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What Has Doha Achieved?

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What has Doha Achieved?

US Trade Representative Robert Zoellick's statements after the Doha Ministerial Conference reflected the prevailing positive mood and the hope for a successful round of negotiations:

> Doha lays the groundwork for a trade liberalization agenda that will be a starting point for greater development, growth, opportunity and openness around the world . . . we've settled on a program that lays out ambitious objectives for future negotiations on the liberalization of the agriculture market. These objectives represent a cornerstone of our market access priorities for trade and they will create a framework that will help the United States and others to advance a fundamental agricultural reform agenda. On a range of issues, such as agricultural liberalization and reduction of tariffs on non-agricultural goods, we've shown how our interests can converge with the developing world. I believe that we in the United States have an enhanced appreciation for the interests of developing nations in trade.[1]

Despite the expressions of goodwill at Doha, progress on the Development Round has been slow. Part of the problem is that, while the interests of different developing countries differ, the evolving agenda itself was not really designed to reflect the real concerns of developing contries. Throughout 2002 and 2003 it became apparent that many developing countries felt that the Doha Round was moving in the wrong direction on many key issues. They felt that the new round offered them few immediate benefits but carried the risk

[1] 14 Nov. 2001, *Office of the US Trade Representative*. Online speech available at www.ustr.gov

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of additional obligations. As a consequence developing countries walked away from the Cancún Ministerial in September 2003.

Up to that point, Doha had achieved little progress on most of the critical development issues. One of the key disappointments has been agricultural reform, which many developing countries[2] and NGOs[3] viewed as the primary objective of the round. The March 2003 deadline for agreement on agricultural modalities was missed. When the US and EC finally presented a joint paper on agricultural issues in August, the framework was widely criticized by developing countries, correctly in our judgment, for ignoring their interests.[4] On the key issues of market access, domestic support, and export subsidies the text was perceived to fall short of the level of ambition of the Doha mandate; indeed, in some respects, what was offered was a step backward. On domestic support, no specific figures were given for reducing the most trade-distorting support. The text potentially widened the scope for 'the use of production based financial support ("Blue Box" support)—a step backwards in terms of liberalization. Also the text did not focus on trade-distorting elements of the Green Box (permissible forms of subsidy under WTO rules)' measures. The framework was critically viewed by the Kenyan Ambassador Ms Amina Chawahir Mohamed, who said that 'the EC–US text falls short of our expectations and as such we find it difficult to accept it as a basis of our further work'.

At the same time, agricultural initiatives within OECD countries seemed to be undermining multilateral efforts. The US Farm Bill in 2002 increased the level of support to US farmers[5] and strengthened

[2] Sec. 7 of 6 June 2003 Communication from Argentina, Bolivia, Botswana, Brazil, Chile, China, Colombia, Cuba, Dominican Republic, Ecuador, El Salvador, Gabon, Guatemala, Honduras, India, Malaysia, Mexico, Morocco, Nicaragua, Pakistan, Paraguay, Peru, Thailand, Uruguay, Venezuela and Zimbabwe (TN/C/W/13), makes it clear that 'Reform of agricultural trade is of central importance for many developing countries' and is '*an essential ingredient of the negotiation and its outcome*' (emphasis in original).

[3] Oxfam (2003) argues that 'agriculture is the key to unlocking the Doha development agenda, and without constructive steps on this issue, the broader negotiations cannot really restart'.

[4] See the statements by Indian Ambassador K. M. Chandrasekhar, Brazil's Ambassador Luis Felipe de Seixas Correa, and China's Ambassador Sun Zhenyu (TWN 2003).

[5] The US Farm Security and Rural Investment Act (FSRIA) of May 2002 has a value of about $190bn over the next 10 years, about $83bn more than under previous programs. It sets target prices which are lower than the pre-1996 levels, but the total effective support is larger because average world commodity prices have declined and the range of commodities included in FSIRA is larger than in the 1996 FAIR Act. That act was intended to phase out farm subsidies, but even before the passage of FSRIA, farmers had achieved additional support through emergency measures.

the link between subsidies and production decisions.[6] One year later, the EC's 2003 Luxembourg reform of the common agricultural policy (CAP) was also disappointing. The EC reform shifts support from production-limiting subsidies (the so-called 'Blue Box' subsidies) to other, more acceptable forms of farm support (i.e., the 'Green Box' subsidies, which are deemed to be less trade-distorting). However, the level of producer support will remain virtually constant—projected to fall only from 57 per cent to 56 per cent (OECD 2004). Moreover the reform has little impact on export subsidies or import barriers. Both of these initiatives fell far short of expectations and signaled the limited commitment of the US and EC to agricultural reform. Consequently both plans had a depressing effect on the mood of multilateral agricultural negotiations.

After the Uruguay Round, there was a clear understanding that there would be further liberalization of agriculture. There is now a strong sense that the United States has reneged on that commitment: whether the huge increase in agricultural subsidies is an explicit violation of earlier agreements is of less importance than that it represents a violation of the spirit of the agreement (or at least what was taken as the spirit of the agreement by the developing countries.)[7] Just as the agreement has to be viewed as a whole, so too, a Development Round agreement has to be viewed in the context of the unbalanced agreements that preceded it.

In addition to their disappointment on agriculture, developing countries are skeptical about the effects of the new items on the agenda. There is significant opposition from developing countries to the Singapore Issues.[8] In the space of a month from early June 2003, 77 developing countries, including over half the WTO membership,

[6] It provides counter-cyclical payments (CCPs) to US farmers which respond negatively to world prices. This type of measure has allowed the US to dump its farm surplus on world markets. For example, the US exports corn at prices 20% below the cost of production, and wheat at 46% below cost. See Cassel (2002).

[7] The recent preliminary WTO ruling against American cotton subsidies (based on a complaint from Brazil) has lent support to the critics. America claimed, remarkably, that their subsidies did not adversely affect other cotton-exporting countries. Such claims clearly undermine the credibility of the position of the developed countries.

[8] Ministers from WTO member countries decided at the 1996 Singapore Ministerial Conference to establish three new working groups: on trade and investment, on competition policy, and on transparency in government procurement. They also instructed the WTO Goods Council to look into ways of simplifying trade procedures, an issue sometimes known as 'trade facilitation'. Because these issues were introduced to the agenda at the Singapore Ministerial Meeting, they are often called the 'Singapore Issues'.

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made public statements urging that the Singapore Issues not be included as part of the Doha Round.[9] Since these issues are not priorities for developing countries, their emerging centrality in the agenda prior to Cancún was an incongruous feature of the Development Round.

Several developing countries see the Singapore Issues as incursions into their national sovereignty that are not justified by the benefits they bring. Multilateral regulatory disciplines hold the specter of repeating the worst elements of Uruguay by restricting the options for individual governments to pursue development policies based on their own national priorities and problems.

In addition there are concerns that the initiatives based on the Singapore Issues may impose a large burden on the administrative capacity of developing countries. There are significant costs associated with both the creation and enforcement of new regimes in competition policy, investment regulations, and trade and customs procedures.[10] Many developing countries have been unable to meet their Uruguay Round obligations because of these high costs.[11]

Another area where achievements have lagged behind rhetoric is in the delivery of non-reciprocal trade preferences.[12] These preferences are special market-access rights provided by developed countries to the poorest developing countries, i.e. they normally involve a full or partial reduction of tariff rates on goods imported from very poor countries. Recently there have been a number of initiatives in OECD countries to discriminate further in favour of least developed countries (LDCs). Most notable among these are the EU's Everything but Arms (EBA) initiative and the US's African Growth and Opportunity Act (AGOA), both of which remove tariffs on a wide range of goods imported from the poorest nations. The EU has argued that the EBA will 'significantly enhance export opportunities and hence potential income and growth' for LDCs (CEC 2002). However,

[9] CAFOD (2003) 'Singapore Issues in the WTO: What do developing countries say?'

[10] Finger (2000) estimated the implementation costs of three of the Uruguay Round's six agreements that required regulatory change (customs reform, intellectual property rights, and sanitary and phytosanitary (SPS) measures). His analysis suggests that the average cost of restructuring domestic regulations in the 12 developing countries considered could be as much as $150m.

[11] By January 2000, up to 90 of the WTO's 109 developing country members were in violation of the SPS, customs valuation, and TRIPS agreements

[12] These preferences are discussed in Ch. 9.

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analysis show that preferential schemes have only limited impact on LDC exports. Brenton (2003) concludes that trade in goods given preferences for the first time under the EBA in 2001 amounted to just two hundredths of one per cent of LDC exports to the EU in 2001.[13] Even earlier preferences were not focused on goods exported by LDCs: up to 50 per cent of the exports of non-ACP countries to the EC did not receive preferential access and paid the most-favoured nation (MFN) tariff (Brenton 2003). Overall, the impact of these schemes has not yet been very significant, with the exception of African apparel exports to the US under AGOA (World Bank 2003).[14]

The failure of the round to deliver on the expectations created at Doha had, by the middle of 2003, sapped the goodwill that had been created two years before. In particular, two issues had generated acrimonious debate and attracted considerable adverse public attention. Soon after the completion of the Uruguay Round, developing countries began seeking revisions of the TRIPS agreement. The agreement required all member states to guarantee strong protection to all intellectual property—rules which were widely thought to inhibit technology transfer and exacerbate the technology gap between rich and poor countries. In particular, the implications of the TRIPS Agreement for developing countries' access to life-saving drugs attracted considerable attention. TRIPS allowed developing countries to acquire licenses enabling them to produce drugs *domestically* at a fraction of the cost of the purchase price from patent-holding corporations. But the licensing provision was useless for developing countries with little or no manufacturing capability, since TRIPS prohibited trade in generic drugs between developing countries.

[13] Part of the reason the EBA has had such a limited effect is that almost all EC imports from LDCs (more than 99% in 2001) were already eligible for preferences under other schemes (Brenton 2003). In 2001 the EBA initiative granted duty-free access to imports of all products from the least developed countries (except arms and munitions). Total exports from these LDCs to the EU increased by 9.6% in 2001. However, in practice, the EBA was only relevant to the remaining 919 products (of the EU's 10,200 tariff lines) which had not previously been granted duty-free status under either the GSP or Cotonou Agreement. Of these 919 products, imports from LDCs were recorded in just 80 products in 2001. Brenton (2003) notes that total exports of these products actually fell from €3.5m in 2000 to €2.9m euros in 2001. Moreover trade in these goods in 2001 amounted to just two-hundredths of one per cent of the total value of LDC exports to the EU. Thus it appears that the direct impact of the EBA initiative has not been significant in the short term and, given the small size of trade in affected products, is not likely to be large in the medium term.

[14] Moreover, beginning in 2008, cotton textile producers will have to use American cotton, further limiting the benefits of AGOA.

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Public support rallied around the plight of these countries, particularly those in Africa dealing with the AIDS pandemic. The WTO and the US (who had refused to consider revisions of the rules) attracted public criticism which soured the atmosphere of the negotiations. In August 2003, an agreement was finally reached when the US changed its position to allow least developed countries to import generic drugs from low-cost non-patent-holding producers in developing countries. But by 2003, the issue had done considerable damage to the reputation of the WTO among developing countries and their allies.

Just as public health concerns rallied opposition to the WTO's intellectual property rules, the plight of West African cotton farmers served to focus world attention on the injustice of the rich countries' agricultural policies. In 2001, cotton production in Benin, Burkina Faso, Chad, and Mali and accounted for 5 to 10 per cent of gross domestic product and an average of about 30–40 per cent of overall export revenues. More than ten million people in West and Central Africa directly depend on cotton production. These countries complained that their cotton industries were suffering from cotton subsidies in the US (and to a lesser extent in the EU). In 2001, rich countries provided subsidies to their farmers which amounted to six times the amount of their development aid, respectively 311 and 55 billion dollars. President Blaise Compaore of Burkina Faso addressed the Trade Negotiations Committee of the WTO in Geneva on 10 June 2003. He claimed that these subsidies have caused economic and social crises in African cotton-producing countries: 'As a consequence of cotton subsidies, in 2001, Burkina lost 1 percent of its GDP and 12 percent of its export incomes, Mali 1.7 percent and 8 percent, and Benin 1.4 percent and 9 percent respectively. The massive subsidies awarded to cotton farmers in some WTO member States are among the most important and direct causes of the problems encountered on the international cotton market. These subsidies artificially inflate the offer and depress export prices.' The African countries', demands, including that the subsidies be reduced and compensation be paid to African farmers, were swiftly rejected by the US.

In this climate of quashed expectations, WTO members met for the Fifth WTO Ministerial Conference in Cancún, from 10 to

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14 September 2003. The Doha Declaration had called for the Fifth Ministerial Meeting to 'take stock of progress in the negotiations, provide any necessary political guidance, and take decisions as necessary' with a view to completing the round by January 2005. But, after two years of missed deadlines and failed negotiations, there was little progress to take stock of. In response to their frustrations, developing countries united in several groups to strengthen their negotiating voice. A group of twenty developing countries, the G20[15], formed an effective negotiating block on agricultural issues. Led by South Africa, Brazil, India, and China, the G20 pressed the US and EU for greater market access and subsidy reduction. However, the richest countries, as they had signaled on the cotton issue, were unwilling to offer serious concessions: the developing countries were frustrated again.

There was also disagreement in Cancún about the Singapore Issues. As we have seen, these new issues in the round were primarily of interest to developed countries. A diverse group of developing countries, the G90, consisting of the least developed countries as well as the other African, Caribbean, and Pacific countries, united in their opposition to the inclusion of these issues in the round. When negotiations began on the Singapore Issues on the morning of Sunday, 15 September, the symbolism could not have been worse. After several days of frustrating negotiations on the 'development' issues—during which the developing countries felt that the developed countries had not offered significant concessions—the agenda turned to a set of issues that the developing countries feared would restrict their policy freedom and impose large implementation costs on them. At 3.30 on Sunday afternoon George Odour Ong'wen from Kenya descended an escalator in Cancún's convention center and declared that Kenya had abandoned the negotiations. By 6 p.m. Dr Luis Ernesto Derbez, the Mexican Finance Minister and chair of the meeting, said that the positions of various countries were just too diverse to make further debate worthwhile. The proceedings were brought to a close and the meeting ended in failure.

[15] The G20 consisted of Argentina, Bolivia, Brazil, Chile, China, Colombia, Costa Rica, Cuba, Ecuador, El Salvador, Guatemala, India, Mexico, Pakistan, Paraguay, Peru, the Philippines, South Africa, Thailand, and Venezuela. Membership however has been fluid.

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Cancún represented a striking turnaround: less than two years after the WTO's Third Ministerial Meeting had ended in success at Doha, the Fourth Ministerial meeting, and Fifth Ministerial had collapsed in bitterness. Many developing countries refused to proceed with the agenda because they came to the view that no agreement was better than a bad agreement. The EU and the US blamed the developing countries and asserted that they would be the main losers from the setback. The EU Commissioner for Agriculture Franz Fischler dismissively noted that if the G20 wanted 'to do business, they should come back to Mother Earth. If they choose to continue their space odyssey they will not get to the stars, they will not get the moon; they will end up with empty hands.'[16]

While some delegates berated the developing nations for their lack of cooperation, others have argued that the assertion of power by developing countries represented a victory for democracy. Developing countries united to form voting blocs from which they could oppose EU and US agricultural policies and make their case on new and emerging issues. In addition to the G20 and G90 described above, the G33 (the Alliance for Strategic Products and a Special Safeguard Mechanism),[17] led by the Philippines and Indonesia, wanted to maintain their ability to protect their own agricultural interests. Some governments were supportive of these new groupings. The UK's Secretary of State for International Development, Hilary Benn, said 'the better developing countries are able to articulate what they want, the better chance we have in the end of reaching agreements that will make a difference to poverty'.[18]

Little progress was made on any aspect of the negotiations in the aftermath of Cancún. But by the middle of 2004, the EU and US top trade negotiators (EU Trade Commissioner Pascal Lamy and US Trade Representative Robert Zoellick) came back to the negotiating

[16] Franz Fischler, 'Ten Ingredients to Make Cancun [a] Success', press conference, Brussels, 4 Sept. 2003.

[17] The G33 actually comprises 42 developing countries of the WTO. They are: Antigua and Barbuda, Barbados, Belize, Benin, Botswana, China, Cóte d'Ivoire, Congo, Cuba, Dominican Republic, Grenada, Guyana, Haiti, Honduras, India, Indonesia, Jamaica, Kenya, Korea, Mauritius, Mongolia, Montserrat, Mozambique, Nicaragua, Nigeria, Pakistan, Panama, The Philippines, Peru, Saint Kitts, Saint Lucia, Saint Vincent and the Grenadines, Senegal, Sri Lanka, Suriname, Tanzania, Trinidad and Tobago, Turkey, Uganda, Venezuela, Zambia, and Zimbabwe.

[18] International Development Committee (IDC), *Trade and Development at the WTO: Issues for Cancun, Geneva*, Seventh Report of Session 2002–03, HC400-I.

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table with an attempt to salvage the round by offering a simplified agenda and promises of compromise on some key issues.[19] By August 2004, the General Council adopted a new framework for progress in the round. The new agenda excluded all the Singapore Issues other than trade facilitation. The round would focus on core market-access issues in agriculture, services, and industrial goods. In particular the new text signals that the EU and US are willing to compromise on agriculture and recommit themselves to special treatment for developing countries.

In summary the agenda for the 'Development Round' has evolved disappointingly for developing countries since Doha. It has done little to address their concerns in agriculture and it has done little to address problems posed by non-tariff barriers. It has not given priority to a developing-country service sector agenda and there have been no reforms in basic procedures.

In addition, the proposed agenda's new issues could have made life worse for developing countries. The US wanted capital market liberalization as part of an investment agreement, even though the weight of evidence was that capital market liberalization did not promote growth but did lead to more instability. Under competition policy, rather than creating a true competitive environment—hindering the use of dumping duties as protectionist devices—there was fear of restricting development and socially oriented preferences.

In the South, of course, there is a tendency to see the actions as coordinated, driven by economic interests in the North. While they may see more coordination than actually occurs, the impacts are often closely akin to what they would be if they were coordinated. The high interest rates, tax policies, and trade liberalization policies demanded by the IMF do exacerbate the adverse effects on developing countries of whatever trade liberalization measures they agree to within the WTO. The two cannot be seen in isolation.

[19] See the letter of 9 May 2004 by Pascal Lamy and Franz Fischler, and the letter of 11 Jan. 2004 to Trade Ministers from Robert Zoellick. Letter to all Trade Ministers, unpublished.