

THE DOHA DEVELOPMENT ROUND OF INTERNATIONAL TRADE NEGOTIATIONS

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I. Introduction:

The contemporary economic theory claims a close correlation between the trade liberalization and the economic growth. Any reduction or elimination of customs tariffs and quantitative restrictions, *ceteris paribus*, generate more trade among countries. Also, the internal factors such as growth of Gross Domestic Product (GDP) or external factors like regional trade integrations result in trade expansion. The linkage between trade and economic development encourages countries to come together so as to establish a system that enhances a fair and balanced commercial environment. The method that worked till now requires tireless efforts to conduct cumbersome rounds of negotiations to determine the concessions and to codify rules of global trade.

The latest multilateral trade negotiation which is called “Doha Development Round”, as it started in Doha/Qatar, has not been the first and most probably will not be the last one. The search for a new international trade order started with GATT (General Agreement on Tariffs and Trade), the predecessor of World Trade Organization (WTO).

In this paper the intention is to portray the historic background of the international trade negotiations and reflect on the recent developments regarding the Doha Development Round.

II. The GATT System and the Uruguay Round:

Since the signing of GATT in 1947, which was a part of the Bretton Woods institutions like the IMF and the World Bank, world trade has blossomed with new opportunities and changing conditions. GATT had always encouraged liberal trade disciplined with rules and regulations. It intended to secure a reliable, transparent and predictable trading environment for the entrepreneurs, companies and the governments. From the year 1947 to 1994 there were eight rounds of negotiations. Although during the earliest rounds of negotiations the reductions in customs tariffs had been the main focus, in Tokyo Round (1973-1979) plurilateral agreements on anti-dumping, subsidies, technical barriers to trade, import licenses, customs valuation were also

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signed among the interested parties which in turn brought about an advanced level of institutionalization.

The process of the Uruguay Round of negotiations (UR; 1986-1994) has been the most comprehensive of all. Agriculture, investments, intellectual property rights and services were taken into the agenda and the endeavors for the institutionalization of the system were continued. The “Final Act” was signed in Marrakesh on 14-15 April 1994 among 124 members and the World Trade Organization (WTO) was established.

With the debut of the WTO, introduction of the Dispute Settlement Procedures, the decision to terminate all quantitative restrictions in textiles and clothing trade by 2005, the Agreement on Agriculture, periodic trade policy review of members emerged as the new disciplines.

The developments following the UR have once again confirmed the essence of the economic theory that liberalization has a direct effect on economic growth. The MFN average tariffs fell from 14.1 percent during 1995-99 to 11.7 percent between 2000-2004 and further to 9.4 percent in 2007, while the average real growth in international trade was within the range of 7-9 percent during the last decade. The first round of GATT negotiations had only 23 countries and affected roughly US \$ 10 billion whereas 123 members participated in the UR negotiations which steered almost US \$ 4,2 trillion of global trade. In addition, after 50 years of the establishment of the GATT in 1947, the world trade went up 13 times in real terms (1950=100). The trade growth and its reflection into the individual economies and to the political landscapes continue to encourage WTO members to carry in with trade liberalization.

Today WTO is the sole international body determining the international trade rules for a predictable, transparent and fair environment for all entrepreneurs. Turkey joined the GATT system in 1951 via Torquay Round and became the founder member of the WTO in 1995. By today, with the latest accessions of Togo, Ukraine and Cape Verde, the number of WTO members has reached to 153. Russian Federation, Iraq, Iran, Azerbaijan, Algeria and other trade partners of Turkey are also expected to accede soon. The common target of all existing and potential members is obvious: to integrate into a non-discriminatory and rules based system.

III. Doha Development Round of Negotiations:

“Doha Development Round” a term coined by the Finance Minister of Qatar underscores the development aspect of the trade negotiations. Those negotiations were started at the WTO Ministerial Meeting held in Doha/Qatar in November 2001. After the intense discussions on the coverage of the Doha Development Agenda (DDA), the topics included were: market access in non-agricultural products, trade facilitation, some issues related to the environment, some intellectual property rights issues (Geographical Indications), rules (fishery subsidies, revision of rules in anti-dumping and subsidies in general), services (previously started) and very politicized and complex issues of the agricultural sector (also previously started).

At present, the work on the DDA is still continuing. For the last seven years the endeavors have been mainly focused on agriculture negotiations and the non-agricultural market access (NAMA) issues. In order to better understand the issues at stake in Doha Round and the linkage among the various aspects of the ongoing negotiations, besides agriculture and NAMA, trade facilitation, services, rules and issues related with environment will also be scrutinized in the following paragraphs.

III.1. Negotiations on NAMA:

In general non-agricultural products constitute almost 75 % of all tariff lines in a single tariff schedule. They also represent 92 % of the global trade. For Turkey, non agricultural products amount to 97 % of imports and 96 % of exports. In addition, if one considers the value added produced by the industrial sector and the employment it provides, the likely impact of the liberalization on the global economy will become more apparent. That impact may have two sides. First, as it has been stated above, the previous round of negotiations demonstrated that the international liberalization of trade might improve the welfare of countries. On the other hand, liberalization also has triggered competitiveness which in turn has challenged the domestic manufacturers. Therefore both risks and opportunities need to be reflected on together.

Following that general assessment, if we look at the ongoing negotiations one may easily identify the fact that the existing bound tariff rates of developed countries on average (for developed countries the bound rates are almost same with the applied rates) is about 6,8 %. This number for

10 selected¹ developing countries which are still preserving their protectionist stance in the negotiations is about 34,4 %.

Moreover developing countries, including Turkey, have not bound all their non agricultural products at the WTO yet. For Turkey, almost 38 % of all non agricultural products are bound. This theoretically means that those countries could apply any tariff rate without any limit if they wish to do so. Nonetheless, this probability hinders transparency and predictability for the exporters. The present target is to bind the tariff rates of all products at the end of the Doha negotiations. However, non-tariff barriers also constitute a real impediment to the international trade of non agricultural products and they are scrutinized accordingly.

In Doha negotiations, since the overall average of tariffs of developed countries is low *vis a vis* that of the developing countries', developed countries claim deep tariff reductions from the developing countries. As a result of intense negotiations, so called Swiss Formula (SF) type of reduction modality for non agricultural products was adopted in Hong Kong Ministerial Meeting in December 2005. According to the SF modality, the reductions at high rates will be more *vis a vis* the low bound tariff rates. This also depends on the coefficient of the SF where a higher coefficient would result in relatively less reductions (in terms of percentage points) however a lower coefficient would yield more reductions. That's why the developing countries, such as India, Brazil, Argentina and South Africa are bargaining for higher coefficients for themselves while developed countries are insisting lower coefficients for more market access. Let's show that in an example:

The Bound Rate (%)	Coefficient of the SF	Final Bound Rate after the application of SF (%)	The Reduction Rate in terms of Percentage
30	10	7,5	75
30	20	12,0	60
120	20	17,1	86

It can be seen from the table that, when the SF coefficient is 10, the bound rate of 30 % drops to 7,5 % whereas if the coefficient were 20 the final rate would fall to 12 %. Similarly, an initial rate of 120 % goes down to 17,1 % when coefficient 20 is applied.

¹ Argentina, Brazil, South Africa, India, Indonesia, Philipines, Egypt, Namibia, Tunuisa and Venezuella.

Nevertheless, it is the consequence of the “special and differential” treatment principle of the negotiations that developing countries will apply a higher coefficient for their products relative to that of the developed countries’ (which is also called as “less than full reciprocity”). According to the “special and differential” treatment, developed countries and developing countries will commit themselves proportionate to their economic capacities. Another result of the “special and differential” treatment is developing country members will be able to keep a certain part of their non agricultural products out of any formula cut or may reduce the bound levels of a particular percentage of tariff lines at half of the original rate of cut. The Swiss Formula coefficients for developing countries and developed countries and flexibilities for developing countries are the main points of discussions at present. For developed countries’ coefficients the suggested numbers are 5 to 9 whereas for the developing countries, numbers start at 19 and go up to 30.

The applied average tariff rate in Turkey is about 4.2 % which is no different than any developed country average and Turkey is ambitious in these negotiations to have more market access. That is why since the beginning, Turkey is in favor of a low coefficient for developing countries. In WTO negotiations Turkey has posed itself like any other developing country. However in real terms, for the industrial products, Turkey will be applying the developed country coefficient with all the practical consequences due to the Customs Union with the EU. Thus it would be preferable if the developed countries eventually end up at a relatively high coefficient so as Turkey could have some margins to shelter its sectors. This is a result of the *sui generis* nature of Turkey’s general position which frequently surfaced in the other areas of the negotiations as well.

Nonetheless, while further liberalization in non-agricultural products will bring about better market access opportunities for Turkish exporters, in real terms all entrepreneurs must be prepared for a more competitive global environment.

III.2. Negotiations on Agriculture:

The negotiations in agriculture had started before the Doha Ministerial Decision and included into the Doha package later. Agriculture negotiations are comprehensive in terms of coverage. We can analyze the negotiations under three pillars.

1. Domestic Support: The existing Agreement on Agriculture (AoA) which foresees the continuation of a general reform process in agricultural sector worldwide, has reached its predetermined targets already and now members are negotiating for further liberalization. In that sense, since domestic supports are allowed in agriculture under some conditions and developed countries are the main providers of them, the reduction or elimination of subsidies has become a crucial issue of the negotiations. The trade distorting subsidies (which are directly provided for targeted products) plus blue box subsidies (that are provided for production limiting purposes) plus *de-minimis* amount (which is allowed to encounter market needs) are due to reduction at the end of the negotiations. The rates of reductions are being negotiated. An important stakeholder at this issue is the USA. It is the expectation of other members that USA could commit itself for a low amount of subsidy which in real terms will be close to the actual amount that it provides for its farmers already. However, the USA bargains for a less reduction from its bound levels in order to have wide room in raising the actual levels in the future if need arises.

For Turkey and so many other developing countries the issue is not complex. Some of the developing countries have already committed themselves to subsidize their agriculture not more than the *de-minimis* level (10 % of the total value of the agricultural production and will most probably be kept at the same rate after Doha negotiations) which is allowed (that number for developed countries is 5 % of their agricultural production and is expected to be lowered after Doha). However, it is a matter of concern for everyone that since developed countries have budgetary resources, their direct product subsidies not only restrict the export capacities of the developing countries but generate real import pressure on global markets as well. Therefore, developing countries are asking the developed countries to reduce substantially their trade distorting subsidies.

2. Export Competition Issues: Under this topic mainly export subsidies, export credits and trade distorting food aid are being discussed. The most important achievement on this topic has been the commitment of the EU, albeit conditional to the developments in other export competition issues, to abolish all export subsidies by 2013. As a main stakeholder in this topic EU expects the USA to commit itself to apply commercial-like conditions in export credits. Moreover, the discussions on food aid have been concentrated on the exemption of humanitarian aids but bringing in disciplines to grant any type of aid.

It is the decision of all members to abolish the export subsidies since those are the direct involvement of governments to the global market and impede fair trade. By the same token, the export monopolies especially located in developed countries are also under discussion in order to discipline their global commercial activities.

3. Relatively important aspect of agricultural negotiations is the market access pillar. Let us dwell a little bit on the significance of agriculture on economies of countries to make a better assessment of the agricultural tariff reductions.

Since 75 % of the world poor live in rural areas, the sustainability of agricultural production and rural development, food security and livelihood security are all matters of concern in these negotiations. The agriculture constitutes 1,7 % of the USA's GNP, 2,7 % of Canada's GNP and 1,7 percent of Japan's GNP. This ratio in Turkey is about 13 % which is more for other developing countries. Also, the rate of rural population to the total in the USA is 2,2 %, in Canada 2,4 %, in Japan 4,3 % and in Turkey 30 %.

It is not only an issue for developing countries but some developed countries are also looking at this sector from a non-mercantilist point of view. Those countries are also putting forward sustainability food supply, rural livelihood and environmental concerns as non-trade concerns such as the EU countries, Norway, Switzerland and Japan.

Hence, the market access negotiations in agriculture have become a key concept of the DDA. For the time being, a tiered formula approach is adopted as the tariff reduction modality where higher tariffs will be reduced at high percentage points and lower tariffs at lower percentage points. In the current draft text the average reduction rate for developed countries is 54 % whereas it is designed as 36 % for the developing countries. But still those numbers are under negotiation.

In agriculture negotiations because of this sector's economic and political importance for all countries there is the concept of "sensitive products" whose tariff rates will be less reduced than a formula cut subject to tariff quota commitments of the countries. Since the tariff quota issue has been tied to the consumption data of the related countries there have been very intensive technical preparations of the modalities.

On the other hand, there are two other flexibilities only for developing countries which are “Special Products” (SP) and Special Safeguard Mechanism (SSM). Turkey has been one of the major advocates of those two concepts since their first initiation. The G33 group of countries came together to press for those two flexibilities and G33’s solidarity is still maintained.

SP are products of which the demanders are seeking for no or some limited reduction (less than the formula) from the bound rates of selected products. These products are essentially the ones significant for food security, livelihood security and rural development.

By the same token, SSM will be a new mechanism only for developing countries which provides the developing countries to apply additional duties (remedies) in case pre-determined trigger levels are hit by import surges. The import surges could stem from quantity increases or world price declines. The negotiations are still continuing in both concepts especially in terms of their structures and related numeric values such as the quantity of SP, tariff reduction rates and the trigger and remedy levels of the SSM.

In summary, like the NAMA, in agricultural negotiations there is still a long way to go. But since 2001 there have been crucial achievements on the way for an agreement to secure a less distorted and more liberal global trade.

III.3. Negotiations on Trade Facilitation :

As part of the DDA, WTO Members agreed to start negotiations on trade facilitation (TF) in July 2004 (so called July Framework) in order to clarify and improve the existing WTO provisions on Freedom of Transit (GATT Article V), Fees and Formalities connected with Importation and Exportation (Article VIII), and Publication and Administration of Trade Regulations (Article X).

The mandate directs Members to address developing country concerns with respect to the issues of technical assistance, capacity building and special and differential treatment in this field. The negotiations also aim to improve effective cooperation between customs and other appropriate authorities on trade facilitation and customs compliance issues.

Turkey has been supporting the trade facilitation negotiations since it is one of the essential elements of the market access topics under the DDA negotiations. The implementations of cross-

border trade and transit of goods have been regarded as potential sources of trade barriers. Thus, to the best of its ability, Turkey has been actively involved in the negotiation process not only by submitting several proposals but also by contributing to the enhancement of the others.

In line with its priority areas, Turkey together with some other Members has tabled textual proposals which are being negotiated in the TF Committee, namely the Establishment of National Websites and Enquiry Points, Advance Ruling and Quota-Free Transit Regime.

All those proposals together with others will be the basis of a potential TF Agreement.

III.4. Negotiations on Trade and Environment :

The WTO Committee on Trade and Environment meeting in special sessions is mandated to discuss three negotiating items which are identified in Paragraph 31 of the WTO Doha Ministerial Declaration. According to this paragraph, Members are required to negotiate on (i) the relationship between existing WTO rules and specific trade obligations set out in Multilateral Environmental Agreements (MEAs) (ii) procedures for regular information exchange between MEA Secretariats and the relevant WTO committees, and the criteria for the granting of observer status, and (iii) the reduction or, as appropriate, elimination of tariff and non-tariff barriers to environmental goods and services.

The WTO Ministerial mandate in Paragraph 31(iii) is believed to bring about access to and use of environmental goods and services. Hence, it will help in managing a range of environmental and development issues.

In this context, the discussions in meetings have focused extensively on clarifying the concept of environmental goods and services since the beginning. WTO Members have put forward alternative approaches in order to identify and agree on those goods and services. The discussion, however, is still ongoing to find a convergence among the proposed approaches on the basis of understanding of different views of the Members.

III.5. Negotiations on Services :

The WTO services negotiations began in 2000, as mandated under article XIX.1 of the General Agreement on Trade in Services (GATS). They subsequently became part of the single undertaking when the Doha Development Agenda was launched in 2001.

The negotiations cover two main areas: Members' specific commitments and the completion of the GATS text for the issues pending from the previous round of negotiations (Uruguay Round).

The negotiations on specific commitments has significant importance, since it is one of the three pillars of market access in DDA and thus plays a major role in the overall balance of the round. In these negotiations countries strive to improve market access in more than 21 sectors such as financial services, telecom, transport, energy, distribution, logistics, tourism, construction and computer. In general, developed nations (US, EU, Japan, Australia, etc) pursue a high level of ambition, whereas developing ones seek a favorable and differential treatment.

In services, Turkey promotes a substantive outcome which will ensure progressive liberalization. The liberalization of services is crucial particularly because of its capacity to attract foreign investments. Moreover, providing access to higher quality services in key areas such as financial services, telecommunications, transport and construction, it is necessary to develop a competitive growing economy. Turkey has actively and constructively engaged in the services negotiations and co-sponsored proposals for progressive liberalization of services. Turkey has received plurilateral requests to further liberalize 13 services sectors from a group of countries and participated in the plurilateral request on construction as demander. Turkey presented its initial offer on liberalizing services in 2003 and revised it in 2005. In accordance with the scheduling of the negotiations it will submit an improved offer and then the final offer in due course.

III.6. Negotiations on Rules:

On anti-dumping, as an active user of anti-dumping measures, Turkey's interests lie in keeping the Anti-dumping Agreement (ADA) operational and functional in light of the increasing unfair trade practices. On the other hand, Turkey also occasionally becomes the target of such measures. Therefore, Turkey has considered these two aspects in taking a position during the negotiations.

In this regard, a balanced approach to the rules negotiations has been adopted. Turkey is in support of necessary clarifications and improvements to the Agreements, while maintaining greater transparency in implementation and preserving the effectiveness of these instruments.

With regard to fishery subsidies, as a supporter of the “top-down” approach, Turkey has been advocating broadening of the scope of fisheries subsidies prohibitions. In addition to this, another crucial aspect of those negotiations which has been highlighted by Turkey for a long time is the special and differential treatment for developing countries. In this context, developing countries should be given technical assistance and special flexibility to develop the capacity to initiate, implement and enforce the new discipline in the fisheries subsidies. Those countries should also be provided longer transitional period in order to comply with the new fishery rules.

IV. Conclusion:

The Doha Negotiations have been carried on for the last seven years. From agricultural issues to industrial products and from trade facilitation to services and rules negotiations, there are wide ranges of topics being covered. Technically the negotiators have reached at a certain level at present where political commitment is required. This might be realized in July 2008 via a mini Ministerial Meeting. If the mini Ministerial will be a successful one, there will be a new international trade environment where some rules are strengthened, new disciplines are brought in agriculture and fishery sectors, a new WTO Agreement for Trade Facilitation is introduced, some sectors of services trade expand and of course existence of more liberal conditions in terms of reduced tariffs and lesser non tariff restrictions is secured.

The Turkish entrepreneurs with collaboration of their foreign partners will definitely benefit from the new environment and in turn will be able to boost the Turkish economy.

The achievement of above objectives will not be the end. There shall be other rounds of negotiations in the future which most probably will include the topics of competition rules, wider environmental issues and investment disciplines. We should also expect, relatively, lesser importance of any tariff negotiations since in applied terms tariff rates are getting smaller. On the other hand, non-tariff barriers and any impediment to the simple flow of trade or foreign investments will most likely be the targeted issues. We also expect more focused rounds of negotiations rather than a “single undertaking” approach which includes variety of topics.

As a last point, widening globalization could assist better interaction between the trade communities and people of the countries. It will assist rational allocation of resources and may yield better resolution and preparation for any type of shortage, such as food crises, in any region of the world. Consequently, as WTO Director-General Pascal Lamy in his address to the High-Level Conference on World Food Security on 3 June 2008 in Rome said , “through greater and fairer competition, international trade can help lower soaring food prices”.