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ACCESS TO MARKETS: THE RESULTS FROM DOHA

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I. Introduction

1. Trade liberalization has been a central part of mainstream policy for at least 20 years and one of the most prominent characteristics of recent globalization. Although the process of globalization encompasses much more than trade liberalization, reducing the barriers to international trade in goods and services will remain one of the driving forces of globalization.

2. There has been a dramatic growth in world trade in the last 50 years as successive rounds of multilateral negotiations have progressively reduced barriers to trade. This has made international trade one of the most important engines of growth in the world economy, underpinning the unprecedented rise in living standards in so many countries since the Second World War.

3. In the fifty years preceding the Doha ministerial conference, there have been eight rounds of negotiations. After the establishment of the GATT in 1948, there were six rounds of tariff-cutting negotiations. This was followed by the first successful attack on non-tariff barriers in the Tokyo Round negotiations, launched in 1973, and in 1993, by the completion of the Uruguay Round, launched in 1986. In this latter negotiating round, tariffs were eliminated for many industrial sectors; trade in services began to be liberalized pursuant to international commitments; some basic trade rules affecting investment were put into place; and an agreement was reached to protect intellectual property.

4. Nonetheless, some very high barriers to trade still remain. Agriculture markets continue to be heavily protected in both rich and poor countries, while the international market for most services is still strongly biased towards domestic providers, and the international mobility of most types of labor is extremely restricted.

5. Consequently, further trade liberalization has the potential to deliver further gains in efficiency and higher rates of growth for the world economy. Trade liberalization therefore matters in its own right. But given the central role of growth in long-term poverty reduction, it matters particularly for the poor.

6. Trade liberalization is an ally in the fight against poverty: it tends to increase average incomes, providing more resources with which to tackle poverty. And while it generally affects income distribution, it does not appear to do so in a systematically adverse way. Nevertheless, it is important to recognize that most trade reforms hurt someone, possibly triggering new or greater poverty, and that some reforms may increase overall poverty even while they boost incomes in total. Thus, despite the general acceptance of the need for trade liberalization, there remain important public policy questions on how to implement it in a way that maximizes its benefits for poverty alleviation.

II. The obstacles for a new round

7. The Seattle summit was widely portrayed as a failure of the WTO's members to forge a broad consensus ahead of this important meeting. The preparatory process was not ideal. The Geneva-based negotiations lacked transparency and failed to involve all WTO members, nor were there systems in place to keep capitals and ministers fully engaged. Ministers in Seattle were asked to forge consensus in three days on issues that had eluded agreement by Geneva ambassadors for years.

8. One of the issues in preparing Doha was how to deal with the problems some developing countries were having in implementing the commitments they had made in the Uruguay Round negotiations. Developing countries insisted that the issue be resolved before a new round was launched. They were concerned not only about the difficulties but also about the overall balance of what was negotiated, believing it had been to their disadvantage, and failed to deliver the benefits they expected.

9. Of central importance, though, is the fact that some developing countries do not have the administrative and technical capacity to implement commitments they were obliged to make because they went along with the initial agreement to conduct the Uruguay Round negotiations as a single undertaking. The problem has been further aggravated by the developed countries not making good on their "best endeavor" commitments in various WTO agreements to provide technical and financial assistance for implementation.

10. There were also significant differences over the desirability of including certain issues in new program of negotiations. These were most striking in the areas of agriculture, and the environment, investment regulations, competition policy and antidumping laws.

III. The market access commitment

11. According to former Director-General Mike Moore, at Doha "the WTO was given an important new negotiating mandate by Ministers. The Doha Development Agenda places development issues and the interests of our poorer Members at the very heart of our work. WTO Members have agreed to a far-reaching set of negotiations that are to be completed within a three-year time-frame". In its booklet "The Road to Doha and Beyond" the WTO summarized the work program on market access as follows:

12. "Negotiations will open markets, and reduce "with a view to phasing out, all forms of export subsidies" and trade-distorting domestic farm support, while taking into account non-trade and development concerns, including through appropriate special and differential treatment in favor of developing countries. The Doha negotiations in agriculture most not only include market access, export competition and domestic support, but go beyond and address concerns specific to developing countries." Market access is of course key to any negotiation. Developing countries' interests are best served by significant reductions in tariffs on all products in all countries. Moreover, developing countries should have access to a special safeguard clause. On non-trade concerns, it is clear that negotiators ought to balance political needs and policy. However, it is vital that non-trade concerns avoid any trade distorting effect. On issues not considered by the Uruguay Round, Doha negotiators must address: state trading entities, export credits, food aid, two-price systems, and tariff rate quota administration.

13. "Services: In services, liberalization could mean gains of between 1.6% of GDP (for India) to 4.2% of GDP (for Thailand) if tariff equivalents of protection were cut by one third in all countries, according to the World Bank. Telecommunications, finance, transport and business services have many links to the rest of the economy and raise the productivity of many sectors. Under the Doha Development Agenda, special priority will be given to LDCs, and sufficient flexibility to developing countries. Negotiations will liberalize the entry of foreign services in as many domestic sectors as governments choose and make it easier to employ foreign workers on temporary contracts."

14. "Implementation: In the preparations for Doha, implementation-related issues were a high priority for many developing countries. About half the original 90 implementation issues raised, were addressed by a separate Declaration adopted at Doha. Of particular note is the decision on the extension of exemptions for certain small developing countries, which allows a longer phase-out period for certain types of subsidies. The remaining issues will be addressed under relevant negotiating mandates of the new work programme or in the standing WTO bodies on a priority basis."

15. "Industrial goods: Market access for industrial goods is another immediate priority for developing countries. The negotiating mandate focuses on reducing or eliminating tariff peaks and escalation, in particular on products of export interest to developing countries, as well as on non-tariff barriers. Here too, the mandate states that "the negotiations shall take fully into account the special needs and interests of developing and least developed country participants". Moreover, Ministers agreed to capacity-building measures to assist least-developed countries, and committed themselves to "the objective of duty-free, quota-free market access for products originating from LDCs". "The negotiation on industrial goods is an opportunity for developed countries to begin to phase out preferential agreements by offering total elimination of duties to the majority of sectors."

16. WTO rules: In the light of experience and of the increasing application of these instruments by Members, ministers agreed to negotiations aimed at clarifying and improving disciplines under the Agreements on Implementation of Article VI of the GATT 1994 and on Subsidies and Countervailing Measures, while preserving the basic concepts, principles and effectiveness of these agreements and their instruments and objectives, and taking into account the needs of developing and least developed participants. In the context of these negotiations, participants shall also aim to clarify and improve WTO disciplines on fisheries subsidies, taking into account the importance of this sector to developing countries.

17. Dispute settlement understanding: Ministers agreed to negotiations in improvements and clarifications of the Dispute Settlement Understanding. The negotiations should be based on the work done thus far as well as any additional proposals by Members, and aim to agree on improvements and clarifications not later than May 2003, at which time we will take steps to ensure that the results enter into force as soon as possible thereafter.

18. "New issues": It has been agreed to establish multilateral framework rules for trade and competition policy and foreign direct investment, with negotiations proper beginning after the Fifth Ministerial Conference in Mexico, if the Members agree by explicit consensus. The Doha Declaration also provides for possible negotiations on transparency in government procurement with no market access conditions and on trade facilitation."

19. "Trade and environment: The commitment on the environment, is focused on the relationship between existing WTO rules and the trade obligations in multilateral environmental agreements, and on the reduction or elimination of tariff and non-tariff barriers to environmental goods and services. In its continuing work programme, the Committee on Trade and Environment is directed to give particular attention to the effect of environmental measures on market access, the relevant provisions of the Agreement on Trade-Related Aspects of Intellectual Property (TRIPS) and labeling requirements for environmental purposes. The Committee will make recommendations to the Fifth Ministerial Conference on future action..."

20. "Drugs patents and public health: On this contentious issue, a separate Ministerial Declaration states that the WTO's Trade-Related Intellectual Property (TRIPS) Agreement "does not and should not prevent Members from taking measures to protect public health", adding that it should be interpreted and implemented in a manner "supportive of WTO Members' right to protect public health and, in particular, to promote access to medicines for all". This declaration is a shot in the arm for global efforts to address the

public health problems afflicting many developing countries and LDCs, especially those resulting from HIV/AIDS, tuberculosis, malaria and other epidemics.

IV. The need for successful implementation of the Doha Round.

21. Sustained economic growth worldwide requires a renewed commitment to free trade and to opening markets globally; strengthening the World Trade Organization as the bedrock of the multilateral trading system is therefore an economic imperative. Failure to implement the Doha Round could undermine business confidence and contribute to a further worsening of the world economy. Success will help to bolster confidence and contribute to increased growth. The governments of WTO members countries have to demonstrate that they know what they are doing.

22. At the fourth WTO Ministerial Conference, in Doha, the concerns of developing countries first raised in Seattle were acknowledged. The challenge is now to make the multilateral trading system more development-friendly. The outcome will be judged by the extent to which developing countries achieve greater market access without their policy options being restricted, and by the disciplines that will prevent the later reversal of successful market access. The dynamics of the trading system underscore the urgency of making real progress in this respect.

V. The case for better integration of developing countries

23. Developing nations are calling for a more balanced approach whereby WTO agreements would better reflect the interests of both developed and developing nations. Many developing countries have lingering doubts about new trade negotiations. On the one hand, they have become important actors in the global system. In contrast to the early rounds of global trade negotiations –the Dillon Round in 1960 had only 39 participants, mostly from industrial countries- today there are 142 WTO members, 70 percent of which are developing countries in the global economy. They have grown to account for more than one-third of merchandise trade, and they have much to gain from a new round.

24. Poor people - those living below the international poverty line of \$2 per day - work primarily in agriculture and labor-intensive manufacturing and confront the greatest trade barriers, putting them at a particular disadvantage. According to estimates, the average poor person selling into globalized markets confronts barriers that are roughly twice as high as those facing the typical worker in developed countries. In general, tariffs in high-income countries on imports from developing countries, though low, are four times those collected from developed countries (0.8 percent as opposed to 3.4 percent). Subsidies and other support to agriculture in the high-income countries are particularly pernicious. Distortions in tariff codes – exceptionally high tariffs on developing country products (tariff peaks), embedded incentives against processing abroad (tariff escalation), and tariffs that are far higher once specified import ceilings are reached (tariff rate quotas) and trade practices, such as frequent recourse to antidumping actions, are generally the greatest impediments that keep the poor from taking advantage of trading opportunities.

25. There is no better contribution we can make in favor of development and poverty reduction than opening borders for developing country goods. The future of the international trading system is much more a function of the integration of poor countries to international trade than of the success of developed countries. They succeed already.

26. The future of the world trading system requires better integration of developing countries for several reasons. The first reason is of course demographics: most growth is happening in the developing world. Most trade growth will involve developing countries in the next two decades. The second reason is that developed countries are already a successful part of the international trading system. For many developing countries market opening is new. The challenge is on their side; most need help. The third reason is that developing countries stand to benefit from a rules based system where they have a reasonable chance of beating the big powers if logic is on their side. The fourth reason is that - although it is not politically correct to say it out loud – trade is good for development.

VI. What results should the implementation of the Doha Development Round entail to make it acceptable?

27. Number one is access: a meaningful negotiation must provide significant access for the products which developing countries can produce and export.

28. Number two is certainty of access: it is not enough to obtain better access; it is also necessary to ensure that it persists. This is why it is crucial that progress is made in anti-dumping and that access is not reversed later on by non-trade measures.

29. Number three is that in order to succeed, access and certainty of access must work both ways: countries will not be able to develop export potential if they are closed, as firms would not be competitive and would not have access to competitively priced, world quality, inputs. Certainty of access that works for development unfortunately comes in two flavors: sweet, I can sell in other markets; and bittersweet, others can sell in mine. A successful round needs greater openness from developing countries; but not only as result of the negotiations, rather from a conviction that free trade is in their best interest. WTO negotiations can of course help in putting together the necessary political elements domestically for this to happen. Here, the responsibility of rich countries is paramount.

30. Number four: there is no greater distortion to international trade than subsidies to agricultural products. They produce harmful effects on many fronts: depressed prices that affect exporting countries and farmers in importing countries alike, lack of production adjustments in the face of changing demand conditions (when the Asia crisis erupted in 1997 and demand for grains fell, the US began its emergency programs that the Farm Bill has now made permanent - a significant reversal from policies espoused and promoted in the mid 1990's when the Freedom to Farm Act was enacted). Agricultural subsidies can be harmful to the environment as they can lead to unnecessary use of fertilizers and pesticides and exhaustion of fertile lands. Without measurable progress on the elimination of export subsidies and the reduction of trade distorting ones, developing countries might refuse to talk about market access.

31. Number five is rules within two areas where progress is needed: access to dispute resolution and antidumping. The main reason why developing countries should be in favor of a strong WTO is its dispute resolution system. Smaller and poorer countries stand to benefit from a system where they have the opportunity to challenge larger countries and to defend themselves in court. This is why when addressing changes to the Dispute Settlement Understanding (DSU) care should be taken to avoid tilting the balance in favor of large countries and corporations, particularly when discussing transparency, and to consider the difficulties smaller members have in retaliating, given the make up of their imports and exports. A smaller exporter that is a price taker should be excluded from the measure, not only because the probability of injury is negligible, but, more fundamentally, because a price taker has no incentive to lower prices, or sell below normal value or below cost.

32. Number six and last is having a round that will end all rounds: Now that import duties have been reduced so much for a large range of products in countries representing a substantial proportion of total international trade, it is becoming more complex to envision negotiations with trade-offs across sectors. This will make it more difficult for negotiations to take place in the form of rounds and the WTO will become more of a permanent negotiating body where the concept of a single undertaking will be gradually eroded. Topics will be addressed at varying speeds and countries will join and negotiate market opening at differentiated time periods.

VII. Final recommendations

33. Using the WTO ministerial to launch a "development round" of trade negotiations that would reduce global trade barriers: the gains will only be enduring and have a significant development impact if industrial countries are willing to reduce restrictions on the products and services that poor countries produce – particularly protection of agriculture (including subsidies), textiles, and clothing; and even restrictions on temporary movement of workers. Similarly, developing countries can improve their own situation while at the same time winning concessions by liberalizing services, and lowering barriers to import competition. To be sure, a trade round also involves issues of interest primarily to industrial countries. Nonetheless, a true

development round would produce win-win gains for the entire international community, including the world's poor.

34. Engaging in global collective actions to promote trade outside the negotiating framework of the WTO: providing market access may not be enough by itself to elicit new trade from developing countries, particularly the poorest. Increasing multilateral "aid for trade" – development assistance to promote trade infrastructure, adoption of best practice standards and rules, and a healthy investment climate - could help. No less important is global cooperation to improve the environment and labor standards.

35. Unilaterally adopting pro-trade development policies in high-income countries: first, if the high-income countries were to allow low-income countries duty-free and quota-free access to their markets, they would provide a strong stimulus to trade that would help these poor countries overcome their past lackluster trade performance. Second, high-income countries could also demonstrate good faith by reining in mushrooming antidumping cases. Third, increasing bilateral "aid for trade" can complement the multilateral effort.

36. Enacting new trade reform in developing countries: developing countries individually can improve their competitiveness through trade reforms that lower restrictive barriers, especially in service markets. Indeed their own policies hold the largest potential for policy-induced gains from trade. Trade reforms, especially those reinforced with reforms in governance and in domestic investment climates, can enhance the value of policies adopted by other nations.

Annex

UPDATE ON NEGOTIATIONS

The Doha Development Agenda has been under negotiation now for over a year. According to the agreed timetable, important deadlines fell due at the end of last year on Special & Differential Treatment (S&D) for developing nations¹, on Trade Related Aspects of Intellectual Property Rights² and on the implementation of existing WTO rules. Unfortunately, member countries could not agree by the December deadline on any of these issues.

On S&D, member countries failed to bridge the differences between developed and developing countries on a package of proposals to strengthen benefits to developing countries under existing agreements and also failed to set up a timetable and framework for negotiating the remaining demands from developing countries.

On TRIPS, negotiations had not resolved differences over the diseases that would be covered by the draft decision on intellectual property and health. Some countries want to make sure that patent waivers for generic manufacturers to supply drugs are limited to HIV/AIDS, malaria and tuberculosis, while developing countries are pushing for a broader list.

According to Director-General Supachai Panitchpakdi:

"Failure to meet deadlines in these negotiations has been quite disappointing. These issues are of great importance not only to developing countries but to the organization itself and to the broader trade negotiations that are part of the Doha Development Agenda."

"We must make progress in these areas to give confidence to developing countries that the Doha Development Agenda is a development agenda not only in name but also in substance."

¹ S&D are the special rights given to developing countries to account for their lower levels of development and the differences in benefits they can reap from the trading system.

² TRIPS addresses the issue of access to essential drugs for countries with insufficient domestic manufacturing capacity.

WTO Members will try again in February to reach an agreement. If they are not successful the issue could block progress on other issues and dim prospects for the next ministerial meeting in Cancun, Mexico, next September.

Between March and May 2003 the system will be confronted with deadlines in the negotiations in agriculture, market access for manufactured goods, services, and the dispute settlement system. As they stand today negotiations on these issues are still far from agreement. Ministers will face an uphill battle in Cancun if negotiators do not grapple successfully with these intermediate deadlines.

Agriculture is a key element in the negotiations. Agriculture is politically sensitive in many countries and there are also high expectations for serious reform from the vast majority of Members so finding accommodation has been challenging.

The Doha Ministerial Conference put the negotiations on agriculture on a new footing. The Ministerial Declaration clearly identifies the direction of reform and the level of ambition in the areas of market access, export subsidization and domestic support. It confirms that special and differential treatment for developing countries will be an integral part of all elements of the negotiation. And it confirms that non-trade concerns will be taken into account. These negotiations have perhaps reached the most difficult phase of all. The modalities for further commitments in the three areas, including provisions for special and differential treatment, must be established. And of course, the negotiations do not end with the establishment of modalities. Subsequently, draft schedules of commitments must be put together for submission by Cancun and negotiations to fine-tune rules are likely to continue well beyond 2003

At this stage, negotiations are facing a number of key problems:

First, there are still wide gaps in the ambitions of governments, from those seeking rapid and fundamental reform and liberalization of trade, to those who are advocating a much more gradual approach. While one side has very clearly stated what it wants, the other has yet to come forward with counter-proposals at the required level of specificity.

Second, there are still differences in views among developing countries about what would be appropriate provisions for special and differential treatment. A delicate balancing act will need to be played out. On the one hand S&D needs to give space and flexibility to developing countries in their efforts to promote agriculture and to address adjustment needs in response to a changing trading environment. On the other hand, any provisions must ensure that developing countries contribute to the broadening of trading channels, including channels for the dynamic South-South trade in agriculture, as a means to generate income, employment and economic growth.

Finally, there are also still strongly held views about the scope of, and approach to a range of non-trade concerns that have been raised in the negotiations.

The lack of movement towards convergence in all these areas is worrying, because March 2003 is approaching fast. Negotiations will now have to move rapidly from position and coalition-building to deal-making on the modalities for further commitments. The upcoming WTO ministerial meeting in Japan is seen as a key opportunity for a breakthrough.