

The Doha Development Agenda *Revisiting the Development Dimension*

————— Roderick Abbott*

Introduction

The Sixth Ministerial Conference of the World Trade Organisation (WTO) is to take place in Hong Kong in December 2005. Recent efforts by the US and the EU to bring the discussions nearer to an outline of the final deal have met with criticism from leading developing nations, which argue that offers to cut agricultural subsidies and lower tariffs are inadequate or contain loopholes such that there will be much less real change than might appear to be the case.

On the other hand, increased emphasis by major developed players on the need for progress in opening access (for goods and services) to the markets of developing countries shows that there is still a large conceptual gap between the two sides.

It, therefore, seems a good time to review what the development dimension of the Doha Round really means, and to analyse what progress has been made in this area. This term (development dimension) is found in Paragraph 19 of the Doha Ministerial text in the context of Trade-Related Aspect of Intellectual Property Rights (TRIPs).

The Doha declaration includes references to technical assistance and capacity building (much has been achieved), and (looking backwards) to a series of implementation problems arising out of the Uruguay Round. Those matters are although important but this paper focuses rather on how the negotiations can be expected to deliver benefits for developing countries, whether in the area of rule making (new disciplines) or in new export opportunities.

Paragraph 2 of the Doha text says, in a famous phrase: “We seek to place (developing country) needs and interests *at the heart of* the WTO work programme” and other references to development as one of the prime objectives of the trade negotiations launched in 2001 are scattered throughout the 52 paragraphs. No fewer than 15 paragraphs address development issues more or less exclusively, and the needs, interests or priorities of

developing and least developed countries are mentioned throughout, especially in those paragraphs which set out the core negotiating areas and the objectives to be pursued.

Among such needs and interests the concept of special and differential treatment is a central theme, and the need for negotiations to be conducted on the basis of less than full reciprocity is another fundamental concept. But how will these ideas be translated into appropriate provisions in any final deal? And what should be expected, and equally important, what is unlikely to be done?

Development within the WTO Rules

To understand this in its context, there is a need to go back a few years: to the end of the Uruguay Round and to the establishment of the WTO, and to realise that a major change was made to the framework of international trade rules. For much of the 1980s the GATT (General Agreement on Tariffs and Trade, the predecessor of the WTO) had lived in a *de facto* state of two-tier membership. This was a by-product of the Tokyo Round results, with a number of agreements in the area of non-tariff barriers, which were signed by some members and binding only on them.

The large majority of members had not been involved and took no new obligations. There were also major disparities in enforcement of rules, e.g. in the context of balance-of-payments measures, and in the degree to which members had accepted tariff commitments during their accession process.

All this changed with the fact that the Uruguay Round agreements were treated as a single undertaking. Members wishing to join the WTO were expected to accept all the agreements and were not permitted to pick and choose or to make reservations. The WTO became an institution with a body of rules applied equally to all its members. This was an important reaffirmation of the most-favoured-nation (MFN) principle: all members have the same obligations and are, therefore, obliged to treat other members equally and without discrimination.

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In parallel with this new situation, and as a consequence of it, another trend emerged: that of increasing membership and, more importantly, active participation of developing countries. This is evident from the increasing number of alliances/groups comprising of developing countries exclusively (see Box 1). There are currently 148 members and, on any measure, 110 of these are developing countries. Naturally, as their obligations have increased, so has their interest in ensuring that the framework of multilateral trade rules can be adapted to their needs and that any new rules to be agreed are consistent with their development objectives.

While this desire is not *per se* in contradiction with the system, it does present some conceptual problems. For instance, how to fit differential treatment within the basic framework? The provisions in favour of least developed countries (LDCs) and permitting generalised system of preferences (GSPs) are two examples.

At the time of Seattle and Doha ministerial conferences of the WTO the weight of these members and the strength of their opinions was slowly being felt without perhaps full realisation of the changes that this would imply. This was no doubt the principal reason for the statement that the Doha Round would have a development dimension and for the label *Doha Development Agenda*. However, what was implied by that description and what the expectations that it had generated, it only became clearer at the time of the Cancún Ministerial Conference of the WTO in 2003.

As stated above, the origin of the WTO in such concepts as *single undertaking* and *equal treatment* for all its members are a clear statement of how development needs and interests will be tackled. Such concepts as *special and differential treatment* (S&DT) need to be interpreted against this background and there are inevitably constraints. Within a one-tier membership there cannot be fundamentally different levels of obligation. But there can be slower periods for implementation of, and longer transition to, the same obligation. There can be derogations of a temporary nature, and this concept can be applied flexibly. But there cannot be opt-outs, to use a well-known European phrase.

In a more philosophical sense, this approach can be seen as a statement that in the long-term all members will have developed to a point where they can accept the same commitments. On the other hand, it cannot be denied that, in 2005, many of the members do need some specific help towards this objective.

One of the pressing needs in the WTO is that a wider range of countries needs to recognise that while they are not yet fully developed, they can and should go further in providing more open access and in removing barriers, which affect even poorer countries.

On running the picture forwards to July 2004, what statements are found on the development issues? One striking phrase is that, after reaffirming that S&DT provisions are an integral part of WTO agreements, the General Council instructed negotiators to work to “*incorporate such treatment into the architecture of WTO rules*”.

Incorporation must mean that such provisions are to be included but equally it implies that the structure of rules is to be adapted rather than fundamentally changed. This certainly suggests that the interpretation given above is correct, and that there is no intention to modify the basic design of the WTO: rules will remain the same for all, but their application may be finessed.

What Else on Offer as Development Benefits?

If the analysis so far of the basic obligations is correct, then the perspective of new, differential rules in favour of developing countries is an unlikely one. The emphasis here is on the word: *differential*. It would of course be perfectly possible to have revised rules, which are the same for all members but which do in fact favour the interests of developing countries.

One area, rules governing anti-dumping measures, immediately comes to mind, and perhaps trade facilitation is another example. It could even be argued that new rules in relation to agricultural subsidies (and new commitments that follow from them) would yield similar benefits although there would, in this case, be greater benefits for developed-country exporters also.

Box 1: Major Developing-Country Alliances on WTO Issues

- **G-20 Group:** the G-20 is a group of developing nations, led by Brazil, which negotiates fairer rules for agricultural international trade. The G-20's negotiating position was and still is straightforward: increased access to the rich countries' markets for their agricultural products, an end to agricultural export subsidies and elimination of domestic supports by rich countries.
- **G-33 Group:** the G-33 was formed by 40 developing nations from Africa, Asia, and Latin America and the Caribbean for the specific purpose of demanding greater flexibility in the trade of certain agricultural products that are vital for their rural economies. These products are known as Special Products. The G-33 insists that this S&DT be incorporated in all WTO agreements. It places great importance on the centrality of S&DT.
- **G-90 Group:** the G-90 is an alliance of poor and small countries of Africa, Caribbean and the Pacific (known as ACP). It is the largest grouping of WTO members. It took a strong position on agriculture negotiations at the Cancún Ministerial Conference of the WTO. The European Union has preferential trade agreement with ACP countries, which provides them with duty-free access on many products to the EU market. ACP countries are concerned about the erosion of this preference.

Box 2: Key Market Access Issues having Development Impact

Labour Mobility: Temporary movement of workers has, by far, received less attention in terms of the volume of scheduled concessions. Agreements that provide for the mobility of low-skilled labour from poor to rich countries would do most to increase global welfare. Yet, despite having tremendous development potential, negotiations on this issue has not progressed in a way that allows developing countries to exploit their comparative advantage in semi- and low-skill labour intensive services.

Agriculture: Agriculture is crucial for developing countries, representing almost 40 percent of their gross domestic product, 35 percent of exports, and almost 70 percent of employment. Because agriculture is such an important part of both national economic development and daily livelihoods in developing countries, agricultural reform must proceed carefully. Agriculture liberalisation presents developing countries with the benefits of increased market access, but also potential costs of higher prices for domestic consumers. WTO negotiations on agriculture should focus on liberalising those commodities, which have the largest positive effect on producers and smallest adverse effect on consumers.

Source: Joseph Stiglitz and Andrew Charlton, The Development Round of Trade Negotiations In The Aftermath of Cancún, A Report for the Commonwealth Secretariat, London, 2004.

This brings the discussion into the area of core negotiations, on market access for goods, on agriculture, and on trade in services. Here there are – fortunately – some more positive elements, which can be deployed, in the negotiating context. The idea of a bargain based upon *less than full reciprocity* between partners is quite consistent with a single set of obligations, and this allows negotiations to be on the basis of individual commitments consistent with development objectives. Similarly, the structure of commitments in the services agreement also permits a different level of commitment by different members based on different economic situations.

In a recent statement Pascal Lamy, the WTO Director-General, has expressed the general concept which matches this analysis as follows: “...the greatest gains (for development) will stem from each negotiating area”; and it has been said that 70 percent of the gains for developing countries will come from opportunities in the core areas of negotiation. It is clearly true that many of the estimates (e.g. by the World Bank) of such benefits are based on calculations about tariff cuts, reductions in subsidies and market opening measures in the services field. Whether these estimates are realistic is another matter, but it is a fact that this is the area where most observers see the biggest potential gains.

The difficulty here is that there are not yet sufficient indications of results to make any judgment on the question whether this concept, that development is present *at the heart of the negotiations* and to be given priority in all sectors of negotiation is being satisfactorily applied. The provisional answer is: it is not yet clear.

At the same time, it has become clear that some of the issues that are causing major problems involve precisely these matters of non-reciprocity, or differential tariff cutting formulae, or different rules for flexibilities (exceptions from a general approach) or for sensitive products. So long as there is not a consensus on the overall level of ambition on access for goods or for action on agricultural products, it will be hard to define what different measures might be applied by developing countries.

One of the troubling aspects in this context is the strong insistence by the US and the EU that developing countries must respond to offers in agriculture with really meaningful access to their markets for goods and services. This, it is argued, is essential for the reductions in subsidy payments that they have offered to be politically acceptable in their countries. It is also said – and this must be correct – that major improvements in access would stimulate South-South trade among developing countries themselves, a sector of world trade, which is dynamic and has grown rapidly in recent years.

Now what that demand means precisely has not of course been defined. If it means that anything beyond a 25 percent tariff is regarded as giving little or no access and that bound rates at higher levels are of no value, then there will obviously be trouble ahead. We should bear in mind that these participants (i.e. US and EU) had strongly supported the Swiss formula for tariff reductions, which in essence aimed to lead to the outcome: “the higher the tariff rate, the deeper the cut”. If no adjustment was made, this would have strongly penalised a large number of developing countries while yielding smaller cuts in absolute terms in the developed world.

Nor has it been made clear which developing countries are targeted: is it all of them, which seems an implausible objective? Or is it a more limited group whose trade and growth performance has been above average in recent years and whose GDP per capita figures indicate that they are at the richer end of the spectrum?

Concluding Remarks

How are WTO members meeting this challenge of the development dimension? As explained, there is still work in progress in the areas where much of the potential gains should be found, but we are very far from any broad understanding, let alone any agreed assessment, of what a good development outcome would be. It can certainly be argued that there has been a failure to explain clearly what this dimension means and what it does not.

Too many issues have been left in an ambiguous state, leading to the growth of unrealistic expectations, and the risk in that is that participants will be tempted to overplay their hand, and that would lead to political stalemate. In some ways recent developments do indeed suggest that this could happen.

One such ambiguity is that, by some conjuring trick, reductions in agricultural subsidies will lead to benefits for all poorer countries, or all producers and all exporters. Yet we know very well that this is not so: there will be benefits from moving towards a world with less distortions of competition in the farm sector, but they will be uneven in their impact on country-by-country basis and certainly not the *same benefits* all round. When this is realised more fully, there will surely be a backlash and accusations that poor countries were misled.

Another sector where there are such expectations is that of special and differential treatment, and it has been attempted to show why it seems unlikely that the WTO

can deliver more binding provisions in terms of rules, which are more flexible or less rigorously enforced for some members than for others. There is not perhaps an effort to draft an agreement, which would spell out basic principles and rights for developing countries, and in the absence of such a redefinition of the rules, the architecture will be unchanged.

Yet this is not well understood in general and it is assessed that the WTO faces considerable dangers in a situation where there are expectations and will therefore inevitably be disappointments. It would perhaps have been better to have these constraints spelled out at a much earlier stage in the game.

One African Minister recently commented that Hong Kong risks being a failure “unless the developed world stops treating developing countries’ concerns as an afterthought”. No doubt this description is an exaggeration, but it would be difficult to show that the four years of debates since Doha have proved it to be totally unfounded.

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