

The failure of the Doha Rounds

Introduction

During the Bretton Woods Conference, in 1944, a new economic system was born. This system aimed at a larger and effective liberalisation of the global market in order to boost trade and global growth and to achieve an enhancement of the level of stability and predictability of world economy. The General Agreement on Trade and Tariffs (GATT, signed in 1947) and, later, the World Trade Organisation (WTO, created in 1994) have been the organisms in charge of the gradual elimination of trade barriers, implemented by several rounds of negotiations started in the late '40s.

Even though the results of such negotiations have been, at large, remarkable (more than 40% less of custom tariffs), the dealing has been really harsh, especially considering the high number of countries involved (155 members at present). In particular, the last rounds (Doha Rounds), started in 2001, never led to the signature of a new agreement as respects liberalisation. The failure of those conferences is a multi-sided question and the causes we can define are of various kinds.

The economic basis of the GATT/WTO system

First of all, it is necessary to mention the theoretical basis of the GATT/WTO system: the liberalism. The liberalistic school of thought dates back to the XVIII century, when major thinkers such as Adam Smith, David Ricardo and John Stuart Mill theorized about free trade and the advantages related. During these years many other economists concurred to the improvement of this doctrine, but the core concept remained. The idea that, considering the essential scarceness of the goods and the unequal distribution of global resources and working capabilities, a free trade market is the best choice for every country. This is because in such a system every nation will strategically specialize in the productions in which it's better than the others, importing the goods that are more

efficiently produced abroad. In this way, first of all everyone can maximize its profit, also because the demand of goods and services becomes international, making the internal production increase, with ensuing decrease in the level of unemployment and important boosts to modernisation and research due to competition. Moreover, the integration of the markets fosters cooperation between countries, with great benefits for peace.

In fact, history teaches us that the countries hardly ever maintain a liberalist political stance during the periods of crisis and recession. This is why the GATT/WTO system was created: to avoid the heavy consequences of protectionism in terms of trade barriers and trade-distorting measures, by a rational regulation of the market aimed at deepening economic integration and narrowing the gaps between developed and developing countries.

Short history of the negotiations

In order to identify the causes of the failures of the Doha Rounds it is important to give a general outline of the path that led to these talks.

The negotiations started in Geneva in 1947. During this meeting the General Agreement on Trade and Tariffs is signed, as well as more than 100 agreements of mutual tariff reduction. Then, many others tariff agreements are concluded in 1949 (Annecy), 1951 (Torquay) and 1956 (Geneva), on a total volume of exchanges of 2.5 billion dollars. The next round, the Dillon Round (Geneva, 1960-61), ends with the adoption of 49 bilateral agreements on goods traded, in respect to 5 billion dollars of exchanges. During those rounds the United States of America had a chief role as they emerged as world leader country after the Second World War, both on the political and the economic side.

In 1964, during the Kennedy round (Geneva) the context was remarkably different; the United States have difficulties in coping with the gold-dollar standard system (because of the

Vietnam War expenditures and many domestic development projects) and European economies are quickly recovering from the post-war situation. During this round, the custom tariffs are phased out by 30-50 % and many concessions were granted to the developing countries. Moreover, a code concerning antidumping measures is approved by the Members.

In Tokyo (1973-1979) the first real attempt to reform the system takes place. It is a complex historical period; a fierce crisis, due to the oil shock and the related inflation, putting a strain on the world's economy, and the United States decided to abandon the gold-dollar standard system. Moreover, the European Economic Comity keeps spreading, increasing its weight in the negotiations, and the developing countries by this time have acquired an important role in the negotiations. During this round, a major reduction of tariffs is decided, also trying to harmonize the different politics in this matter. On the contrary, considering the non-tariff trade-distorting measures, there is no consensus.

The number of countries in the organisation keeps growing and the disparity between the members of the General Agreement on Trade and Tariffs becomes huge. Therefore, the negotiations become more and more difficult to manage, especially considering the historical situation of the XX century (decolonisation, crisis, Cold War etc.). This changes, especially related to the 1981-82 economic world crisis, where they were faced by the GATT countries during the Uruguay Round (1986-1994). This round constitutes the greatest reform of the GATT system since its creation. The tariffs are averagely decreased by 40% and for some sectors (such as pharmaceutical products, agricultural equipment, beer and spirits) they are completely eliminated. Even more important, the range of the themes spread, including services, intellectual property and the textile market, besides the traditional sectors, such as agriculture or industrial production. In addition, the dispute settlement system within the GATT remarkably changes. Moreover, the final Act of this round ratifies the creation of the World Trade Organization, that will replace the GATT as major organization of global trade regulation.

The implementation of the measures that were decided during the Uruguay Round raised many protests by both the developing and the developed countries. The Doha round is aimed at the resolution of these problems, but it ended in a major failure.

The Doha Round started in 2001 in Doha, Qatar, when a Development Agenda was set in order to enhance the level of liberalization, in terms of phasing the tariff out and to improve the developing countries' access to the markets of agriculture, industry, services, digital technologies, finance, telecommunications and environmental goods and services. The main objective is the signature by every and each Member of a "single package" concerning all these subjects (more or less 20 different issues) within four years (2005).

The negotiations continued in 2003 in Cancùn (Mexico), but they ended in a circle. During the meeting it became evident that the weakest point is the agriculture. A compromising final declaration was then signed in Hong Kong (2005) and the time-limit was postponed to the end of 2006.

Considering the impossibility to achieve a consensus for that time, the General Director of WTO, Pascal Lamy, declares in 2006 that the best choice is to suspend the negotiations in order to let the WTO Members think things over. Some other meetings took place in the following years but the consensus-building process still brings no results.

The causes of the failure of the Doha Round

Which are the reasons of such a failure? First of all, it is necessary to consider that the very objective of a single package, signed by each and every WTO member, is quite difficult to achieve. In fact, there are plenty of different interests that ask for satisfaction, both at an international and a national level. Apart from this, there are undoubtedly many causes that concern the content of the agreements, but also many others that are related to the structure and the procedures of the World

Trade Organization, not to mention the problems related with the increasing regionalism and the risks connected to every choice that governments make.

With respect to the content of the negotiations, agriculture is probably the thorniest sector to cope with. In this case, the objective of the negotiations is to liberalize in favor to the countries that can bear free competition thanks to their quality and prices and not because of their governmental subsidies. Agriculture is tightly related to food security, which still constitutes a vital concern for many developing countries. Therefore, the main problem is that agricultural goods should be treated as “special goods”, taking into consideration also “non-trade concerns”, or whether they should be disciplined as every other product in the market, just considering “the three pillars”: domestic support, export subsidies and market access.

The first pillar (domestic support) refers to every measure taken by national governments in order to keep prices artificially low on the international market. The regulations in this area are virtually divided in “boxes”; the orange box, the blue box and the green box. Concerning the orange box, that deals with production and trade distorting measures, there is still disagreement about which subsidies have to be reduced. With regard to the blue box, that contains all the direct financing (potentially unlimited) to the farmers to compensate the reductions imposed to their productions. There is no consensus about which kind of direct financing should be considered as necessary for development. Concerning the green box, which comprehends all the non-distorting pro-development measures, many fear that this category could be exploited to justify huge subsidies that have, in fact, trade-distorting effects.

The second pillar refers to export subsidies; governmental measures to encourage export of goods and discourage the sale of goods on the domestic market. In this field, there were many doubts about topics such as the interdiction of the power of monopoly and the possibilities of governmental direct interventions in the market.

Finally, the market access concerns every tariff and non-tariff measures, which are the main causes of distortion in the agricultural market. Therefore, the phasing out of these measures is still the central objective, overall in relation to the dumping practices.

The NAMA – Non-Agricultural Market Access – is a difficult sector too. The main objective of negotiations in this field (that concern the trade of goods such as manufactured and extracted goods, as well as fish, fuels and forestall resources) is to eliminate all the custom duties and the non-tariff obstacles for non-agricultural goods. The major divergences are about the reduction of the tariffs, both in terms of modalities and level, also considering the fact that they are often fundamental for the fragile economies of the developing countries. In addition, the negotiations have to cope with the controversies about the members' contribution to the organization, especially in respect to their proportionality.

The disagreement over the restraint from an adequate debate on other essential issues, such as intellectual property, services and investment, even if they are part of the single package.

In reference to services, the main areas of negotiations are the access to the market, the rules within the GATS (General Agreement on Trade in Services, signed during the Uruguay Round), the national rules and the application of the measures decided in this field by the developing countries. The WTO has tried to break the stalemate of the negotiations by the promotion of several bilateral and multilateral talks, but the lack of political will to achieve a compromise as well as the impossibility to reach a consensus on agriculture and NAMA didn't allow any substantial progress from 2008. In particular, talking about services market access, the thorniest issues are subsidies, safeguard measures in case of danger for the national economy and the public markets. The liberalization of the public markets is quite a delicate task to accomplish, especially in countries (such as Italy) where the "welfare state model" is still present besides the "public utilities model", since it means that the sector such as education or health (that aren't completely free) should be exposed to competition and lose their nature of public services.

The existence and application of the intellectual property rights is disciplined by the TRIPS (Agreement on Trade Related Aspects of Intellectual Property Rights). This agreement, signed during the Uruguay Round, aims at an equilibrium between public interest (i.e. access to new inventions) and private interest (profit and stimulus to create). This balance becomes really difficult in relation to the public health system; a strict copyright policy in matter of medicaments could seriously damage many developing and less developed countries. Thanks to the cooperation between the WTO, the WHO (World Health Organization) and the WIPO (World Intellectual Property Organization), a lot of progress has been made in this field. On the contrary, many problems are still to be solved about the patentability of invention about animals and vegetables, as well as about biodiversity and protection of traditional knowledge and folklore.

This investment is another delicate issue, since many developing countries are convinced that the regulation of such a sector could undermine their domestic development policies. Anyway, since some investment measures can effectively be trade-distorting, an agreement was signed during the Uruguay Round (Agreement on Trade-Related Investment Measures -TRIMs) to reduce those episodes. Unfortunately, since the attraction of the investment is one of the most important concerns for every single country, it is difficult to administrate this area.

As it was said before, there are also some important structural and procedural causes for the failure of the Doha Rounds negotiations. The regulation of international trade and business is one of the most complex sectors of the international law, especially concerning non-tariff trade barriers and domestic competition regulation. Moreover, the process of negotiations has become more and more complex because of the increasing number of members and the participation of many non-governmental organizations. This situation is worsened by the fact that the WTO keeps using the same typology of multilateral rounds for any kind of issue, even though this modality has been conceived for general matters of debate, such as the “enabling clause”. All these elements lead to a permanent stalemate and ever increasing delay, with two main consequences; first of all, it is a

practiced to have informal negotiations parallel to the official rounds, usually excluding the poorest and less powerful countries; secondly, generally improvements in the negotiations come along just within the Dispute Settlement Body, the WTO jurisdictional organism. These circumstances increase the unbalance between the political and the jurisdictional part of the World Trade Organization; even if the Dispute Settlement Body is a political organism, made up of representatives of the Members, in concrete terms the binding decisions are made by a panel, which is a jurisdictional body, composed by professionals appointed in relation to their expertise, impartiality and independence, acting in a private capacity.

Another problem that affects the WTO procedure is the definition of “developing country”. In fact, The World Trade Organization does not have fixed criteria to identify a developing economy, thus every single member declares its status itself. As a consequence, there is huge differences between the countries part of this same category, with ensuing troubles in planning out the best measures for development.

Besides, the increasing regionalism is undermining the credibility of the World Trade Organization as a proper global forum that helps with coping with the international trade liberalization. The major risk is a fragmentation of the global economy in separate regional blocs, with strong barriers against third countries. As well as this, regionalism is the source of many jurisdictional problems related to the compatibility of those regional treaties with the WTO.

Last but not least, the risks and the uncertainty associated with the legal meaning, as well as the economic and political effects of the WTO agreements have a discouraging influence on the negotiation progress.

Conclusions

In conclusion, it is possible to say that the failure of the Doha Round negotiations is due to many problems related to the very content of the negotiations, but also to various structural and procedural causes, such as the tension between the political and the jurisdictional parts of the World Trade Organization or the configuration of the multilateral talks.

Even if the Doha Rounds are at a deadlock, we can't cast doubt upon the importance of WTO as a regulatory organism. This value has been demonstrated during the 2007-2008 crisis, considering that no massive protectionist relapses have taken place. However, there is still a long way to go, to achieve a complete liberalization of the global economy, in order to achieve a competition-based market of fair trade.