

The Doha Development Round of the WTO Negotiations: A Possible Future Direction

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Abstract

The Doha Development Round of the World Trade Organization (WTO), which was launched in 2001, represented a 'window of opportunity' for the developing countries to inject elements of development into the multilateral trading system. But from the beginning, its negotiations have been characterized by persistent differences among the United States, the European Union, and the developing countries on major issues, such as agriculture, industrial tariffs and non-tariff barriers, services, and trade remedies. This paper provides a summary of the state of negotiations and seeks to describe the underlying sources of its impasse. It also tries to predict the future trajectory of the Doha Round with a special reference to the forthcoming Ninth Ministerial Conference to be held in December 2013.

1. Introduction

The new round negotiations of the World Trade Organization (WTO), known as the Doha Development Agenda (DDA), was launched in November 2001 at Doha, Qatar. The DDA is the first development round of negotiations under the current WTO system established in 1995. The DDA ambitiously covers a vast area of economic issues which are vitally important for the global community to gain economic benefits through multilateral trade. However, the DDA has virtually been at an impasse ever since the Fifth Ministerial Conference held in Cancun, Mexico in 2003. The WTO member countries are trying to make a breakthrough at the coming Ninth Ministerial Conference (MC9) to be held on 3-6 December 2013 at Bali, Indonesia. This paper discusses what would be expected at the MC9, and predicts possible future directions of the DDA.

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2. DDA Negotiations

A. Background

The WTO is probably the most successful international organization ever established in the history of mankind in terms of installing modern international law in the area of economy, because its agreements cover almost all areas related to global trade and also possesses compulsory dispute settlement rules. Owing to such WTO rules, the global community can now resolve disputes related to trade peacefully without provoking unnecessary high tensions that had been often seen in the world history.

When the Ministers and Representatives from 139 WTO member countries¹ gathered in Doha, Qatar in November 2001, they became all presumptuous to announce the launch of a new round of WTO negotiations, hoping that the new round would further enhance their economic development. The DDA was intended to improve a set of WTO rules agreed upon in 1995, covering a number of ambitious trade related issues originally including agriculture, industrial goods, services, intellectual property, development, investment, competition, government procurement transparency, dispute settlement, trade facilitation, environment, electronic commerce, technology transfer, capacity building, etc.². The DDA was initially scheduled to be concluded by the end of 2005.

However, the negotiations soon reached a serious deadlock. There are many reasons why the DDA could not move forward but the most outstanding factor was believed to be the differences between developed and developing countries³. When the current WTO rules were negotiated

¹ The number of WTO member countries at the time of Doha Ministerial Conference was 139. As of June 2013, there are altogether 159 member countries registered as WTO members.

² Later, some of these issues, such as competition, investment and government procurement transparency were dropped from negotiations.

³ As an example, the US Trade Representative Ron Kirk stated at his opening statement at the MC8 held in December 2011 that “For all of the Round’s complexity, the current impasse in many ways comes down to one single, vexing quandary: the WTO has not come to terms over core questions of shared responsibilities among its biggest and most successful Members. The world has changed profoundly since this negotiation began a decade ago, most obviously in the rise of the emerging economies. The results of our negotiations thus far do not reflect this change, and yet they must if we are to be successful.”

under the Uruguay Round, the number of GATT member countries was much smaller than that of the WTO. Also, the global trade was dominated by a few major trading countries, i.e., the United States of America, the European Union, Japan and Canada. Therefore, the rules agreed upon by these four parties in the negotiations were virtually adopted.

After the inception of the WTO system, the number of member countries increased dramatically⁴. Also, a number of developing member countries, such as China, India and Brazil, with their booming economies showed promise in the global trade. Under the current DDA negotiations, new rules could not have been adopted by a few developed member countries anymore, because developing countries have gained a larger voice both in number and in trading power. If the course of negotiations was the same between such developing countries and developed countries, the DDA could have been finished much earlier, but naturally that was not the case. In fact, the difference between the two groups was enormous. For example, the developed countries, particularly the European Union first strongly insisted that the new round should set new rules in such new areas as investment, government procurement transparency, competition, and trade facilitation; the four issues known as Singapore Issues. The developing countries, on the other hand, strongly opposed to negotiate on these issues considering that new rules on these issues would inhibit them from taking economic policies suitable for their development. As a result, the Fifth Ministerial Conference held in Cancun, Mexico in 2003, failed to produce any tangible results.

The following Sixth Ministerial Conference held in Hong Kong in 2005 showed small progress by agreeing on a possible deadline for eliminating agricultural export subsidies by 2013, which provided fresh impetus for the round negotiations. However, the talks held at the WTO headquarters in Geneva in 2006 failed to reach any agreement in reducing farming subsidies, and the negotiations totally broke down at a Ministerial Meeting held between the USA, the EU, India and Brazil at Potsdam, Germany in 2007. The Seventh Ministerial Conference was held in Geneva in 2009 amid of global financial crisis. The meeting could not reach any tangible agreement for the DDA but the Ministers and Representatives gathered

⁴ At the inception of the WTO on January 1, 1995, the number of member countries was less than 80, while the current number is 159.

from 153 countries shared the view that the DDA continued to be important not only for revitalizing trade but also for alleviating poverty in developing countries during the global financial crisis.

The Eighth Ministerial Conference was held in Geneva in December 2011. The conference again could not overcome the differences between developed and developing countries, particularly between the United States of America and some emerging economies such as India, China and Brazil mostly over agricultural subsidies. However, the Conference agreed not to give up the DDA by admitting that it was still important for developing countries, and that member countries would explore new approaches towards concluding negotiations on some issues that could be agreed prior to the overall DDA agreements. At the closing session, Pascal Lamy, the Director-General of the WTO, stated that “... in recognizing that there is an impasse, and a need to more fully explore different negotiating approaches, compatible with the principles of inclusiveness, transparency, bottom up of our work.” While admitting that the DDA faced an impasse, Lamy suggested that the DDA might gain impetus by exploring new negotiating approaches. The view was a reflex of some statements made by several developed member countries during the conference⁵ that agreements may be reached on some particular issues such as trade facilitation, ITA or services among themselves prior to the aggregate DDA agreements.

B. Latest Development

Based on such a decision reached at the MC8 in 2011, the member countries of the WTO are now working together towards making an

⁵ The representative of the EU stated at the MC8 in an opening statement, for example, that “The membership must recognize that the current WTO rulebook is insufficiently equipped to deal with issues like energy, food security, climate change, competition and investment. For the EU the sequencing is clear: Doha must be concluded first, and only then can new rules be put on the book on other issues. But we are convinced that the health of the system requires the WTO to start already now a thorough examination of these issues.” The Representative of the United States of America also stated at the same meeting that “But one thing is abundantly clear: our current path is not leading us to a successful outcome. We need every bit of creativity we can muster in developing different approaches. And it is critical that we turn the page to a more productive chapter. The United States stands ready to do our part, and I look forward to hearing the perspective of my colleagues at this critical juncture on how we can move forward.”

agreement on the issue of trade facilitation. At the same time, 43 countries out of 75 member countries originally signed the Information Technology Agreement (ITA) adopted in 1997 commenced negotiation with a purpose to amend and renew the outdated ITA which had not been amended at all since 1997. Such a move was supported at the Nineteenth Ministerial Meeting of APEC held in Surabaya, Indonesia in April 2013⁶.

However, some developing countries expressed views opposing such separate approaches as they could undermine the entire DDA negotiations.

3. Trade vs. Aid

A number of factors can be attributed to the current impasse in the DDA negotiations; however, as stated above, the most distinctive factor is the difference between developed and developing countries. It is natural for developing countries to request that developed countries open their market more for the benefit of a vast number of poorer citizens in developing countries because developed countries are still gaining most of the profit out of international trade. At the same time, it would also be natural for them to demand special and differentiated approaches (S&D) for themselves in order to protect and nurture their vulnerable domestic industries. After all, such a request was the reason why the current Doha Round was initially termed as the Doha Development Agenda.

On the other hand, the fundamental view was somewhat different among developed countries. Long before the WTO was established in 1995, original members of GATT, mostly the major trading powers of the world then, i.e., OECD members, had negotiated several rounds of multilateral trade negotiations under GATT. The main purpose of these GATT round negotiations was to create free and fair business environment for their own private sector corporations. Basically, all countries wish to

⁶ The APEC Ministers adopted the “Statement on Supporting the Multilateral Trading System and WTO 9th Ministerial Conference” which stated “Building on the progress to date, APEC Ministers Responsible for Trade call on ITA participants to swiftly conclude negotiations to expand the product coverage of the WTO ITA by the middle of the year and seek expanded membership of the ITA. A final ITA expansion outcome should be commercially significant, credible, pragmatic, balanced, and reflective of the dynamic technological developments in the information technology sector over the last 16 years. Such an outcome would support several APEC objectives, including strengthening the multilateral trading system, promoting connectivity, supporting regional economic integration, and driving economic development throughout APEC economies.”

protect their domestic business by tariff or any other means while they also wish other countries would eliminate them to their private sector business to have a better access in foreign markets. Obviously, such unilateral concessions can never naturally be realized. This is why the member countries of GATT negotiated to create more open and free international market for the benefit of business.

As a verification of such perception among GATT negotiators, the Preamble of 1947 GATT states “Recognizing that their relations in the field of trade and economic endeavor should be conducted with a view to raising standards of living, ensuring full employment and a large and steadily growing volume of real income and effective demand, developing the full use of the resources of the world and expanding the production and exchange of goods, Being desirous of contributing to these objectives by entering into reciprocal and mutually advantageous arrangements directed to the substantial reduction of tariffs and other barriers to trade and to the elimination of discriminatory treatment in international commerce,”.

As clearly seen from this Preamble, the original purpose of GATT was to establish “reciprocal and mutually advantageous arrangements” and eliminate “discriminatory treatment in international commerce.” Based on such understanding, the past GATT negotiations were conducted in a way by government representatives on behalf of their own domestic business corporations. For them, GATT and WTO were fundamentally for business and they did not initially consider the institutions to be an organization of development assistance for developing countries, because there were many other international organizations such as the World Bank or UNDP which were established to support developing countries. For them, the WTO was not.

Somehow, this perception has changed little after the DDA was launched in 2001. Now, S&D is a well-established practice under the current WTO rules for the benefit of developing countries. Nevertheless, in essence exceptions are still there to the rules of WTO which require reciprocal arrangement for the sake of business. The current stalemate being faced among WTO member counties would probably have been

derived from such difference in the perception in the role of the WTO, i.e., trade vs. aid.⁷

4. Possible Future Directions

A. Stalemate and Further Shift Toward FTAs

As discussed above, the developed countries need to gain certain benefits for their own business if the DDA negotiations were to be concluded. For their business sector, not necessarily the same for the negotiating government officials, the WTO negotiations are naturally not for aiding economy of developing countries. Such a view of their private sectors binds the negotiating position of the developed countries governments quite tightly. Namely, if there is no fair and reciprocal benefits guaranteed for the business, there will never be any agreement at all. This is the very basic and simple principle in any business negotiations, and it may have been viewed by the developed countries business that the aid aspect seems to be a little too strongly emphasized during the past decade in the DDA negotiations⁸. Still, developing countries seem quite determined at this stage that the DDA was the development round and that the outcome must be in favor of them. As seen in the past decade negotiations, there seems to be no proper shared understanding in this basic concept of WTO role between development and developing countries. If this difference is not overcome, the most likely scenario for the DDA negotiations would be the continual stalemate.

Under such stalemate without much hope for the DDA to be concluded in the foreseeable near future, the trend to establish bilateral and regional FTAs would be further accelerated. The number of FTAs agreed during the past decade has dramatically increased and that is not irrelevant to the impasse observed at the DDA negotiations. Before the advent of the WTO, the global community considered GATT as the core instrument for the

⁷ For example, the International Development Business stated the election for the next WTO Director-General as "Race for WTO chief puts spotlight on aid vs. trade" in its online news on 9 January 2013; https://www.devex.com/en/news/world-trade-organization-3/80077?source=DefaultHomepage_Hheadline

⁸ It should be emphasized once again that the views held by the negotiating officials may not be completely the same as their business. However, they are bound by the business position to a large extent because the DDA is again considered as a negotiation for business in principle, not for aid.

enhancement of trade. If the DDA is successfully concluded, FTAs would cease to be relevant for many developing countries because their benefits could then be accrued through the mechanism established under the result of the DDA. In other words, it is inevitable for many trading countries to opt for FTAs when they cannot hope for a new trade liberalization system under the WTO. For example, the Trans Pacific Partnership (TPP) agreement, a new regional free trade agreement, has been negotiated among eight Pacific Rim countries, i.e., Singapore, Brunei Darussalam, Chile, New Zealand, the USA, Vietnam, Malaysia, and Peru. Japan also expressed its wish to participate in the negotiation. If completed, this would become one of the largest free trade area agreements as it would include the USA and Japan, two of the top three GDP largest nations. It is presumed that most of the TPP participating countries may not have taken the path, if the DDA had been successfully concluded.

This type of FTA negotiations would be further accelerated if the DDA could not find any tangible outcome again at the coming MC9 to be held in Bali, Indonesia in December 2013.

B. Partial Agreements

If an overall agreement is to be made, one possible way is to let the traditional major trading countries to make their own agreement, like they had done before Uruguay Round, and the newly emerged economies would adjust themselves into such a new agreement by firmly maintaining S&D measures. The difference between the traditional trading countries among themselves is also huge, but it is much smaller compared to that between developed and developing countries. The main dispute is between the USA and the EU regarding the farm subsidies. Being a difficult issue, this was also the only remaining issue at the last stage of the Uruguay Round between the two parties. However, the Uruguay Round concluded successfully with an agreement on this issue. Therefore, the total agreement for the DDA may be possible if developing countries let the traditional trading powers make their own rules for the DDA first. Nevertheless, such a breakthrough seems very much unrealistic at this moment.

Hence, it is difficult to imagine that the MC9 would result in success by agreeing to a possible comprehensive package of agreements. However,

there have been a solid determination reiterated firmly during the past WTO meetings that members would not abandon the DDA which would be beneficial for developing countries. At least, it may be expected, hopefully, that the member countries would once again renew their determination to continue negotiations of the DDA. If there would be a few more positive elements to be agreed at the MC9, the global community may consider the meeting as success.

a) Trade Facilitation

One of the possible issues that may be agreed successfully at the coming MC9 is probably trade facilitation- the last remaining item of four Singapore issues. It has been a well-established practice at the WTO that any negotiations must not be concluded unless agreements are achieved on all issues on the table; known as the single-undertaking principle. This is natural for this type of multilateral negotiations with a number of issues and countries on board. Since the DDA is a business negotiation, there have to be trade-offs for any participants. Otherwise, overall agreement would not be possible, because there may be countries with no gained benefits or countries without anything to lose if the negotiations are not based on the single-undertaking principle. However, due to the decade long impasse of the entire DDA negotiation package as stated above, member countries became impatient and came to agree that a new approach should be taken to reap fruits of negotiations so far accrued on selected issues. One of such items agreed at the MC8 was trade facilitation. Currently, the WTO member countries are having negotiation to conclude a possible new trade facilitation agreement at the MC9. This is a clear deviation from the past WTO practices but the member countries may have considered that achieving something is better than nothing under the current stalemate observed in the DDA negotiations.

b) Another possible issue that could find a successful outcome at the MC9 is the revision of the Information Technology Agreement. ITA was agreed in 1997 among 75 countries. It seeks to abolish tariffs on 144 items related to information technology. Meanwhile, the information technology has improved dramatically during the past

15 years since the inception of the ITA, and a number of new products utilizing such new technologies are already being traded in the international market. Based on such reality, the business sector related to such products strongly requested their governments to revise the 1997 ITA to include more products for tariff reduction. In May 2012, the WTO ITA Committee agreed to discuss among concerned parties for the inclusion of new products in the ITA. At this moment, the number of countries and regions participating in the discussion has reached 44. However, some ITA member countries are reluctant to proceed on such ITA talks separately from the DDA negotiations because they are afraid that it might undermine the entire DDA negotiation process. Owing to such objection, there may be no agreement reached at the coming MC9 on the new ITA.

C. Further Plural Arrangements

Having seen the recent progress made in the process of the DDA negotiations as above, there seems to be a clear new direction, i.e., the deviation from the single-undertaking principle. It is a matter of course that member countries still stick to this important principle in the WTO negotiations. A deviation from this principle would continue to be limited to issues where there is an agreement among member countries not to jeopardize the entire balance in the DDA negotiations. Nevertheless, still this is a new approach and it clearly illustrates the impatience of the WTO member countries against the incredibly prolonging stalemate of the DDA negotiations. It would be, therefore, natural to predict that such deviation movement in the DDA negotiations would be accelerated if the current impasse would not be overcome. Since there is an agreement among members to discuss trade facilitation as the first step in the new approach, it would be possible that a new trade facilitation agreement would be enacted soon in the future. Then, the question would arise as to what issue is the next to be separated from the DDA. Although there is still disagreement in promoting negotiation in making a new ITA, it may possibly be adopted because the ITA is a plural agreement only by 75 countries concerned on the IT products. After all, there is no requirement in principle that the all 159 member countries of the WTO should agree on the new ITA.

Considering such new movements in the WTO, it may not be too difficult to suppose that some member countries would opt for new issues on top of trade facilitation or ITA⁹. Just like ITA, there a number of issues currently negotiated under the DDA for which an agreement would be possible only among the limited number of countries. If such limited number of countries come to an agreement that a separate approach should also be taken to that issue, it may become possible like the ITA negotiation, even though the issue is currently a part of the WTO package agreements signed by all member countries. It is just a possibility at this moment but it may become true if the current impasse in the DDA negotiations would continue.

5. Conclusion

As discussed above, the most distinct recent development in the DDA negotiations is the deviation from the single-undertaking principle, as agreed as a new approach at the MC8 in 2011. It would be possible that a trade facilitation agreement and a new ITA be adopted even at the coming MC9 to be held in December 2013 in Bali, Indonesia. If such a trend continues, there may be other issues to be agreed separately from the main DDA negotiations in the future, unless there would a substantial development in the DDA package negotiations.

Also, as discussed above, the most serious factor affecting the current long-standing impasse in the DDA negotiations is the confrontation between developed and developing countries. However, if they are willing enough, they could repeat the breakthrough of the Uruguay Round.

⁹ For example, the Canadian Trade Minister Mr. Ed Fast said on April 8, 2013 that “The next director-general must possess a clear plan to re-establish the WTO as an institution that can credibly advance multilateral trade liberalization efforts in the best interests of all of its members...That means taking a new approach to global commerce, and specifically championing a new trade in services agreement. The plurilateral Trade in Services agreement, which to date joins Canada with the EU, U.S., Japan, South Korea, and 15 others, seeks to build on the WTO’s General Agreement on Trade in Services, but is strongly opposed by some emerging economies such as India, which objected to the small block of countries making a move within the broader multilateral framework. The new director-general will have a clear role to play in persuading other members to join such efforts — efforts that are increasingly important in ensuring barrier-free global trade flows.”An iPolitics report by B J Siekierski on April 8, 2013; <http://www.ipolitics.ca/2013/4/08/new-wto-director-general-must-push-for-services-agreement-fast/>

Another factor which would affect the future direction of the DDA is the possibility in opting for FTAs. There is no doubt that all current member countries are very much committed to support the WTO and to create new multilateral rules under the DDA. However, they can at the same time opt for FTAs for the benefit of their impatient private sector with some of the member countries that share the similar concerns in the trade related matters. This trend is particularly conspicuous among developed countries.

It would be very important for the WTO developing member countries to aim for as much concessions as possible from developed countries in the DDA negotiations, but if new agreements are limited to a few concerned countries, and more countries rather opt for FTAs, it would not be economically beneficial for those developing countries outside such agreements. It would be desirable that the DDA be concluded as soon as possible because it would bring enormous amount of economic benefits not only to developed but also to developing countries.