such cooperation need not exclusively be the WTO, except where purely trade measures are involved (as in agriculture). On other issues, such as exchange rates, financial regulation, and the environment, other multilateral institutions would clearly have to be involved.

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1. We focus here on multilateral cooperation, but it is conceivable that in some cases regional and bilateral approaches may be more appropriate.

The postmortems of the failed ministerial in Geneva highlighted the divergent interests of the new powers (notably China and India) and the traditional ones (such as the European Union and the United States). Extrapolated into the future, this divergence leads to a pessimistic prognosis for future cooperation. However, there is much greater shared interest and scope for give-and-take between the old and new powers in an agenda that addresses these new concerns. Achieving successful multilateral cooperation will nevertheless be a challenge.

This paper is structured as follows. In section II, we discuss the Doha agenda and its implications. Section III elaborates on the issues that threaten security, their implications for international integration, and how multilateral cooperation would help. Section IV then identifies the new actors who could shape and drive this agenda. Section V considers the structure of, and forums for, international cooperation. Section VI concludes.

II DOHA'S FOCUS

A lot of effort has been expended in negotiations under the Doha agenda to help realize outcomes that would have minimal trade effects both in goods and services. Look first at the broad experience of trade in goods in the last fifteen years (figure 1). Since the mid-1990s, world trade has grown rapidly at about 6 percent a year, outpacing by a factor of two the growth in world output. During this period bound tariffs—the commitments that countries make in the WTO—have remained stagnant. In other words, trade flourished even while the multilateral trade process languished.[2]

Governments have indeed liberalized their goods and services regimes. The tariffs on imports of goods that governments actually impose ("applied tariffs") have come down from an average global level of above 25 percent in 1985 to less than 10 percent in 2006 (figure 1). Similarly, across most services sectors, there has been considerable liberalization. As figures 2a and 2b from a recent IMF study demonstrate, whether it be financial services, telecommunications, or electricity, there has been significant opening of markets.

This liberalization of actual policy owes little, however, to the multilateral process, especially in developing countries. In the Uruguay Round, there was not much incremental liberalization in either goods or services (Subramanian and Wei 2007 and Hoekman 1996).[3] Market opening offers in the Doha

2. This is not to deny that the WTO's rules and procedure, underpinned by an effective dispute settlement system, has a lot of value that needs to be preserved. Historically, the WTO also had an important role to play in liberalizing trade (Subramanian and Wei 2007). But then too, the WTO was more effective in liberalizing industrial-country trade policies than those of developing countries. Indeed, in Subramanian and Wei (2007), the positive trade effects of WTO membership are strong only for industrial countries.

3. Countries that acceded to the WTO after the conclusion of the Uruguay Round, such as China, did, however, make

negotiations provide an even starker illustration of what the multilateral process would have achieved had it been successful. Table 1 shows this for the case of trade in goods. For example, applied rates in agriculture in the richer developing countries would have remained unchanged at about 13.5 percent; in manufacturing, their applied rates would have declined from 6.4 to 5.6 percent. Tariff cuts would have been slightly higher for the high-income countries but from already low levels except in agriculture.

Figure 3 depicts the same for trade in services. Even though there would have been cuts in the policy commitments, Doha would have resulted in limited incremental liberalization for all groups of countries. In short, for now and the foreseeable future, there may well be a lot of trade and services liberalization but this will be driven only in small part by the multilateral process.

Supporters of the Doha process concede the modesty of its liberalization outcomes but argue that its real value would be to secure liberalization. The bindings of policy that would have occurred under Doha represent a kind of insurance for trading partners against the future reversal of policies. Writing in the *Financial Times*, Patrick Messerlin put this point sharply when he said that 26 countries, which represent 40 percent of the gross domestic product of the rich countries and 30 percent of world trade, including Brazil, India, Australia, and Korea,

> can—at any time and without providing compensation to their WTO trading partners—more than triple their industrial tariffs (from roughly 8 per cent to 28 per cent on average). This is because the tariffs of these 26 have not been "bound" at the WTO. Only WTO-bound tariffs cannot be increased without compensating affected trading partners—in short, only "binding" can deliver the certainty that business people cherish…. A Doha agreement would deliver the hugely beneficial binding of almost all of their tariffs. Its failure could generate severe turbulence in world trade flows of industrial products—up to a collapse, as in the 1930s, if there is a recession in the US, the EU, and China.[4]

Tariff bindings have value because they limit the scope for policy reversals and hence the uncertainty facing exporters (Francois and Martin 2004). Furthermore, if the counterfactual to tariff bindings is a reversion to Smoot-Hawley, of course, the insurance value of bindings is compellingly large. But two factors should be borne in mind. First, would Doha have meaningfully constrained the countries in the manner that advocates suggest? Table 1 and figure 3 shed light on this question. Even if Doha had been successful, for most developing countries bound rates would have, on average, substantially exceeded currently applied rates. For example, in agriculture, the richer developing countries would have had a margin of about 30 percentage points (compared to the actual tariff of 13 percent) to reverse protection; in manufacturing this margin would have been 6.2 percent, almost as much as the actual tariff. In other

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commitments to liberalize their trading regimes.

4. Patrick Messerlin, "Doha deal would aid many European farmers," *Financial Times*, July 20, 2008.

words, there would have been so much breathing room ("water in the tariff" in the jargon) that even after Doha, countries could reverse their policies in goods and services substantially without violating any WTO commitment.

Second, if the fear of reversal is so important for trading partners, why have they not put pressure on developing countries to set their tariff bindings closer to actual policies? The answer must surely be that private-sector exporters have come to believe that most of the liberalization of policies by developing countries is here to stay, and that there is not much risk of reversal, let alone reversal of the dramatic proportions that references to Smoot-Hawley always suggest.

Unilateral liberalization is different from reciprocal trade liberalization negotiated in the WTO. When countries liberalize in exchange for others liberalizing, then legal binding plays a vital role in ensuring adherence to this contract. Unilateral liberalization, on the other hand, has largely been done for domestic reasons and imperatives, including a growing consensus in favor of openness, reducing the need for external legal discipline.

Just as countries continue to lower trade and investment barriers unilaterally, they increasingly do so in the context of regional trade agreements as described earlier. Figure 4 illustrates the surge in activity on the regional liberalization front, with the number of such agreements notified to the WTO having increased from less than 90 in the early 1990s to nearly 400 today. Regional integration lessens the scope for, and private-sector interest in, pursuing bargains at the multilateral level.[5] Examples are countries such as Chile and Mexico, which have much more stringent bindings in the context of regional agreements than at the WTO. Bilateral investment agreements, which in many cases offer significant access and security, have also diluted private-sector interest in the multilateral process (Adlung and Molinuevo 2008).

Indeed, the narrow agenda and modest ambition (mostly to lock-in reforms) of the Doha round lies at the heart of limited private-sector interest: The Doha Round, in other words, is too small to be of negotiating interest. The *Financial Times*'s Alan Beattie, reporting on the Doha talks in Geneva, notes that:

> But privately, several other representatives accept that corporate lobbying is nothing like as strong as in the previous so-called Uruguay round of talks, which concluded successfully in 1994, and were driven forward by US pharmaceutical and financial services companies….This time round, business campaigning is often limited to writing periodic round-robin letters to the press.[6]

5. The systemic effects of regional agreements for multilateral bargaining may in fact be perverse: Countries in a regional arrangement may actually want less broad-based liberalization in the WTO as their preferential access to each other's main export markets is likely to be eroded. For example, some recent simulations show Mexico as a loser from a successful Doha Round.

6. Alan Beattie, "Business loses heart in Doha drudgery," *Financial Times*, July 24, 2008.

While the real and traditional demanders for liberalization (in manufacturing, services, and intellectual property) were notable by their absence or muted presence, there was throughout the Doha process a real demand for liberalization in agriculture by Brazil and other agricultural exporters. But here too, demands became less pressing as the sharp rise in world prices and the accompanying, sometimes dramatic, import liberalization across the globe naturally increased access for agricultural exporting countries. At the end of the day, Doha was reduced to a cacophony of defensive interests with few significant voices from private-sector exporting interests. So, while the Uruguay Round was a round for and of the private sector with governments facilitating the process, the Doha Round seemed to be driven more by governments.

III THREATS TO SECURITY

The global economic landscape is changing from years of feasting to years of scarcity. The years 2002–2007 saw the largest consecutive period of world growth ever, fueled by productivity growth and low inflation. We now seem to be transitioning from a period of abundant supply to stresses on supply. This new landscape has revealed serious threats to economic security broadly defined. Rising commodity prices threaten food and energy security. On trade, we see a growing perception, especially in the United States, of threats to economic security for workers and the middle class. On finance, the world seems uncomfortable with the massive global transfer and renationalization of finance that has taken place in the form of the accumulating wealth of sovereign wealth funds. And of course, the gravest and most existential threat of all, that to environmental security, confronts the world in the form of climate change.

Each of these issues has significant global or transborder dimensions that require a cooperative response by countries. In the rest of this paper, we will elaborate on these threats to security, highlighting the case for cooperation and assessing whether the WTO is the appropriate forum. Our claim is not that stresses on supply and other threats to security are durable. It is rather that current multilateral rules are less attuned to dealing with these threats. These rules therefore need to be relevant not just to the "good" states of the world where supply is plentiful and the traditional protectionist concerns paramount; but also to the "bad" states of scarcity where food and energy security are important.

Agriculture and food security

The severity of the global food crisis is undeniable. As figure 5 shows, prices of major commodities have increased substantially over the last three years, and especially, in the last few months. According to the World Bank, about 100 million people might be thrown back into the ranks of the poor because of these price rises. There have been riots in a number of countries, and the Bank has identified 33 as especially vulnerable. The poor are especially vulnerable because they spend the largest portions of their income on food. For example, in Nigeria, about 70 percent of income is spent on food, 75 percent in Vietnam, and 50 percent in Indonesia compared with 12 percent in the United States (though that figure is also now on the rise).

Pressure on food supplies, and associated high food prices, could be a medium- to long-term reality because some of the driving factors—rising prosperity in the developing world, which creates more demand; high fuel prices; stagnant agricultural productivity; and climate-change induced pressure on agricultural supplies—could also be of a durable nature.

These fundamentals are being exacerbated by two types of trade policy interventions: export restrictions on foodstuffs, and trade-related biofuel policies in the industrial countries. In the current crisis, 18 developing countries have imposed some form of export restrictions (World Bank 2008). Each country is trying to keep domestic supplies high on the grounds of food security. But, as more countries implement export controls, global supply contracts, pushing prices up further and aggravating global food security. In ongoing research with Maros Ivanic and Will Martin, we estimate that world prices have gone up substantially—up to 20 percent—due to export restrictions, with effects particularly harmful in the case of rice.[7]

There are few restrictions on the use of export taxes in the WTO and the disciplines on export restrictions are incomplete. Article XI of the GATT does prohibit quantitative restrictions on exports, but its paragraph 2(a) permits temporary restrictions in order to prevent critical shortages of food or other goods.[8]

This permissiveness on export taxes and restrictions is resulting in the worst of all possible worlds. Under "normal" agricultural conditions, we have huge distortions in terms of costly taxpayer support to reduce imports and encourage production and exports. Under abnormal conditions, such as are prevailing now, we see the opposite: Countries liberalize their imports but prevent exports. We need a system where *both* imports and exports remain free to flow in good times *and* bad. This is especially important if trade is to remain a reliable avenue for food security. If in bad times, importing countries are subject

7. Food security goals are best served not by restricting trade but through domestic policy instruments such as targeted safety nets. Moreover, the existence of such safety nets would dilute the political economy bias in favor of trade interventions.

8. This exception appears to have been interpreted relatively broadly in justifying the application or threat of export barriers, in cases such as the US proposal for an export ban on soybeans in 1973. Article 12 of the WTO Agreement on Agriculture requires that developed members and net-exporting developing-country members introducing export restrictions under this provision take into account the implications for importing members' food security, and notify the Committee on Agriculture, preferably in advance. However, it appears that this has rarely been done; it appears that the most recent notification is from Hungary in 1997 (Gamberoni and Newfarmer 2008).

to the export-restricting actions of producing countries, they will consider trade an unreliable way of maintaining food security and will reconsider how to manage their agriculture; there will be a greater temptation to move toward more self-reliance as insurance against the bad times; this is exactly what the EU agriculture minister had in mind when he recently said that vulnerable African countries should think of emulating the EU's policies to attain greater self-reliance in agriculture.[9]

The second threat to food security comes from biofuel policies. In the United States, the combination of the Renewable Fuels Standard (the ethanol mandates), the blenders' tax credit, and tariffs on imported Brazilian ethanol (and, of course, the production subsidies) have diverted land, especially from wheat and soya bean production, and contributed to food price increases. Estimates vary on the magnitude of this contribution: The International Food Policy Research Institute (IFPRI) suggests that a moratorium on biofuel production in developed countries through 2008 would ease corn prices by 20 percent and wheat prices by 10 percent, but Mitchell (2008) estimates that the impact of biofuel-related policies could account for as much as 70 percent of the increase in prices.

Only some of the offending policies—corn subsidies and the tariffs on imported ethanol—fall squarely in the trade domain. However, addressing these policies could alter the political economy of even the nontrade aspects of biofuel policies, for example, by ensuring that the benefits to ethanol producers are contested and hence spread more widely. This, in turn, could weaken the demand for biofuel mandates and lead to more rational environmental policies that do not place additional demands on food, alleviating food shortages at national and international levels.

The Doha round of trade negotiations did not address these problems. The round has been devoted to traditional forms of agricultural protection—trade barriers in the importing countries and subsidies to food production in producing countries—which are becoming now less important as food prices have soared and import barriers have declined.[10] We need to enlarge the trade agenda so that trade-related biofuel policies, such as tariffs on imported ethanol, and all trade barriers, both on imports and exports, are put on the trade agenda. [11]

9. Not surprisingly, WTO members that depend heavily on world markets for food have pushed for disciplines on export controls and taxes (e.g., Japan and Switzerland in 2000, and Congo, Jordan, and Korea in 2001). Recognizing that importers' concerns about the reliability of supply might inhibit liberalization, some exporting countries too have advocated multilateral restrictions on the right to use export restrictions (e.g., the Cairns Group and the United States in 2000 and, more recently, Japan and Switzerland in 2008). See International Economic Law and Policy Blog (2008).

10. Despite their current irrelevance, negotiators remain unwilling to give up agricultural safety nets: Witness the persistent, high subsidy limits in the United States and European Union and the creation of special safeguard mechanisms for developing countries.

11. Protection measures designed to encourage the use of domestically produced biofuels are subject to WTO rules on binding of tariffs and other duties and charges, and would normally be expected to be subject to reductions in protection under the Doha agenda negotiations on reductions in agricultural (ethanol) or nonagricultural (biodiesel) tariffs. One surprising feature of the current negotiations is that the important protection of ethanol—which diverts the sourcing of ethanol from lowest-cost international sourcing to a reliance on domestically produced maize—is not currently subject to

Oil and energy security

There has been a dramatic rise in the price of oil since 2002. Record high prices—fueled by rising demand in emerging market economies such as China and India and uncertainties about available supplies (the "peak oil" fear)—have created or rather resuscitated fears about energy security. There is a scramble for oil resources as countries such as China and India seek to obtain direct control over them through foreign direct investment. But another important factor underlying rising prices is the cartelization of oil markets by the oil exporters. Even the IMF has talked about "inadequate investments in supply," which could be a euphemism for cartelization, taking the form, if not of restricting supply, then at least of not increasing supply commensurate with demand increases. It is one of the striking omissions of the trading system that there are no multilateral rules on government restrictions affecting the most important traded commodity.

The oil price rise has led to a number of unilateral responses. The governments of many developing-country oil importers have attempted to cushion consumers against these increases through implicit and explicit subsidization. In the more advanced countries, there have been calls to reduce gasoline and related taxes in response to these increases. All these unilateral responses have, perversely, had the effect of putting further upward pressure on oil prices, or at least impeded the normal market mechanism of consumption responding to price increases.

Unilateral action has taken other forms. In the United States, this concern has led to a revival of legislative initiatives against oil exporting countries. The House of Representatives has recently passed legislation to combat record gas prices by cracking down on OPEC-controlled entities and oil companies for oil price fixing.[12] The legislation recently approved, also called the "NOPEC" bill, gives the US Justice Department the ability to prosecute anticompetitive conduct by OPEC members.

On the Senate side, US Senator Frank Lautenberg (D-NJ) introduced legislation to force action against OPEC for its anticompetitive practices and illegal export quotas on oil, which ultimately lead to higher gas prices in the United States. Senator Lautenberg's bill would require the US Trade Representative to initiate consultations with countries that are members of both OPEC and the WTO.

The House and Senate responses point to two possible approaches to multilateral cooperation. The first would be a competition policy–based approach and the other a trade policy–based approach. While the former would seem most appropriate to deal with collusion, it does face the challenge of securing broader international cooperation on competition policy. Furthermore, competition policy has tended to be more permissive about the action of governments (the "sovereign immunity" exception) and hence is less likely to be effective against OPEC behavior.

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significant tariff reductions because almost all of this protection is provided by a measure classified as an Other Duty and Charge.

12. The bill, the Gas Price Relief for Consumers Act (HR 6074), passed by a vote of 324–84.

The trade policy approach has the advantage of addressing government action, but the existing WTO case against OPEC is far from water tight. Article XI only prohibits export quotas, but OPEC's country quotas limit production not exports. Second, the WTO also permits commodity agreements between countries that are designed to stabilize prices (Article XX (h)). Countries are also permitted to take action to conserve exhaustible natural resources (Article XX (g)).

The WTO cannot prevent individual countries from making decisions about the exploitation of oil. For example, a country may justifiably reduce production and exports when prices are high, an example of a backward-bending supply curve (Krugman 2000, citing the work of Cremer and Salehi-Isfahani 1989).

The real issue is joint action by international governments (as in OPEC) to restrict trade and impede access to energy. Such collusive behavior is against the spirit of open multilateral trade. Given that oil is one of the most important traded goods (see figure 6), and is vital for energy security, it might be possible to design multilateral rules to prevent such collusive behavior if it restricts trade, even if the measures ostensibly take the form of production restrictions. Of course, rules should allow for legitimate interventions for stabilization and environmental protection. For example, one principle for distinguishing trade restrictions from stabilization could be to see if agreements are one-sided (i.e. comprising producers or consumers) rather than two-sided, including both consumers and producers. If the aim of collective action is to stabilize prices, producers and consumers could come together to agree on price bands, intervention rules, etc.[13] In such a case, there should be scope for bringing together the producer cartel (OPEC) and the consuming countries (represented, for example, by an International Energy Agency (IEA) with wider membership). Thus, institutional cooperation between the WTO, OPEC, and the IEA would be necessary and even fruitful for such a multilateral response. Thus, it should be possible to design rules against collusive behavior that threaten energy security, always allowing for legitimate exceptions on the grounds of price stabilization and environmental protection.

Undervalued exchange rates and economic security

These last few years, exchange rate changes—in particular, the persistent undervaluation of major currencies—have been substantial. The undervaluation of the Chinese currency (estimated at between 20 and 60 percent by Cline and Williamson 2008) and those of the oil exporters in particular (whose currencies on some estimates should have appreciated in real terms by about 125 percent because of the oil price increase) have led to one of the most pressing contemporary problems of global imbalances and

13. In fact, there is a precedent in the WTO for making exceptions for commodity agreements, provided that these agreements are reached by both producers and consumers. Ad Article XX (h) refers to commodity agreements, which conform to the principles approved by the ECOSOC in its resolution 30 (IV) of March 28, 1947.

distorted trade (Mattoo and Subramanian 2008). But undervalued exchange rates are also contributing to economic insecurity of labor in the richer countries, an issue that has acquired increasing resonance in the domestic politics of trade, especially in the United States.

Montek Ahluwahlia suggests that there is an "intellectual climate change" on globalization. From Paul Samuelson and Paul Krugman to Alan Blinder and Larry Summers, misgivings have been expressed about the impact of globalization on the United States. Dani Rodrik asserts that the "consensus on globalization" is dead. Underlying this changing attitude is the effect growing imports from developing countries has the middle class, who are usually unskilled and semi-skilled workers and who are less mobile internationally than capital and skilled workers.

One of the key problems causing this economic insecurity for relatively immobile labor in the industrial countries is undervalued exchange rates by partner countries, especially China. An undervalued Chinese exchange rate is *both* an import tax and an export subsidy, which hurts the profitability of all tradable industries in partner countries. Mobile capital escapes this adverse consequence by relocating abroad, leaving the immobile factor, unskilled labor, to bear the brunt of the decline in competitiveness.[14]

But would unilateral affection against undervalued exchange rates be effective? The answer is probably not. First, undervalued exchange rates affect more than just one country. For example, China's undervaluation affects not just the European Union and the United States but also a number of emerging-market countries and African countries that compete with China. The undervaluation of oil exporters reduces their imports, the counterpart of which is reduced exporting opportunities for all countries that are potential suppliers. Second, in the specific case of China, unilateral action has been attempted—by the United States—and has proven to be unsuccessful. Only a coalition of affected countries coming together offers any prospect of successfully resolving this issue (Mattoo and Subramanian 2008). Finally, unilateral action against undervalued exchange rates will, by definition, be partial and hence ineffective. Countries can, in principle, take some action against exports emanating from countries with undervalued exchange rates. But they have little recourse against the fact that undervalued exchange rates also reduce their exporting opportunities.

What about the multilateral options? In the historic division of labor between the Fund and the WTO, the former had jurisdiction over exchange rate matters. But Fund surveillance on exchange rates has been weak or even nonexistent due to inadequate leverage and eroding legitimacy (Mussa 2007). While the Fund has been able to effect changes in member-country policies that have sought its financial assistance in times of crisis, it has not been influential without the leverage of financing. In its key

14. That capital has been less affected by globalization is reflected in the rising share of profits in GDP across the OECD countries over the last two decades (Ellis and Smith 2007). Broda and Romalis (2008) note that the adverse impact of imports from developing countries on the wages of unskilled labor may be attenuated by the fact that a relatively large share of workers' consumption includes cheaper imports from developing countries.

surveillance function (where no financing is involved), there have been relatively few instances where Fund intervention has led to changes in the policies of large creditor countries even when such policies have had significant spillover effects on others. Moreover, the Fund has had a tradition in surveillance contexts of nonadversarial dialogue between its members and has not needed to develop a real dispute-settlement system.

Compounding this problem of limited leverage is the Fund's eroding legitimacy. The IMF's role has been diminished, and it has lost some of its status as a trusted interlocutor in emerging-market countries, and Asia in particular, in the aftermath of the Asian financial crisis. There is also the more general perception that the Fund's governance structure is outdated, reflecting the receded realities of Atlantic-centered 1945 rather than of the ascendant-Asia 21st century.

To what extent do current WTO rules already provide redress against undervalued exchange rates? Potentially, recourse is possible to Article XV (4) of the GATT, which states that "contracting parties shall not, by exchange action, frustrate the intent of the provisions of [the WTO] Agreement…." But this is too vague an obligation to provide a basis for effective enforcement (Hufbauer, Wong, and Sheth 2006). Indeed, there is no jurisprudence on this provision of the GATT, and it is highly unlikely that WTO dispute-settlement panels would be willing to rule against undervalued exchange rates on this tenuous basis.[15]

One possibility would be for the WTO and IMF to cooperate on cases of significant undervaluation that are clearly attributable to government action. The rationale for WTO involvement is that there are both large trade and distributional consequences of undervalued exchange rates, and that the WTO's enforcement mechanism is credible and effective. The WTO would not be involved in exchange rate management, and our proposals do not entail the WTO displacing the IMF; rather, they would harness the comparative advantage of the two institutions, with the IMF providing the essential technical expertise in the WTO enforcement process. Cooperation between the trade and monetary institutions would thus be essential for tackling the economic insecurity concerns arising from undervalued exchange rates.

Sovereign wealth funds and national security

Capital in the developing world is increasingly held not in private hands but by governments in the form of foreign exchange reserves.[16] Morgan Stanley has estimated on reasonable assumptions that there is now close to $2.5 trillion in sovereign wealth funds (SWFs) and that this figure will increase to $5 trillion by

15. Hufbauer, Wong, and Sheth (2006) also make this point. In addition, they argue that the addenda to the interpretation of Article XV (4) make clear that another "*specific* GATT article needs to be frustrated in an important way before the strictures of Article XV (4) can be invoked" (19).

16. Martin Wolf, "We are living in a brave new world of state capitalism," *Financial Times*, October 17, 2007.

2010 and $12 trillion by 2015. Most of this will be in the hands of oil exporting governments, China, and other countries in East Asia.

In turn, these surpluses are being disposed by the acquisition of foreign assets: government bonds and, increasingly, private-sector assets. But this acquisition is raising concern, even alarm, in the industrial world, which has been traditionally on the other side of the capital equation. Lawrence Summers provides the following examples:

> In early 2007, government-controlled Chinese entities took the largest external stake (albeit non-voting) in Blackstone, a big private equity group that, indirectly through its holdings, is one of the largest employers in the US. The government of Qatar is seeking to gain control of J. Sainsbury, one of Britain's largest supermarket chains. Gazprom, a Russian conglomerate, in effect controlled by the Kremlin, has strategic interests in the energy sectors of a number of countries and even a stake in Airbus. Entities controlled by the governments of China and Singapore are offering to take a substantial stake in Barclays, giving it more heft in its effort to pull off the world's largest banking merger, with ABN Amro.[17]

These developments provoke two distinct fears. The first is a macroeconomic one, namely that decisions by these entities—for example, to suddenly change portfolio allocations—could destabilize currency and bond markets. The second is a microeconomic one, namely that foreign governments could attain control of industries that are considered sensitive or strategic.

Why do we need multilateral action in this area? From the perspective of countries with SWFs, the attractions of a multilateral approach are more obvious: They do not want to be subject to unilateral actions by receiving countries. For example, the United States is in the process of adopting legislation to tighten scrutiny of foreign investments by government entities where they raise security concerns (Jackson 2006). Similarly, the European Commission is investigating whether takeovers by publicly controlled foreign investment funds are a concern and need remedial action.[18] But why should recipient countries forgo such unilateral action?

Unilateral action has at least three problems. First, unilateral action could easily acquire a protectionist slant, especially if protectionists articulate their concerns in the language of national security as happened in the aborted acquisition effort by Dubai Ports World and in the case of the Chinese national oil company, China National Offshore Oil Corporation (CNOOC). Second, there could be proliferating and hence highly heterogeneous standards imposed by different capital-receiving governments, which could impose undue costs of compliance on SWFs and hence affect the efficient

17. Lawrence Summers, "Funds that shake capitalist logic," *Financial Times*, July 29, 2007.

18. The announcement came after German Chancellor Angela Merkel said that her government was considering setting up a system similar to that of the United States, where the Committee on Foreign Investment can recommend that the US president block foreign direct investments that are deemed a threat to national security.

flow of capital. Third, even where unilateral legislation is enlightened and uniform and takes the form of stipulating reasonable restrictions on SWFs in return for secure access, there are likely to be difficulties in monitoring compliance with these restrictions unilaterally or even bilaterally.

The case for a multilateral approach is clear. The new capital exporters (and there are now several) want free and secure access to industrial-country assets to maximize the returns on their holding of capital while diversifying the attendant risks. But capital importers have legitimate concerns about the motivations and consequences of these transactions, especially since the wealth is owned and invested by governments and related entities. A mutually beneficial bargain is there for the taking. And the interesting thing is that there is a well-established legal precedent for regulating similar transactions in the WTO. No radical legal leaps are necessary.

Recently, discussions organized by the IMF have led to a voluntary code of conduct for SWFs. This is an important step forward, but the process needs to be taken further. The IMF may be a convenient location for multilateral action on the macroeconomic aspects of SWFs, but concerns remain about the microeconomic consequences of their ability to acquire corporate control. The latter can only be addressed in the context of rules on crossborder flows of direct investment.

There are two reasons to believe that the natural home for such an agreement is the WTO. First, the WTO already, albeit somewhat opaquely, covers investments by SWFs in its services agreement: the General Agreement on Trade in Services (GATS). A second argument in favor of WTO regulation is its dispute settlement mechanism (as in the context of exchange rates). Consider a situation where a WTO member felt that a foreign SWF was behaving inconsistently with its obligations. Instead of taking unilateral action based on its own judgment—actions that can provoke retaliatory protection and spiral into a trade or investment war—the member would now have recourse to the WTO dispute settlement mechanism. This well-established mechanism would offer institutionalized consultation and, when necessary, impartial assessment of conformity with mutually agreed conditions.

As with exchange rates, so too with SWFs there will be a need for cooperation between the WTO and the IMF.

Trade, capital, and financial security

The last few months have seen seismic changes in the US financial system, with many of the icons of financial capitalism either disappearing or passing into government control. Commentators are heralding the end of the current system of overinnovating and underregulated finance. Regardless of how national choices evolve, new and serious international dimensions need to be addressed and resolved.

The first dimension relates to the causes of the recent crisis. A number of factors have been at play including lax regulation, perverse incentives for managers and rating agencies, and bubble psychology.

But one of the key macroeconomic causes has been excess liquidity, which created cheap money, led to worsening of lending standards, and facilitated the build-up of the bubble in the housing market. In turn, excess liquidity resulted from a global "savings glut," which is another name for the large current account surpluses that had built up in China and the oil exporting countries.

Limiting such global imbalances must therefore be an important part of preventing the reemergence of liquidity-fuelled bubbles in asset markets. The agenda that we have proposed, namely multilateral cooperation on undervalued exchange rates and excessively high oil prices, will naturally contribute toward global financial security.

In addition to addressing the deeper macroeconomic causes of financial crises, multilateral cooperation will also be needed for regulatory reform. Finance has become global while its regulation has remained national. This discrepancy creates problems and can be addressed in one of two ways. First, if regulation is to be zealously national, then countries should have the freedom to determine the pace of financial integration. This would mean that international negotiations, both in the WTO and in the context of regional agreements, should be more cautious about pushing financial-sector liberalization and, especially, capital account convertibility.

A second possibility would be to move toward a more global regulation of finance. Any reconfiguration of the financial system in the United States and United Kingdom will involve stricter national regulation. National regulators will, however, be concerned if other jurisdictions do not take similar action. Two examples illustrate the problems. First, in the immediate context of the US effort to take over distressed housing-related assets, the question has arisen whether assets owned by foreign financial institutions should be covered. Put starkly, who should bail out UBS: the US Treasury, the Swiss government, or should the burden be shared? Second, in the medium term, there are likely to be efforts to limit leverage and impose higher capital adequacy requirements on a wider set of financial actors. These efforts are more likely to succeed if the attendant problem of jurisdiction-hopping regulatory arbitrage is minimized through concerted action by a wide set of countries.

Multilateral cooperation to coordinate the greater national regulation of finance is therefore almost inevitable in the wake of the recent crisis. These efforts will require coordination between institutions such as the Bank for International Settlements (BIS) and the Financial Stability Forum (FSF), which deal with financial regulation, and the IMF and the WTO, which deal with securing financial openness.

Climate change and environmental security

Climate change is now increasingly recognized as the gravest danger to humanity's physical existence. It is also set to be the subject of international negotiations at a summit next year in Copenhagen. But as the momentum for acting decisively on the environment grows, there is increasing talk of using trade as an instrument for furthering environmental objectives. But this talk focuses on restricting rather than liberalizing trade in the pursuit of environmental objectives. Recourse to trade restrictions is typically sought on two grounds: as actions to affect or offset competitiveness in particular industries (countervailing duty action or border tax adjustments), and as broad enforcement mechanisms.

There are currently trade provisions in the WTO on environmental issues and the jurisprudence is evolving (Charnovitz, Hufbauer, and Kim 2008). However, as far as the climate change issue is concerned, the environment-trade policy link is likely to be determined by, and be a derivative of, the climate-change negotiations in Copenhagen. In other words, the international community—representing environmental and trade interests—will have an opportunity to determine the trade-climate change regime next year. If these negotiations are successful—in the sense that all the major carbon emitting countries, including developing ones, become parties to the agreement—any resulting rules could have the effect of superseding the current trade provisions/jurisprudence.

Meanwhile, the most prominent climate bills in the US Congress (Lieberman-Warner and its predecessor from Senators Bingaman and Warner) all envisage some form of trade restrictive action against imports from countries that are deemed not to have taken "comparable action" to that of the United States. The European Union has been contemplating similar action. The call for restrictive action is heard particularly from producers in energy-intensive sectors in the United States (ferrous metals, nonferrous metals, chemicals, paper, and nonmetallic mineral products) and is aimed at imports from China and India where environmental standards are especially low.

A promising and effective way to address climate change seems to be to work toward international cooperation next year without the threat of trade sanctions, a view expressed by Nicholas Stern (2008). Addressing the climate change problem will require cooperation from a number of countries such as China and India, which have been reluctant to take on commitments partly for developmental concerns but also because of their perception that industrial countries have been primarily responsible for the climate change problem. Being threatened by trade sanctions from parties they consider to be the perpetrators will only vitiate the atmosphere for cooperation.

Trade-restrictive actions on competitive grounds will also be difficult to implement in practice (Houser et al. 2008). First, assessing what "comparable action" is and converting it into an equivalent trade tax that will compensate for or offset the competitiveness effect will be difficult.[19] Second, trade actions against imports would only cover the manufacturing sector, which does not account for the bulk of greenhouse gas emissions.[20] Third, if countries accept economy-wide emissions targets, they may wish

19. For other technical difficulties with trade measures, see Houser et al. (2008).

20. According to Nicholas Stern (2008), industrial countries should agree to four things to induce cooperation from developing countries: "… 80% cuts, low carbon in terms of targets, low carbon growth, carbon financial flows, development and sharing of technology. That is conditionality by the developing countries on the developed countries."

to retain flexibility in allocating them across sectors of the economy, and accordingly seek immunity from trade action in specific sectors by partner countries on the grounds of competitiveness.

Of course, as in the Montreal Protocol, there could be provision for trade sanctions between participants to an eventual agreement on emission reductions that emerges from Copenhagen. But these trade sanctions would have the character of being enforcement mechanisms after cooperation is secured and not mechanisms to induce cooperation in the first place.

IV CHANGING CONSTITUENCIES

Historically, the process of multilateral trade liberalization in the WTO has been driven by corporate interests, notably in the United States and Europe, in search of access to foreign markets. The early rounds of trade liberalization in the GATT were driven by US private-sector interests threatened by the trade diversion consequences of the formation of the European Union and its subsequent enlargement. The impetus for the Uruguay Round came in large part from services, and especially intellectual property, interests in the United States and Europe, which were looking to boost their sales and profitability during the macroeconomically difficult times of the 1980s.

In contrast, the Doha Round has always been plagued by a private-sector interest deficit. The corporate demanders—the traditional protagonists—of the North were conspicuous by their absence. This absence was the result of a number of factors, mainly unilateral and regional liberalization in goods and services, which has reduced the incentive to negotiate multilaterally. With all this happening outside the WTO framework, Northern countries do not have to expend negotiating coinage within the WTO to secure outcomes that their firms are obtaining at no cost.[21]

It is possible that the old way of doing business in the WTO—large, corporate interests seeking market access abroad and driving multilateral negotiations—may have run its course. What the WTO perhaps needs is not just an agenda that addresses issues of contemporary significance but also a new set of actors to bring these issues to the negotiating process.

In the new agenda that we have identified, a common theme is security. The main actors, for whom security will be an overriding concern, are not likely to be traditional corporate interests, which have been the driving forces behind multilateral liberalization. Rather, they are likely to be consumers (affected

21. Even in the area of intellectual property, Northern corporate interests are not looking to the Doha Round. Many of their objectives were accomplished in the Uruguay Round. Where residual interests remain in seeking higher standards of IP protection, they are using the regional route to pursue them, and have achieved some success. For example, in the regional agreements negotiated by the United States with Jordan, Morocco, and Vietnam, these countries have had to provide protection for pharmaceuticals and test data used in obtaining regulatory approval for pharmaceuticals that goes beyond the WTO's TRIPs agreement.

by food and energy insecurity), immobile labor (affected by undervalued exchange rates), or just the population at large, which is worried about financial and environmental security.

It is an axiom of trade politics that concentrated interests (typically producers) trump diffused interests (typically consumers) because the quantitative stakes for the former overwhelm the stakes for individual, isolated consumers. The genius of the reciprocal trade framework in the WTO was in fact to harness the concentrated producer interests of exporters to overcome opposition to reform from concentrated domestic producers that were fearful of foreign competition; the diffuse consumer interests were incidental beneficiaries of the resulting liberalization But in the proposed agenda, it is these diffuse interests that would need to be more active protagonists in driving the agenda. Is this feasible?

In a world of excess demand, these consumers have already asserted their presence and articulated their interests much more powerfully than in the era of growth and stable prices. This is already reflected in the unilateral actions of governments around the world: first, the swift and surprising abandonment of measures such as imports tariffs designed to protect producer interests in favor of measures designed to protect consumer interests (import liberalization in the European Union and export restrictions in Argentina and Vietnam). Second, in response to fuel price increases, governments have expanded budgetary support in the form of subsidies. Third, an increasing number of governments have resorted to tighter monetary and exchange rate policies in order to bring down inflation even if it has meant higher interest rates for producers and lower economic activity.

The problem is that a number of these national policy interventions have been ineffective and even counterproductive. Consider several examples: Export taxes by any one country might help reduce domestic prices, but when undertaken by many countries simultaneously, they result in increases in world prices, rendering unilateral actions ineffective. Second, oil subsidies and/or reductions in gasoline taxes may reduce domestic prices in any one country but, when implemented by many countries, they serve to raise world prices. Similarly, unilateral actions against undervalued exchange rates or investments by foreign governments are also less effective and prone to being captured by protectionist interests. In the aftermath of the recent financial crisis, unilateral efforts to strengthen national regulation will be ineffective or even undermined if other jurisdictions do not take similar actions. On the environment, unilateral actions can vitiate the atmosphere for key international negotiations over greenhouse gas emissions as well as result in inefficient domestic policies.

That these diffuse consumer interests can have a strong influence on national policy has already been demonstrated. The natural next step is for governments to exploit more fully the scope for international cooperation to render policy more effective in serving security-minded interests.

V INTERNATIONAL COOPERATION: FORM AND FORUM

The postmortems of the failed ministerial in Geneva highlighted the divergent interests of the new powers (notably China and India) and the traditional ones (such as the European Union and the United States). Extrapolated into the future, this divergence leads to a pessimistic prognosis for future cooperation in the WTO. The same is true if some of the new issues we have raised are addressed in isolation. However, there are much greater shared interests and a broader scope for give-and-take between the old and new powers across the range of issues that could be part of a new agenda. In the recent food crisis, both India and China chose restrictive policy options that did not promote their long term food security. On energy, oil-consuming countries across the world (the United States, the European Union, China, and India) have shared interests in undistorted energy markets without artificial restrictions on supply. In fact, China and India are in greater danger of counterproductive, noncooperative strategies, where each seeks to foreclose sources of supply through costly bilateral deals with energy suppliers. On exchange rates, a number of emerging-market countries (India, Brazil, and Turkey) share with the United States and the European Union an interest in ensuring that China and the Middle Eastern countries follow less distortionary policies. Both capital-importing countries and those with SWFs have a shared interest in keeping investment flowing while addressing legitimate security concerns. On finance, the United States and the United Kingdom, which have a pressing imperative to strengthen national regulation, have strong interests in inducing other jurisdictions to cooperate.

How these issues are negotiated and which coalitions form around each issue is less important than the fact that there is scope for mutually beneficial cooperation among at least a set of countries. It is not necessary, and may not even be desirable, that future efforts follow the Uruguay Round model of a single undertaking where all parties negotiate on all issues, and are equally bound by any resulting rules. It was this over-reach of the Uruguay Round that may have encumbered its successor with a constant and ultimately unsuccessful striving for a set of rules that would be uniformly applicable to an increasingly diverse membership. The fast-moving nature of the issues we have identified will require flexibility and speed of response. Some of these issues can only be effectively negotiated by a subset of the most concerned countries. In some cases the benefits of agreed rules could then be extended to all WTO members (as in the WTO's information technology agreement). But this MFN obligation must not inhibit cooperation between smaller groups of countries in new areas. For example, advances in GATT/WTO rules on government procurement, subsidies, standards, and antidumping (i.e., the Tokyo Round Codes) were facilitated by allowing participants to deny the benefits of the deeper obligations they assumed to nonparticipants. The key point is that negotiations should allow greater scope for variable geometry than exists currently.

While the issues identified in this paper are related to international economic integration, it is not necessary that the WTO be the forum for discussion and negotiation on all issues. For the five issues we have identified, the WTO is the exclusively appropriate forum for only one issue, namely trade restrictions in agriculture. On exchange rates and sovereign wealth funds, there clearly needs to be cooperation between the Fund and the WTO. On energy, the extent to which the WTO is the appropriate forum depends on the approach taken; in any case, organizations representing both oil exporters (OPEC) and importers (e.g., the IEA with an expanded membership) need to be involved. On the environment, the WTO would probably be subordinate to the Copenhagen process for negotiations on climate change. On finance, the BIS and the FSF, ideally with more representative membership, the IMF, and the WTO will need to cooperate.

All this, of course, raises the question of whether there needs to be a metaprocess, akin to the original Bretton Woods negotiations, encompassing all the relevant interests— not just trade ministries, but ministries of finance, energy, agriculture, and environment—to decide on the content of international cooperation and on the allocation of responsibilities between international institutions.

VI CONCLUSIONS

What does the proposed agenda imply for the pursuit of the WTO's traditional liberalization agenda? In principle, there is no reason why taking up new and important issues should come at the expense of the WTO's efforts to open markets in agriculture, goods, and services. But whether the WTO will continue to do the latter will depend on which of the two current views about the future is correct. The sanguine view is that liberalization will continue apace because most countries have come to accept openness as a key principle of economic policy. On this view, the private sector's interest in multilateral liberalization will remain attenuated, and the traditional agenda will correspondingly feature less prominently in WTO negotiations. The more pessimistic, "bicycle theory," associated with C. Fred Bergsten, is that inactivity on the multilateral front will lead to policy rollback, which could take the form of increased protectionism and/or increased litigation in the WTO, particularly in agriculture, where the stakes are high and the rules murky. If this were to happen, the private sector, threatened with loss in market access, could return to the multilateral arena reenergized.

The importance of the proposed agenda similarly depends on international economic circumstances. For example, if food and oil prices were to fall dramatically now or in the near future, these threats to security will become less pressing and the need for cooperation less urgent. Nevertheless, one of the key lessons from Doha is that multilateral cooperation must be responsive to the big issues of the day—mindful, of course, that new rules must transcend the vicissitudes of the economic cycle—rather than being the expression of dreary habit.

The challenges for multilateral cooperation posed by the new agenda are substantial and success is far from assured. But pursuing an agenda that matters, even taking account of the difficulties, seems preferable to being stuck in the eternal regress of negotiating an inconsequential agenda. It was revealing that at the most recent WTO ministerial in Geneva, even the anti-WTO protesters did not bother to show up.

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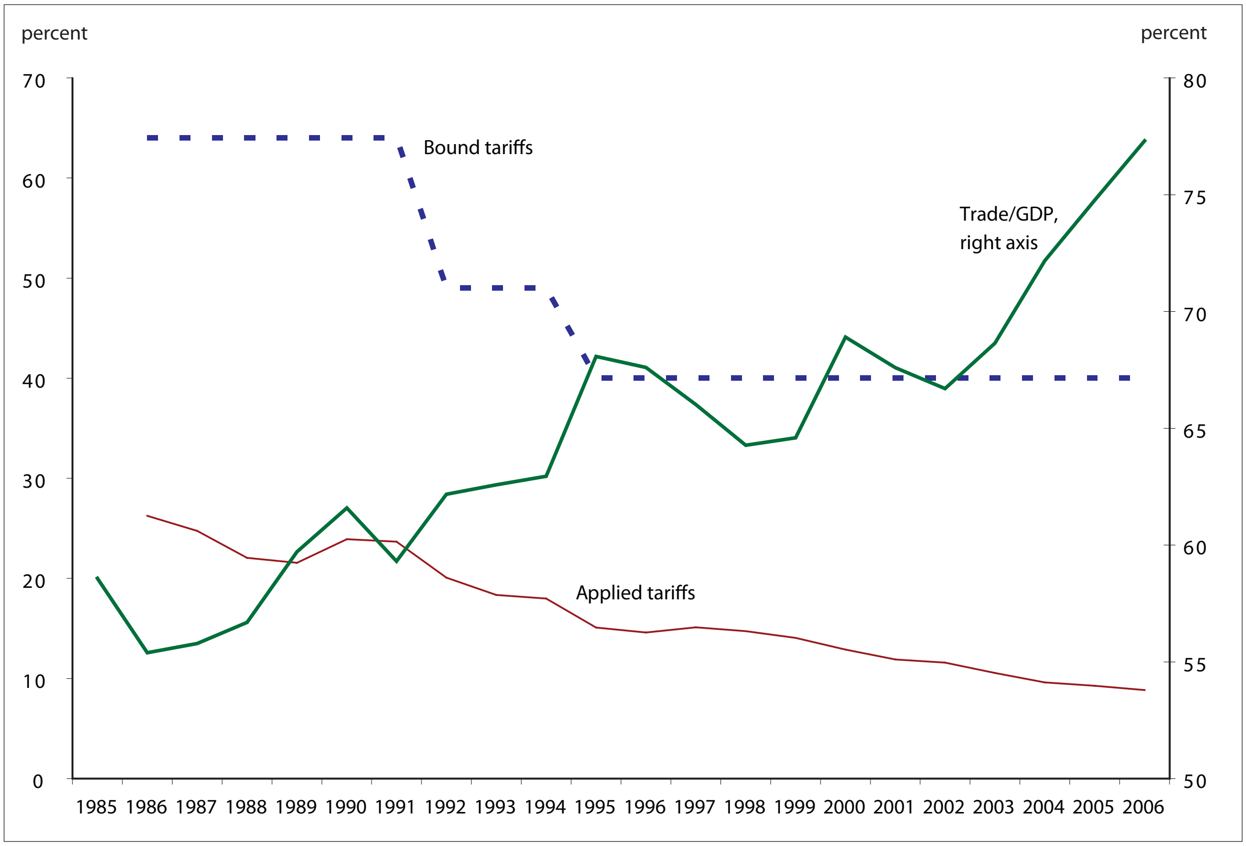
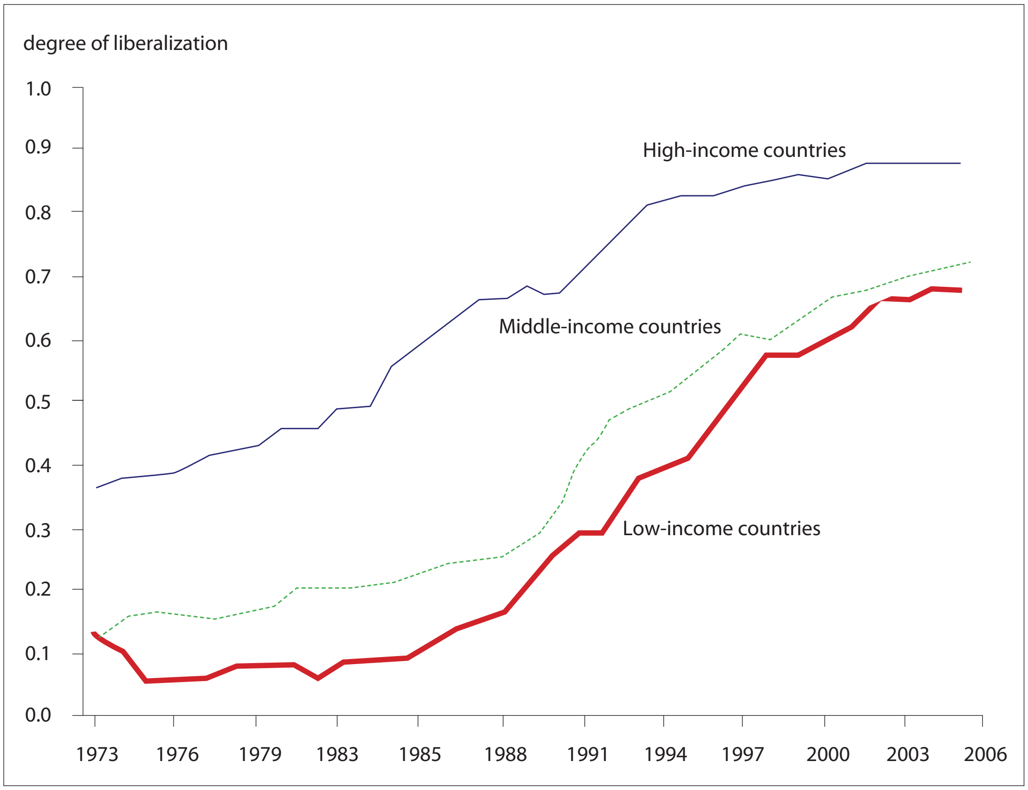
Figure 1 Global tariffs and trade, 1985–2006



Sources: World Bank's *World Development Indicators* and World Integrated Trade Solution database.

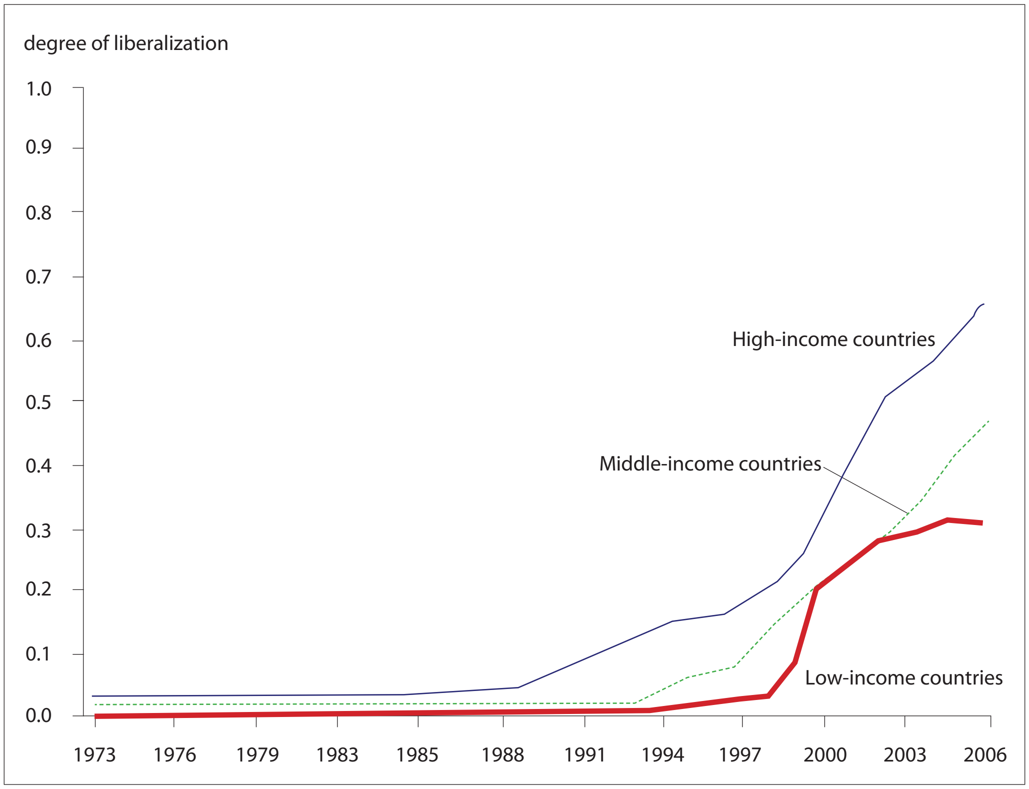
Figure 2a Domestic financial-sector liberalization index, 1973–2006



Note: The domestic financial sector in low- and middle-income countries is now as liberalized as it was in high-income countries in the early 1990s. The index is standardized to lie between zero and unity. Higher values of the liberalization indices represent greater liberalization. This figure shows the evolution of liberalization indices over time.

Source: IMF (2008).

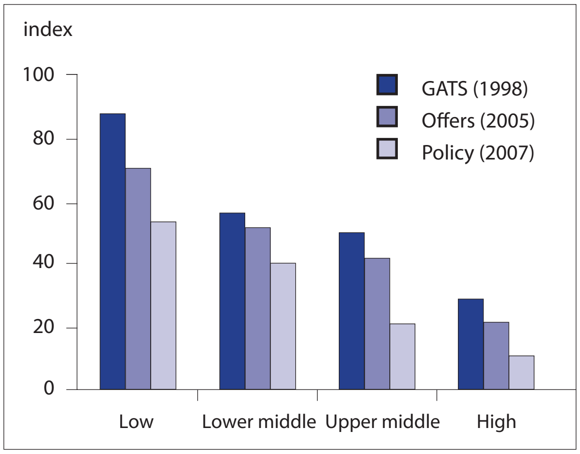
Figure 2b Electricity and telecommunications liberalization index, 1973–2006



Note: Liberalization of telecoms and electricity started in the 1990s for most income groups. The index is standardized to lie between zero and unity. Higher values of the liberalization indices represent greater liberalization. This figure shows the evolution of liberalization indices over time.

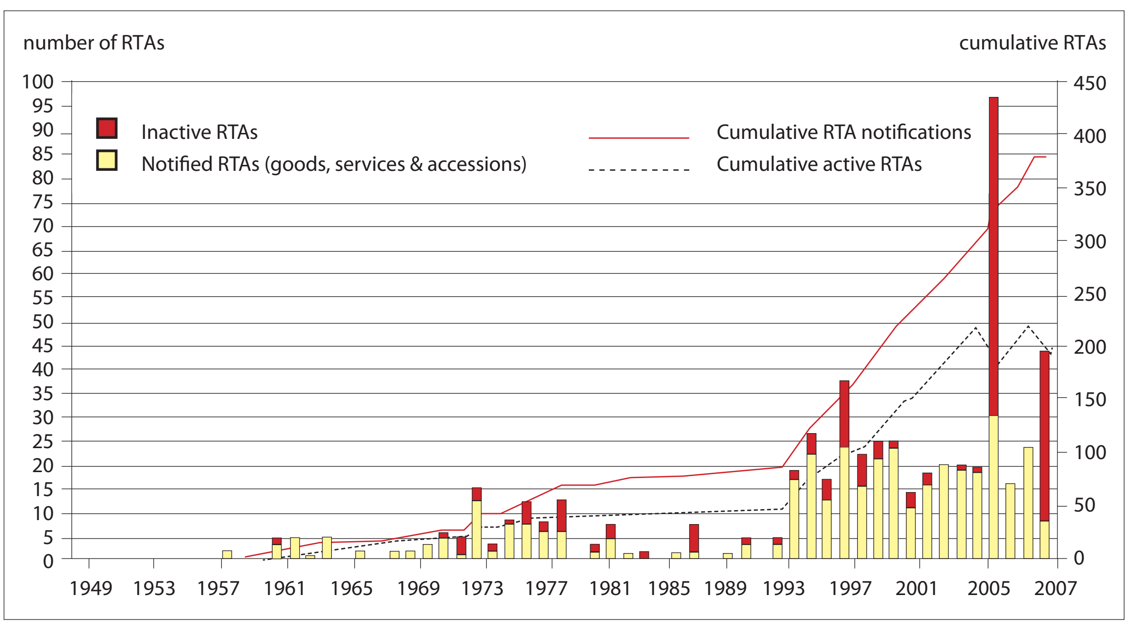
Source: IMF (2008).

Figure 3 Restrictiveness index: GATS commitment, Doha offers, and current policy, 2007



Source: Gootiiz and Mattoo (2008).

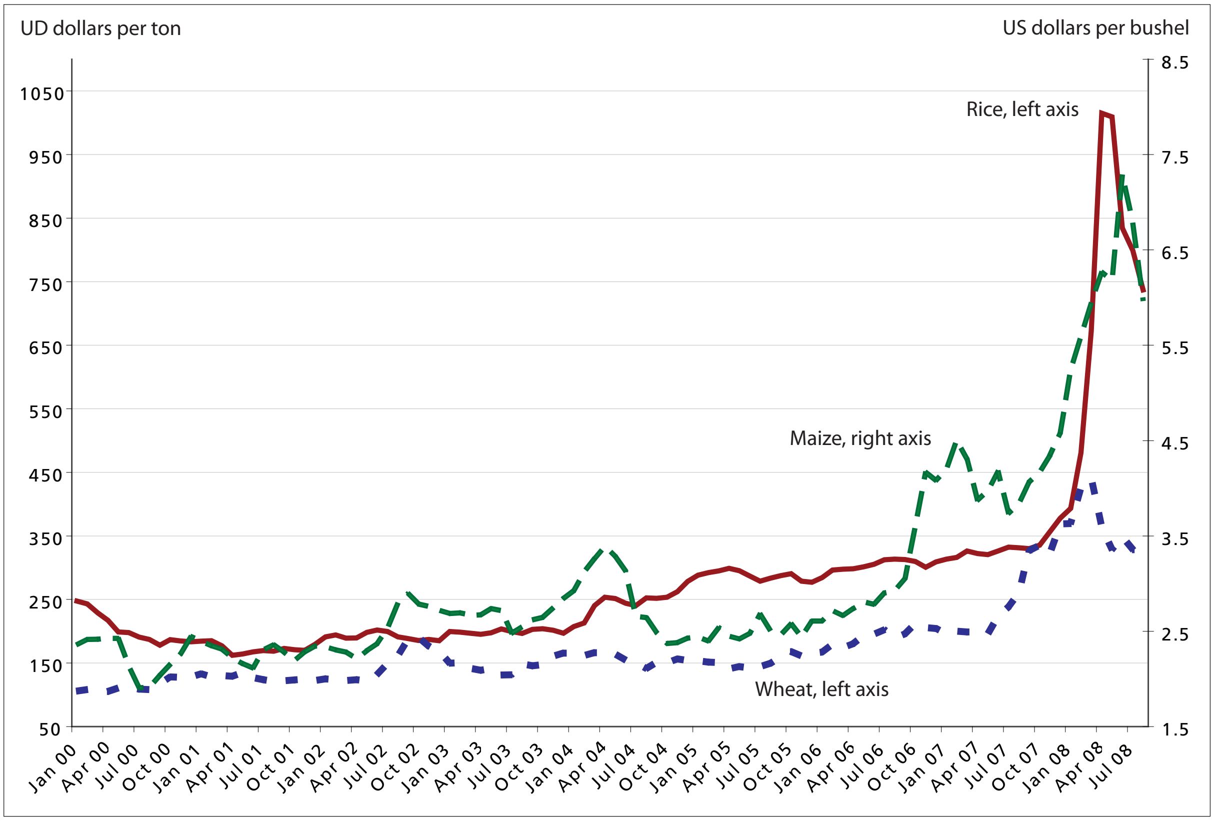
Figure 4 Regional trade agreements, 1957–2007



RTAs = regional trade agreements

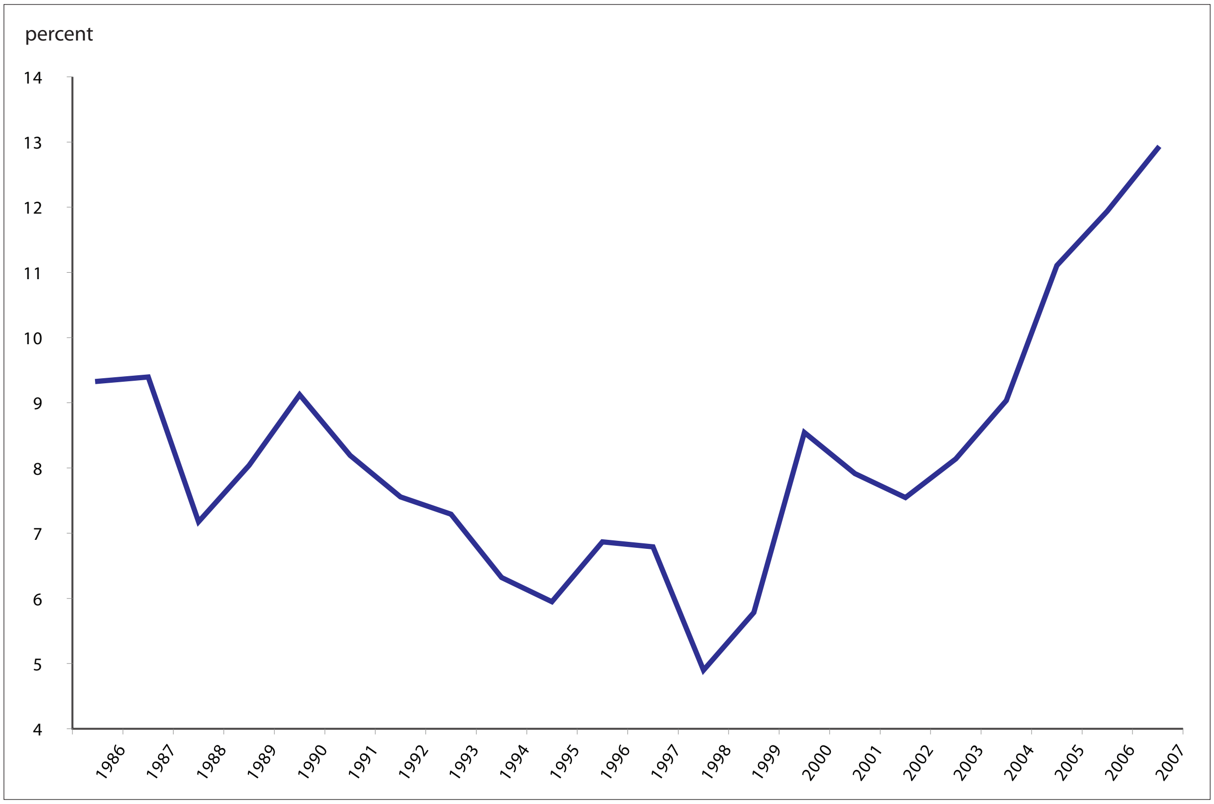
Source: WTO *Regional Trade Agreements: Facts and Figures*, 2007, available at www.wto.org (accessed on September 23, 2008).

Figure 5 World food prices, January 2000–July 2008



Source: IMF's *World Economic Outlook* database.

Figure 6 Share of oil in world imports, 1986–2007



Source: IMF's *World Economic Outlook* database.

Table 1 Weighted average applied and bound rates levied by WTO members (percent)

	Applied rates			Bound rates		
Grouping	**Base**	**Formula**	**Formula plus flex**	**Base**	**Formula**	**Formula plus flex**
Total						
All countries	3.7	2.5	2.9	9.9	5.7	6.9
High-income countries	2.5	1.4	1.7	5.2	3.1	3.8
Developing/non-LDC	6.9	5.3	6.2	21.8	12.6	14.4
LDCs	11.1	8.7	11.1	n.a.	n.a.	n.a.
Agriculture						
All countries	14.5	8.9	11.8	40.3	20.7	29.9
High-income countries	15	7.5	11	31.9	13.5	20.2
Developing/non-LDC	13.4	11.5	13.3	53.9	33	45.4
LDCs	12.5	12.2	12.5	94.1	51.6	94.1
Nonagricultural market access (NAMA)						
All countries	2.9	2.1	2.3	7.8	4.7	5.3
High-income countries	1.7	1.1	1.1	3.5	2.5	2.7
Developing/non-LDC	6.4	4.8	5.6	19.1	10.9	11.8
LDCs	10.9	8.0	10.9	n.a.	n.a.	n.a.

n.a. = not available
WTO = World Trade Organization
LDCs = least developed countries

Note: Country groups defined using World Bank and UN definitions.

Source: Laborde, Martin, and van der Mensbrugghe (2008).