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REBALANCING THE RULES OF THE MULTILATERAL TRADING SYSTEM IN FAVOUR OF THE POOR

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The Doha Round of negotiations launched in 2001 has still not been concluded and, therefore, the development potential it was expected to yield has yet to be materialized. That too will depend on whether the outcome of the negotiations is fair, equitable, balanced and development-oriented.

It should be recalled that most of the developing countries signed the Uruguay Round Agreement without having really participated in the negotiations because of lack of capacity, financial resources and negotiating skills. They also lacked the capacity to analyse the implications of the various agreements signed and the commitments taken, which became an implementation burden, in particular in new areas such as Trade in Services, TRIPS and Rules, which were not of direct interest to their development. Even in areas where they had a vested interest, for example agriculture and non-agricultural market access, the outcome was well below their expectations given that developed countries retained the latitude to provide massive subsidies to their domestic agricultural sector and subsidise exports.

Developing countries with a per capita income of over US$ 1,000 had also committed to phase out investment and trade incentives under the Subsidies and Countervailing Measures Agreement, which are necessary to support industrial development. It should be noted that the developed countries had recourse to such measures in the past to develop their own economies. Huge amounts of subsidies are still being provided by developed countries to their already rich farmers, which has the effect of reducing the price of agricultural goods on the international market to the detriment of poor countries, for whom agriculture is the mainstay of economic growth compared to the modest share of agriculture in the GDP of developed countries.

The erosion of trade preferences resulting from implementing the Uruguay Round Agreement has had a devastating impact on the most vulnerable and least developed WTO Members. The Doha Development Round will further exacerbate this situation. Small and vulnerable countries have already been severely affected by the phasing-out of the Multi Fibre Agreement. Many textile and garment factories have been relocated abroad, which has severely affected employment and income in those countries.

Although the WTO Agreements contain several provisions on special and differential treatment for developing countries, these mostly take the form of a longer implementation period. In addition, technical assistance and capacity-building provisions remain of a best endeavour nature and do not legally bind the developed countries to provide such assistance. Even in cases where assistance is legally binding, for instance on technology transfer under the TRIPS Agreement, none of the developed countries have so far taken concrete measures to honour these obligations.

With a view to addressing the lacunae in the Uruguay Round Agreements, the Doha Ministerial Declaration adopted in 2001 agreed to address implementation issues arising from these Agreements and to strengthen special and differential treatment clauses in WTO rules as the direct development issues that would redirect the inequitable WTO rules towards development concerns.

The Doha Declaration also included a pledge to put the developing countries' needs and interests at the heart of the WTO Work Programme. This pledge was understood to mean that:

(i) The WTO rules would be rebalanced through amendments to the existing provisions by activating the implementation issues raised by the developing countries;
(ii) The special and differential treatment provisions would be strengthened;
(iii) Agricultural trade distortions would be removed by phasing out domestic and export subsidies on developed country markets;
(iv) Markets in products of export interest to developing countries would be opened up;
(v) The concerns of LDCs and small and vulnerable economies would be addressed, including by tackling the problem of preference erosion; and
(vi) Technical and financial support would be provided to developing countries to build capacity and cope with adjustment costs.

The question that remains is whether the Doha Development Agenda is moving in the direction of addressing the above-mentioned development-related issues. Looking at the process so far, it is clear that the focus has now shifted from development to purely market access negotiations, with the developed countries desperately attempting to open up opportunities for their products, particularly on the emerging markets.

Will the Doha Development Round facilitate the integration of developing countries, particularly small and vulnerable economies and LDCs into the multilateral trading system? Will the results be fair, equitable and balanced? Will the specific needs of developing countries be addressed to fulfil promises made at Doha and at subsequent trade negotiation forums? Should the mandate of the negotiations be amended to reflect more accurately the needs of the developing countries and refocus the negotiations from market access to amendment of the inequitable rules? These are but some of the questions that need to be answered.

The following elements of the Doha Development Agenda may move the process towards achieving the development objectives:

(i) Significant reductions in domestic support and elimination of export subsidies in developed markets, in particular cotton subsidies;
(ii) Substantial reduction in tariffs both for agricultural and industrial goods of export interest to the developing counties with an appropriate carve-out for products most sensitive to preference erosion;
(iii) Opening up of markets in the services sector on an asymmetrical basis coupled with technical assistance to support the development of the services sector in the developing countries;
(iv) Making technical assistance legally binding and strengthening special and differential treatment;
(v) Completing the work programme for small economies; and
(vi) Increasing aid for trade resources with a fast-track disbursement mechanism.