The WTO, the Doha Negotiations and Developing Countries

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About a year ago, the IV WTO Ministerial Conference, meeting in Doha, Qatar, launched a new, comprehensive set of multilateral trade negotiations. Following the practice of previous negotiations -- those conducted under the aegis of the GATT --, ministers gave these negotiations a name -- the Doha Development Agenda -- to signal the focus of their efforts. By doing so, the WTO ministers wanted to address a key concern in the debates on globalization and development: the perception that the WTO is not responsive to the needs and aspirations of developing countries, and that developing countries have little to gain by participating in the WTO. This view has often been expressed not only by civil society and non-governmental organizations, but also by many developing countries.

But the focus on development was not just a concession from the rich countries to the poorer WTO members. It also resulted from the unprecedented activism deployed by developing countries all along the preparatory process, and during the Doha Ministerial itself. Developing countries showed a lot of resolve in pushing forward their proposals, and in containing those that they saw harmful to their interests. They were well organized, in regional or functional caucus. And they deployed their negotiating skills in all the subject-areas under consideration, forcing many trade-offs where none was envisaged, as when the ACP countries conditioned their acceptance of the Doha Declaration to the approval of a waiver for the Cotonu Partnership Agreement, which they had concluded with the EU.

Thus, both the political and social environment in the industrialized countries, and the growing assertiveness of developing countries in the WTO made development issues for the first time in the history of the multilateral trading system a central consideration of trade negotiations. It remains to be seen, however, to what extent this translates into actual agreements. Although the Doha negotiations still have two more years to go -- until the beginning of the year 2005 -- progress so far has been of a very limited nature. During the first year of negotiations -- which began in earnest in early 2002, except for the negotiations on agriculture and services which started in March 2000 -- the WTO has been very busy holding meetings and examining hundreds of negotiating proposals, but achieving very little by way of concrete results. At the closing of 2002, there was a growing sense of frustration in many countries, particularly developing countries, as they failed to reach agreement on a few, critical issues closely linked to the “development” nature of the Doha negotiations.

In these notes, I deal with the Doha negotiations from the perspective of the developing countries. I refer in the next sections to the evolving participation of developing countries in the multilateral trading system, and to the challenges of the Doha negotiating agenda, before concluding with a preliminary assessment of the first year of the negotiations.

Developing countries and the WTO…

The participation of developing countries in the multilateral trading system has changed considerably in the last few years. First, in terms of membership as developing countries have massively joined the WTO, the most notable example being of course China’s accession to the WTO in late 2001. Second, because trade and trade policies are critical components of developing countries’ economic strategies. And, finally, because developing countries use

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more and more the WTO, including its dispute settlement mechanism, for what the WTO stands for, to promote and protect the trade interests of its member countries.

Indeed, membership of developing countries to the WTO has expanded significantly. As of today, there are 145 WTO Members, of which more than 70 percent are developing countries. This situation contrast with that of the GATT. In 1947, when the GATT came into being, there were 11 developing countries among the 23 original signatories. These included China and India, and a few Latin American countries, such as Brazil and Chile. By the time the GATT ceased to exist, in 1994, it had 76 developing contracting parties.

At present, more than 100 developing countries are WTO Members, and there are some 30 other countries, most of them developing countries, which have requested or are negotiating their accession to the WTO. Countries in accession include the Russian Federation as well as Saudi Arabia, Algeria and Vietnam. In a few years, once these negotiations are completed the WTO will be a truly universal organization.

Also, it is easy to see why developing countries are interested in the WTO. Trade is a critical component of their economic strategies. Since the mid-1980s, many developing countries have rejected inward-looking, import-substitution models of development in favor of trade reform and liberalization. This has increased the stakes of developing countries in the multilateral trading system, and in international trade.

Trade accounts for an increasing percentage of the economic activity in developing countries. For instance, during the 1990s, the openness of all developing countries to trade (the ratio of exports and imports in GDP at real prices) increased from 29 per cent to 43.5 per cent. Also, the structure of developing countries' trade is shifting away from primary products to manufactures. For example, in the year 2000 manufactures accounted for 85 per cent of total East Asian's exports, and 60 per cent of Latin American exports. And equally important, developing countries trade more and more with other developing countries. Almost 36 per cent of developing countries exports in 2000 went to the markets of other developing countries, with exports of manufactures being the most dynamic component of intra-developing countries'trade, but with exports of agricultural products also accounting for an important proportion of this trade.

As the trade of developing countries continues to expand, and trade policies take root, the WTO and trade negotiations play a supporting role in the fulfilling of developing countries' development objectives. Developing countries need the WTO as much as the WTO needs developing countries. A strengthened multilateral trading system, providing predictable and secure access to export markets, is a necessary condition for developing countries to achieve their full integration into the world economy. And as developing countries seek to seize the opportunities of the international marketplace, they find in the WTO a set of stable rules for the conduction of their trade strategies.

That's why developing countries have become very active in the WTO. The establishment of the WTO in 1994 was a major step forward in the integration of developing countries into the multilateral trading system, as fully-fledged commitments were taken on for the first time, covering trade in goods and services, as well as on intellectual property rights. Previously in the GATT, developing countries' efforts had concentrated more on trying to remain exempt from the rules rather than participating actively in negotiations. However, with more and more developing countries becoming important exporters, they are firmly asserting their trading interests in the WTO.

For example, as the WTO is a system of enforceable rules, the developing countries are using more and more the dispute settlement mechanism to better protect their trade interest. For example, developing countries as a whole have initiated more complains in the WTO than the European Union and almost as many as the United States. Interestingly, more than 40 percent of developing countries complaints are against other developing countries, including countries from the same regions, thus reflecting the changing realities of developing countries' trade relations, as indicated before.

In the overall, developing countries account for approximately 31 percent of the complaints initiated so far under the WTO, and 39 percent of those leveled against them. This contrasts with the fact that only 13 percent of all cases were brought against developing countries in the last 15 years of the GATT (1980-94). This seems to suggest that the increase in developing countries' obligations after the conclusion of the Uruguay Round, goes hand in hand with an increase in WTO litigation.

The Doha negotiating agenda

Developing countries played an important role in shaping the Doha negotiating agenda, and they significantly influenced the nature and content of the new negotiations. The Doha negotiations cover a wide variety of issues, which can be classified into three main categories or cloisters. The first one covers those issues addressing market access for goods and services, which include the on-going negotiations on agriculture and services as well as negotiations to reduce or eliminate tariffs, including tariff peaks, and non-tariff barriers in the industrial sector. The second category of negotiating issues includes those which aim to revise, strengthen or modify existing WTO agreements and rules. This category has the widest coverage. It includes negotiations on the subsidies and anti-dumping agreements; on WTO rules regarding regional trade arrangements; on some aspects of the intellectual property agreement, i.e. negotiations for the establishment of a system of notification and registration of geographical indications for wines and spirits; on clarification regarding the WTO and the trade rules of multilateral environmental agreements; and, finally, negotiations to revise the WTO dispute settlement understanding. Finally, there is a third category of negotiating issues, which covers a few "new" issues that were proposed for inclusion in the WTO framework. This category includes investment and competition policies, transparency in government procurement, and trade facilitation. And contrary to the other elements of the Doha program, negotiations on these issues will not start before the next WTO Ministerial Conference, to be held in Cancún, Mexico, in September 2003, where a number of decisions regarding the modalities of those negotiations need to be taken.

The Doha Development Agenda, adopted at the end of the Ministerial Conference, contains the modalities and objectives of the negotiations for each of the areas mentioned above. In most cases the goal are very clear: fundamental reform is needed. That is the case of agriculture, where the negotiations aim to achieve a fuller and more effective integration of agriculture within the multilateral trading system. And of the negotiations on market access for non-agricultural products, which are supposed to address issues such as tariff peaks and tariff escalation, which are two of the main concerns of developing countries. And services, where the negotiations seek to expand on the limited results achieved during the Uruguay Round when it comes to trade liberalization in the services sector. And, of course, rules, where several WTO agreements are in need of reform, as witnessed during the debates on implementation issues.[1]

A year after the beginning of the negotiations the balance is mixed. On the one hand, the negotiating machinery is operating at full speed, and there is an endless succession of meetings of the negotiating groups. Also, judging by the number and quality of the negotiating proposals presented by WTO members on the various areas under negotiation, they seem to be fully engaged in the Doha exercise. Moving beyond the surface, however, the picture is less rosy. There are many reasons for this. First, the negotiations on agriculture are moving into troubled waters, and there is a certain sense of frustration at the lack of effective engagement on the part of the European Union. Disagreements among the European countries regarding the future of the Common Agricultural Policy (CAP), and uncertainties regarding the impact of the coming EU expansion is preventing the Commission from making its views known as to how to achieve the negotiating goals contained in the Doha Development Agenda. To this should be added the unwelcome signal sent by the United States when it approved earlier in the year a new farm bill, which significantly increased the financial support that it provides to its farmers. As of this writing, it is probably that a crucial point in the negotiations on agriculture, i.e. the establishing, by the end of March 2003, of modalities for further commitments in the areas of market access, domestic support and export competition, not be reached. This, in turn, may affect the overall timeframe of the negotiations, as no final outcome will be possible in absence of concrete progress in the negotiations on agriculture.

Two other issues are clouding the Doha negotiations. One is the lack of progress on the issue of special and differential treatment (S&D) of developing countries, where WTO members made the commitment at Doha to find by the end of 2002 ways to make the S&D provisions of the various WTO agreements more operational and effective. They failed on this, as well as on other commitment made at Doha, that of identifying the modalities by which developing countries with limited production capacity could get access to generic medicaments in cases of serious public health crisis, an issue which is still pending due mainly to the opposition of the United States. Although not strictly part of the Doha negotiations the lack of progress on these two issues, both of great concern principally to developing countries, added to the indecisiveness of the negotiations on agriculture, are making of the "development" goals of the Doha negotiations more an illusion than a reality. And few still believe that the negotiations will be completed within the agreed time frame if the current mood continues.

Not all is that gloomy, though. In some areas of the Doha negotiations progress seem to be taken root. On services, for example, the negotiations have moved to the stage where countries have begun to exchange requests and offers of concessions, thus initiating the negotiations proper. And on market access for industrial products there is a number of very ambitious and far reaching proposals on the negotiating table. Some of these proposals, such as the ones presented by the United States, New Zealand and Hong Kong, seek the elimination of all duties at the end of a given timeframe; others, such as the ones presented by the EU and Switzerland, deal effectively with tariff peaks and tariff escalation. Even if the reaction of developing countries to many of these proposals has been rather negative as they imply greater tariff cuts from their part, this is an area where real progress is not difficult to envisage as the negotiations proceed.

As the negotiations enter into their second year, and WTO members start preparations for the Cancún Ministerial attention will continue to focus on the above mentioned issues, but also on the sensitive issues of investment and competition policies, government procurement and trade facilitation. WTO members will need to agree whether to move these issues to the negotiating stage. As it is mainly developing countries that have offered resistance to do so, it is not difficult to imagine that they will keep this position as long as the issues of concern to them remain unresolved.

Summing-up, it is too early to make a final judgement on the Doha negotiations. Progress on some areas has been accompanied by lack of progress on others, and there is a sense of frustration in many developing countries as the issues of concern to them are still pending. There is also a growing realization by many countries that the three years timeframe set by the Doha Ministerial is too short to complete the negotiations.

But there is also a clear recognition by all WTO members that the stakes of the Doha negotiations are very high, as they offer significant opportunities to developing countries –as well as other WTO members. Indeed, the Doha negotiations offer a unique opportunity to achieve a more fundamental reform of agricultural trade, a key sector for developing countries, which is now subject to trade distorting measures and production subsidies by many developed countries. They also offer the opportunity to operate the opening of the markets of the industrialized countries, where trade protection, in the form of tariff peaks and tariff escalation, is still very high in areas of particular interest to developing countries, such as textiles. And to open as well the markets of developing countries, which have grown in significance for other developing countries. Finally, and perhaps more importantly, the Doha negotiations offer the opportunity to make the WTO a better place for the developing countries and for all WTO members, by making a better and more equitable multilateral trading system.

And these opportunities should not be missed!

Note

1 This debated focused on a series of proposals put forward by a number of developing countries to deal with their perceived problems in the im^plementation of WTO agreements. Overall, there were more than 100 proposals touching on most of the WTO Agreements. As a result of this debated, which originated before the Seattle Ministerial and extended until the Doha Conference, about half of the proposals were somehow resolved and the remaining are being dealt with by the relevant WTO bodies or in the context of the Doha negotiations.