



Staking development in the Doha Round

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The Doha Development Round (DDR) of multilateral trade negotiations hosted by the World Trade Organization (WTO) started in the immediate wake of the adoption of the United Nations Millennium Development Goals (MDGs) by the world leaders who recognized that it is their responsibility to lay the foundations of a more peaceful, prosperous and just world. They pledged greater cooperation to address global economic challenges, of which trade is a key

element of Goal 8 (Global Partnership for Development) of MDGs. Thus, the conclusion of the DDR could be considered as part of delivering on the MDGs.

The pro-development approach adopted in the DDR was meant to address the perceived skewed nature of the multilateral trading system that enabled developed countries to garner most of the gains from international trade. For most developing countries, it was crucial to secure a bigger “share

of growth in the world trade commensurate with their level of development” as promised in the Doha Ministerial Declaration. Further, the DDR outcome should contribute positively towards fulfilling their aspirations on rural development and food security. The issues that developing countries brought on the agenda in this regard included special and differential treatment (S&DT), technical assistance and capacity building (TACB), better market access for developing-country

exports to developed-country markets, and balanced rules that provide policy space to developing countries.

Given this larger role of the DDR and immense expectations raised around it, the urgency of its conclusion is now more than ever, in the wake of the setbacks to MDGs due to the recent global economic downturn. However, set against the background of complex real politik underlying the negotiations and the vast number of issues to be covered, the Round has been regrettably prolonged with no immediate end date in sight. Though important advances have been made in several areas, a final agreement remains elusive for want of a consensus on a number of topics on which the divide is largely between developed and advanced developing countries.

The outstanding promises

At the outset, the DDR promised due consideration of the special developmental needs of the disadvantaged WTO Members and delivery on "development" through the application of the principle of less-than-full reciprocity, whereby developing countries are allowed to offer lesser/fewer commitments and concessions. Also, it mandated the review and strengthening of a number of S&DT provisions along with TACB programmes for developing countries, particularly the least-developed countries (LDCs).

But as the DDR started, the focus immediately shifted to controversial market access issues in agriculture and industrial goods. In the agriculture negotiations, trade-distorting farm subsidies in developed countries, predominantly in the European Union (EU) and the United States (US), are at the epicentre of standoffs. While developed countries have been defensive on this issue, they have taken offensive positions in the area of industrial goods, demanding larger tariff cuts generally and steeper cuts on specific industrial sectors/products from advanced developing countries like China, India and Brazil. Hence, many believe that a successful conclusion of the DDR primarily hinges on the

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resolution of the outstanding issues in the negotiations on agriculture and industrial goods.

Developing countries are concerned that with a change in focus from development issues to market access, the DDR may not be able to deliver on its initial promises. They refuse to set aside talks on special rights and privileges due to them, particularly the LDC Members. However, given the "single undertaking" principle on which the DDR negotiations are being conducted, impasse in the talks can now be resolved not only by conceding to each other's aggressive interests in agriculture and industrial goods negotiations by developing- and developed-country groups respectively, but also by inclusion of all the promised development-sensitive measures applicable to disadvantaged Members in the final package.

A positive take-away from the experiences so far is that even modest results from the Round would raise world development prospects by far. Under the most expected scenario, the Round will conclude with tariff cuts on industrial goods based on the accepted modalities, supplemented by deeper tariff cuts on sectors/products of priority interest to the proponents of "sectorals" such as chemicals and electronics/electrical goods. This scenario also would entail stricter disciplines on agricultural subsidies, with deeper cuts on already agreed overall trade-distorting subsidies (OTDS) as well as inclusion of more trade-distorting subsidies under OTDS.

In addition, to make any Doha deal

work, countries have to come up with concrete commitments to liberalize trade in services. To date, these negotiations have not yielded offers that would enhance market access and requires a substantial acceleration of the request/offer negotiations in services. Movement of natural persons remains heavily regulated, and proposals for negotiation of the issue in the context of the Round have found resistance from developed countries. Deeper commitments on market access in this area could yield substantial gains for developing countries.

In the case of the conclusion of the Round with not-so-superlative outcomes, the development aspirations of the vast majority of WTO Members from the lower rungs of the economic ladder may critically depend on how the details of the final deal turn out with respect to three broad aspects: i) extent and coverage of removal of agriculture subsidies, cotton in particular, given its positive implications for enhanced market access and negative implications for net-food-importing countries in terms of food inflation; ii) extent and coverage of S&DT provisions, along with the Aid for Trade initiative, the Generalized System of Preferences (GSP) and TACB programmes, particularly allocations to which the LDCs would be eligible; and iii) the overall package for the LDCs and Small and Vulnerable Economies, and remedial measures in response to preference erosion faced by poor countries.

As regards the first aspect, a dilemma facing the predominantly agro-based developing economies is the possible impact of subsidy cuts on internal price stability. While the expected increase in world market prices may enhance the price competitiveness of certain agro-exports from such countries, they may need to continue protecting domestic producers. Many vulnerable agro-based countries being net importers of food, the comfort of subsidized imports may get eroded, leading to a rise in their import bills. However, a phased elimination of cotton subsidies by the US and the EU



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implementation of full duty-free and quota-free market access to products originating from all the LDCs, including arrangements for the early harvest of this commitment; v) review of Article 27.3 b (patentability of plant and animal varieties) of the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS) that should result in providing rightful protection of genetic resources and traditional knowledge, and effective implementation of the Declaration on TRIPS and Public Health that will help ensure affordable access to generic drugs in countries with limited or no pharmaceutical manufacturing capacities.

In the area of services negotiations, the expectations are centered on the implementation of LDC modalities and substantial improvement in offers from developed countries and advanced developing countries on market access to services exports from the LDCs through Mode 4, specifically the easing of barriers for the entry of unskilled labour. These outcomes, along with the general market access opportunities that are expected and accompanied by the already agreed safeguards and flexibilities, would help to extract a huge cut from the Round as far as pro-development expectations are concerned.

Besides these areas, common concerns raised in the past need further pursuance, regarding the removal of various existing NTBs (such as restrictive import policy, environmental standards, eco-labelling, laboratory test for dyes, unrealistic certification measures, export subsidies, technical barriers to services trade, anti-dumping and countervailing measures) in the major export markets. Though in varying degrees, supply-side constraints are common to all developing countries and solutions shall be sought for adequate financial resources and technology transfer to address low capacity to meet product quality standards and infrastructural bottlenecks. These demands will have to be realized in part outside the ambit of the DDR. Nevertheless, it cannot be ignored that unilateral policy reforms

with a short implementation period should be high on the agenda for the benefit of many LDCs. For instance, the elimination of annual cotton subsidies to the tune of US\$3 billion is believed to enable West African LDCs to gain 5–12 percent of the value of their cotton exports.

Another sensitive agenda for developing countries is to seek ways and means to address preference erosion for their products in developed-country markets following most-favoured-nation (MFN) tariff cuts. The focus in this direction is currently on deepening the GSP schemes for the LDCs over the MFN reduction rates so as to check preference erosion, as well as on capacity building programmes and relaxations in rules of origin clauses to enhance the utilization of preference schemes. Most currently eligible countries have severe problems in expanding their exports to markets that already exist. Therefore, additional

thrust must be placed on enhancing market access through improved rules of origin, support to deal with non-tariff barriers (NTBs), and aid for trade.

Other key demands that need to be pursued to ensure minimum assured development benefits are: i) additional flexibilities for trade in industrial goods envisaged under paragraph 8 (non-agriculture market access) of the July 2004 Package over and above the flexibilities that would be granted through lower tariff cuts and longer implementation period; ii) early harvest and full utilization of the TACB programmes envisaged under the proposed Agreement on Trade Facilitation (this would also partly address the implementation issues that would arise once the Round is concluded); iii) fast tracking of the implementation of the Task Force on Aid for Trade recommendations through the provision of additional, non-conditional, predictable, sustainable and effective aid; iv)

by WTO Members is also essential. Measures in this regard include usage of aid projects for trade-related capacity building, and intra-regional customs cooperation for smooth transit facilities. Given that huge expenditure would be required to expedite the process, supplementary support must be sought from relevant multilateral agencies for trade-related infrastructure (e.g., transport, energy, logistics), financial and capital market development, as well as other areas in order to reduce transaction costs. Promoting improvements in infrastructure and the business environment would open up opportunities for the private sector, both in terms of trade and of investment and thereby enable developing countries to take advantage of the DDR outcomes. Therefore the “delivery on development” of the DDR should be evaluated in the context of both the favourable outcomes of the Round and unilateral support measures initiated by Members.

Time to harvest with focus

The critical test facing the DDR is to resolve the broad differences between nations on both sides of the economic divide and reach a consensus at the soonest as the Round cannot afford further indefinite delays. This is especially so as, with the passage of time, ground realities change, making it increasingly difficult for the negotiating process to keep up with the pace of changes in the external environment that surrounds the WTO system. In addition, since the DDR has been working with a fixed agenda set in 2001 and slightly modified in the July 2004 Framework, the more the Round prolongs, the more it affects the WTO's capability to address its ever growing obligation to deal with new and emerging issues.

It is important to address two broad challenges facing the DDR. First, in order to expedite the negotiations, it is crucial that major players, especially the US, take leadership by relaxing their rigid positions adopted in the past on key issues. Internal political differences have been con-

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straining several major players from delivering on their responsibilities towards constructive participation in the Round. This creates a tricky situation for the multilateral trading system as it has limited control over domestic political issues but should not be held hostage to such issues. Second, new developments in the world economy have notably affected the course of the negotiations directly and indirectly. A case in point is the impact of the recent global economic crisis on the progress of the DDR.

Domestic political economy concerns and the pressures for protectionism in the aftermath of the crisis slowed down the DDR talks. There still exists a threat of an economic downturn in major developed countries along with signs of food and fuel supply shocks at the global level which may again hold back the progress of the DDR. These are also exogenous factors over which the WTO has limited control and Members should be conscious so as not to allow such obstacles to cause more delays.

In order to overcome these challenges, a concerted effort must be made to put pressure on major players to resolve their internal political differences that have been constraining their participation in the Round. Such an effort can be made only in coordination with other global development institutions and international coalitions/bodies, since the exogenous factors that may affect the negotiations can be hardly predicted with precision and acted upon by the WTO alone. Very strong grounds for strengthening this coordination already exist and

this must be achieved by reasserting the strong links of the DDR with the achievement of the MDGs, especially the vision about global partnership for development.

An example to substantiate this point may be drawn from a recent experience. When the financial crisis erupted in late 2008, the G20 mobilized the international community's response to the crisis. While the primary focus was on mutual support and coordination of response actions among its members, the G20 also arranged for significantly increased international assistance to developing and transition economies. This was achieved, in particular, through expanded lending by the multilateral development banks and the International Monetary Fund, which also eased the terms under which resources were provided to low-income countries, including cancellation of interest payments due through 2011. This helped to a large extent in easing the pressure on countries to resort to protectionism and consequently reinstated confidence in trade liberalization and multilateral trade negotiations.

Based on this experience and with a view to avoid dilution of focus on the ongoing negotiations, the WTO should continue to document and publicize trade-distorting protectionist measures adopted worldwide and thereby put pressure on its Members to prevent them from adopting defensive trade policies. In this regard, the fact that G20 members committed themselves to resisting protectionist policies and requested the main international trade agencies to monitor country activities is another evidence for the argument that the WTO negotiation process may benefit immensely by banking on global coalitions with common goals. ■

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