



## **Doha Development Round: Why Its Success is Essential for the World?**

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**Abstract:** The Doha Development Round (DDR) has been in the doldrums for more than 10 years. Trade negotiations are at a stand-still, resulting in a revival of trade protectionism and preferential agreements in the name of ‘new regionalism.’ This leads to a dismantling of the multilateral trading system. The World Trade Organization (WTO) was created for the very purpose of increasing multilateral trade in 1995. It is vital to preserve gains from the world trade. The success of multilateral trading system relies in part on the completion of the DDR. The concepts and practices of free trade are at risk of being reduced in favor of trade protectionism and new regionalism. If it happens, then the future of global trade is uncertain. Such an occurrence would result in a major loss of economic potential, which no country can afford. Doha is stuck. Where do we go from here? This paper discusses the issues relating to the closure vs. success of the DDR.

**Keywords:** Global trade, protectionism, new regionalism, multilateral trading system

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### **1. Introduction**

After the Second World War, the formation of the General Agreement on Tariffs and Trade (GATT) came up in 1947 as a regulator of global trade. From 1948 to 1966, six rounds of trade talks were concluded successfully. This was mainly because the United States of America liberally reduced import tariffs for greater access to its markets. But the seventh round that held in Tokyo, between 1973 and 1979, did not share the same points of a greater access. In this round, developing economies received few concessions from industrialized nations. This was also due to the fact that the rising price of oil left the developed world in disarray. As the oil faded its importance, the US came back as a major player in global trade negotiations.

During the Uruguay round between 1986 and 1994, some emerging issues were taken into consideration while making trade negotiations. These included agriculture, services, and international patents. Non-reciprocity was replaced, which gave concessions to developing economies. Most tariffs of developed nations on labor-intensive goods, such as clothing and leather products, were pushed back to the last two years of the Uruguay round. Again it was United States’ need to win over the war on terror that resulted in Doha Development Round interrupting the end of the Uruguay round and initiation of ‘development round negotiations’. [Pant 2011]

The US has been a dominant force in trade negotiations, and its most vital role in GATT/WTO has always been driving ministerial negotiations forward. However, the US is declining in significance in world trade. According to the data from the decade after 1995, international trade among non-OECD nations has registered more than that of developed countries’ with an even increased margin of 50 per cent. Similarly, for many of the developing countries, the US market was not as the 1990’s. Instead of the US market, China and other emerging economies have become alternative.

## 2. Doha dilemma

Why does the Doha Development Round fail in enhancing a global free trade and at the same time making a multilateral trading system efficient and effective in distributing the gains of free trade? In November 2001, the Doha Development Round (DDR) was launched with an ambitious development component. This was initiated just after the terrorist attacks of 9/11. With its emphasis on “rule-bound multilateral trade”, the DDR aimed to raise a required degree of stability and orderliness in global trade and hence, extend an antidote to the chaos and uncertainty that had begun to affect the world economy. [Narasimhan 2011]

A very basic philosophy of launching DDR was to enable the Least Developed Economies (LDEs) to export more by gaining a greater access to developed markets. It was presumed that developed nations would reduce their various subsidies and market support programs that distort trade rules. However, for almost the last ten years, trade negotiations have missed many deadlines. In 2010, the G-20 urged the member countries to complete the DDR by the end of December 2011. This would not occur. The DDR is dead, but multilateral trade negotiations are still needed. It is astonishing that the most ardent optimists have given up on the DDR under the World Trade Organization (WTO). This round of negotiations “promised so much and has delivered so little”. 153 nations are outwardly professing their commitment to the DDR. Such commitments have been symbolic and have not been enough to take the negotiations forward in any substantial manner.

The major players in global trade negotiations, the US and European nations (EU), are unwilling to extend any concessions on any issues. Ever moving to provide products from LDEs duty-free and quota-free access to developed economies has been blocked by the US. With no movement from the US on extending concessions to the LDEs of Asia, Africa and Latin America, the DDR was not completed by the end of December 2011. As a result, the hope of ratifying a new set of trading rules for services, farm equipment and industrial goods is likely lost. A United States battling with worst economic crisis since the 1930s seems unwilling to give the concessions needed to make the DDR work. Because of this, there is little chance for the LDEs to get the required three concessions that 153 WTO members were pushing under DDR. The European Union, along with the US, has been putting pressure on developing countries to agree with lower tariffs for environmental goods. This would affect the process of establishing firms in developed world and also trade facilitation measures to ease customs rules and procedures. So far developing countries have been united in resisting any such pressure. [Times Business 2011]

Sensing an opportunity, the developing nations have begun demanding for the correction of many flaws in the WTO. Developing nations have demanded changes in rules on subsidies, anti-dumping and intellectual property rights as early as 2001, when DDR talks were initiated. The developed countries have not encouraged these issues to be taken up seriously and have ensured that the focus remained on lowering import duty for farm and industrial goods. On the top of this, the US and EU have been trying to discuss issues and sectors that were not covered under the WTO Charter. These sectors were a clear departure from the ‘single undertaking’ approach in use since 1995 and the ‘negative list’ approach of GATT 1948. More generally, it can be argued that what was being attempted was a closure of the DDR.

Should DDR be closed?

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Completion of the DDR trade talks is a daunting task. There is a mismatch between the negotiations and trading power of various countries. Until this mismatch is properly addressed and corrected, it could be worthwhile to close down the DDR. There are two issues that make possible the closure of DDR. First is the role of the US in negotiations. Second is new trade architecture. There are three forces pushing separate agendas. Developed countries want to the inclusion of '21<sup>st</sup> century issues' on the agenda in December 2011 Conference, such as climate change, energy security, food security and currencies. Developing economies, especially Brazil, Russia, India and China (BRICS), are seeking a review of rules on antidumping, subsidies and trade facilitations. The Director General of the WTO wants negotiating parties to decide an agenda for the December 2011 meeting of Ministers and prepare a work programme until 2013, when the US economy is likely to be over the current recession. [Times Business 2011] By linking trade with environmental initiatives, developed nations continue to deadlock trade negotiations. The WTO and DDR are based on trade structure and leadership. Both have gone through a radical change. Hence, there is no option but to close the DDR for good.

### **3. Why DDR must be successful?**

The trade talks under the DDR are essential for a speedy recovery of global economy. These talks should not be allowed to collapse and there is an immediate need for strengthening the faith in multilateral institutions like the WTO. The WTO has a crucial role to play. A timely conclusion of the DDR could strengthen the organization and give a much required boost to the world economy. Many trade analysts believe that the WTO is at crossroads and that the lack of progress in Doha Round raises questions on the relevance and efficacy of the world organizations. While crisis may lead to 'inward looking policies and promote protectionism,' such action would be counter-productive and could delay the global economic recovery, and even deepen the global recession. [Suja 2011]

The development dimension of the global trade talks (trade and development go hand-in-hand) should not be altered and there is an urgent need to focus on them. The developing world is being asked to pay an enormous price to conclude the DDR. The developing economies state that this would not be what they committed to when they agreed to participate in the DDR back to 2001. Therefore, the members must continue to address various vital and strategic issues during the trade negotiations. These issues cannot be given up because of 'a steep slope or long path'. An early conclusion of the DDR will strengthen the WTO as a bulwark against protectionism and boost the world economy. It will also signal the WTO's firm commitment to development. [Sharma 2011]

Today, developing countries are no longer silent partners in the negotiations, as they may soon come to dominate the talks. This is why it is significant to have a global trading system that is a rule-based. There is no short-term prospect for a conclusion to the DDR given the differences between the members. The WTO ministerial conference, which took place at the end of 2011, has provided a framework for 'what next' in the negotiations. It is too soon to say what the ministerial prescription might be. What is important is for ministers to build a common diagnosis of the problem in order to find ways to overcome the current impasse. The ministers will also look at the regular WTO work agenda, which is operations beyond the negotiations. [Gupta 2011]

The US is saying that emerging economies, especially the BRICS, should do more. Emerging economies are saying that they have already accepted a number of commitments, which they never accepted before.

On the one hand, the US is insisting that a level playing field is needed in areas like chemical tariffs, electronics, and industrial machinery. On the other hand, emerging economies are opining that they are more developed than the LDEs; they are ready to recognize this and take a number of commitments reflecting their new status in the global economy. However, this would not be to the point of accepting the same disciplines as developed countries. These developing economies are of the view that they still have huge domestic developmental challenges and the largest numbers of people still struggling in poverty.

#### **4. Alternative to DDR**

Opening up trade and reducing trade barriers is essential for the growth and development of the world economy, particularly the developing economy. The best way to open trade in a global, predictable and transparent manner remains a multilateral route. This has resulted in the acceleration of economic growth and development in the world economy. It is a multilateral trading system with its surveillance, monitoring, and enforcement that has helped economies to navigate the economic crisis. So many reasons include whether it is in respect of economies of scale, or whether it is in regard to fairness. As many bilateral agreements have been made among countries with large differences in negotiating powers, it is crucial to preserve the primacy of the multilateral trading system. Here, the very pertinent question arises as to why nations are ready to negotiate bilaterally and not multilaterally. As tariffs converge through eliminated in bilateral agreements, there is a risk that bilateral agreements will result in a multitude of regulatory regimes. The Director General of WTO has recently cited three vital issues for discussion [Lamy 2011]

- All existing members must continue to put faith in the multilateral trading system. Governments need to recognize the role and contribution of the multilateral trading during the recent economic crisis. Through a smooth flow of goods and services among nations, peaceful settlements of trade disputes and capacity building in the developing world help stop further economic stagnation.
- As the world economy moves towards recovery and many economies are deep in debt, the multilateral trading system can prove to be the most effective and efficient instrument to fight poverty and generate employment.
- Since its inception, the WTO has been an insurance policy against trade protectionism. It continues this role during the world economic crisis. But the DDR is inextricably linked to the WTO. If the DDR continues to be prolonged, there is a risk that the WTO itself loses its credibility and in turn, its ability to fight protectionism.

A multilateral trading system governed by the established rules and procedures would help member countries access the WTO's dispute settlement. This would allow small nations to persuade powerful nations to stop trade distorting practices. The failure to complete the DDR could inevitably result in a dilution of the WTO and the rule of law in international trade. The most distressing fact is that, despite member nations being fully aware of the risks to multilateral trade in allowing the DDR to lapse or close, nothing much has been done to save it. Time has come to look beyond the DDR.

## **5. The WTO- is it still credible?**

With all the fading hopes over the DDR, the role and contribution of the WTO might be ignored or discounted. The DDR has most likely stalled, but the vital role of trade negotiators bringing down differences among countries cannot be ignored. This will certainly count in future negotiations. For the last few months, trade negotiators have been continuously meeting at the Geneva WTO headquarters and have been striving to create a consensus on critical issues, such as agriculture, industrial goods and services. It is a large, unpublicized effort, rather than any vocal political support, that had kept the hopes for better and effective conclusion of DDR alive. The most unfortunate thing is that, in many ways, the world's major trading economies have been drifting away from a spirit of multilateral trade. For example, there has been a strong preference among nations for 'bilateral free trade agreements' or 'new regionalism.' These generally consume less time and energy while promising almost immediate results. However, it is not in the best interests of individual nations that a slew of bilateral pacts come to dominate world trade.

Such emerging trends lead to the 'state of hegemony' by the developed world over the LDEs. This may even lead to discrimination and distortion in trade policies. These trends are further reducing the credibility of the WTO. Failure to conclude the DDR, at least at some future date, would result in a further erosion of the authority of the WTO. This would be regrettable. Apart from deliberations, the WTO has created the fair and equitable machinery for overseeing the implementation, monitoring, surveillance, capacity building and dispute settlement of free trade. It has brought the rule of law to global trade. The dispute settlement mechanism is especially helpful, as it enables small nations to take on the world's biggest economies. [Narassimhan 2012]

## **6. Concluding remarks**

In saving the WTO, the contribution of the WTO Director General is of paramount importance. According to the Director, the DDR talks have reached a deadlock and there are no indications that the negotiations should be stopped. Some academics are floating the idea of rebooting the talks. This does not seem to be attracting support amongst the WTO members. This is in part because many believe a new agenda would bump into problems from previously unresolved DDR items. Since politics drives international trade, it is governments 'not wise men, think tank or director generals' who should be driving agreements. Leaders must act to convince and spend political capital to make this happen. The time for technical work is long past. It is the hour of politics. There are two vital questions for the WTO's Director General. First is how it will happen given that global politics through the institution of G-20 leaders of the global biggest countries, which came together to fight the global credit crisis. Second is how effectively the international board of directors of the global economy has failed to deliver. Under such persisting trends and situation, the role and contribution of Director General becomes more delicate and complex, especially in resuming DDR talks with pragmatism and a spirit of compromise. [Chikermane 2011]

## **India and DDR**

Sensing another failure or deadlock in concluding the DDR, India is advocating for exploring a middle-path for concluding a deal on WTO talks. India has its own offensive and defensive position. India is

proactive and trying to find an exit to this situation. India's support is needed for concluding these talks. The trade ministers of the key WTO member nations met at the OECD headquarters in Paris, wherein the heads of three negotiating groups (agriculture, industrial goods and services) were also part of the talks. After intense negotiations, the three negotiating groups came up with specific proposals. India was reviewing the three proposals in order to ascertain whether they met the consistent stand taken by the developing world for removing the historic distortions in world trade. India confronts with a political gap. As things stand, under the existing framework, it is hard to bridge these conclusions with the DDR proposals.

India's position that any world trade agreement must have a development dimension was not diluted. In the 2000s, a lot of time and resources have been invested by developing economies in these clauses. They should not be lost. Gains already made must be protected. In the protracted talks, while there remain large areas of differences between the developed and developing nations, there are several issues of consensus as well. These include special dispensation for the developing countries on freeing the market for agricultural and industrial goods. [Hindu 2011] One thing is certain that it is not possible to conclude the DDR by the end of 2011. It will also not be possible to strike a trade deal during 2012, as the US is going to go through a very long, drawn out presidential election. India and the US had been at logger heads with each other during the DDR since 2001. India will not be pressured to change its Doha agenda at any cost. [Hindu 2011]

### **Fear of protectionism**

The European debt crisis may lead to the revival of protectionism. The balance has shifted when it comes to a global economic growth. The emerging economies of BRICS have been a large factor in the recovery, stability and growth of the global economy. G-20 as a group has played a key role in ensuring that the large-scale job losses did not take place. G-20 is an inclusive and representative platform, as the newly emerging nations have become the integral part of its makeup. There a revival of protectionism is possible, especially at a time when the sovereign debt crisis is engulfing many fragile European economies. In these difficult times, there are tendencies towards protective measures. The G-20 Group must assure the world that this will not happen. What is immediately needed is to complete the ongoing WTO negotiations. Historical imbalances must be corrected to make a new economic order more equitable and accessible. The protectionism could be avoided if the required reforms are made through the International Monetary Fund (IMF) and International Bank for Reconstruction and Development (IBRD). The new multilateral trading system must reflect contemporary world realities.

### **End notes**

The DDR, which was initiated in 2011, has been stuck. Accordingly, trade negotiations under the WTO umbrella have also been stuck. Two issues need to be addressed. First either to close DDR or decide where do we go from here? Three vital issues, namely agriculture, NAMA (non-agricultural market access), and services, must be solved at all costs. A compromise must occur, and otherwise bilateralism or new regionalism may become the part of global trade.

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