

# The Doha Round of Multilateral Trade Negotiations

*Also by Dilip K. Das*

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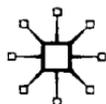
ASIAN ECONOMY AND FINANCE: A Post-Crisis Perspective

# **The Doha Round of Multilateral Trade Negotiations**

**Arduous Issues and Strategic Responses**

**Dilip K. Das**

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To

*Vasanti*

*who is not only my dearest friend  
but also my kindred soul*

*'Impatience breeds apprehension and discouragement. Patience manifests itself in confidence, decisiveness, and a feeling of peaceful satisfaction. Adequate patience produces immediate results. One day at a time produces eternal results.'*

**Confucius**

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# Preface

Multilateral trade has come to be a defining feature of national and global economic governance. Call it the global trading system, multilateral trade regime or the General Agreement on Tariffs and Trade/World Trade Organization (GATT/WTO) trade regime; it is a global public good of enormous significance. This public good is available to and affects the welfare of a large number of economies. The present membership of the WTO is 148, making it an almost global body. Cambodia, a least developed country (LDC), acceded to the WTO on the 13 October 2004, becoming the 148th member. To be sure, this regime is associated with non-excludable costs and benefits. To the extent that the joining of more countries does not detract from the existing members' benefits, the multilateral trade regime is also non-rivalrous. A global public good perspective of the multilateral trade regime reveals numerous possibilities of reforms which were not conceived or attempted in the past.

Individual case studies and cross-country analyses support the perception that open trade regimes lead to rapid growth and poverty alleviation. Tariffs and non-tariff barriers act as a tax on an economy, impeding its growth endeavours. Trade theory supports the view that elimination of trade barriers benefits both importing and exporting economies, and therefore is a win-win game for all the players. No doubt there have been disagreements among academic researchers, particularly regarding the causal links between trade and growth. Also, one cannot ignore the historic fact that the majority of today's industrial economies had high tariff walls during the initial stages of their economic growth, which they subsequently lowered. However, academics and public policy-makers concur on trade expansion underpinning the possibility of exploitation of comparative advantages, buttressing GDP growth rates and alleviating poverty by providing jobs and driving economic growth for developing countries. Casual empiricism reveals that economies that have entered export markets through trade with and that have integrated with the regional and global economies have tended to grow faster than those that have not. Neoclassical economics convincingly establishes that all the member economies have much more to gain than to lose by dismantling barriers to market access.

Liberalizing domestic markets expands global trade in goods and services. Notwithstanding a great deal of progress in multilateral reduction

of tariff and non-tariff barriers (NTBs), barriers still beleaguer multilateral trade and create obstacles to market access. Liberalizing markets can be a potent instrument of stimulating trade and furthering economic growth. Whether trade expansion supports growth and alleviates poverty has been unremittingly debated by theorists and empirical researchers over the last four decades. The result is the existence of a large volume of literature, enough to fill a small library.

If trade is a driving force for economic expansion in developing and industrial economies alike, promoting its growth is essential for global economic prosperity. The Doha Round of multilateral trade negotiations (MTNs) can certainly help in achieving this goal. The Doha Round is the first round of MTNs under the aegis of the WTO. It is also considered a central pillar of the global strategy to achieve the Millennium Development Goals, which in turn is a strategy chalked out by the United Nations to reduce poverty by giving poor people the opportunity to help themselves. As indicated in Chapter 1, a group of developing economies has benefited from trade expansion and integrating with the global economy. The challenge ahead is to expand these opportunities and ensure that the small and low-income developing economies benefit from it as well. The Doha Round can make a tangible contribution in meeting this objective.

A noteworthy attribute of the multilateral trading system is that even after the implementation of the recommendations of the Uruguay Round of MTNs, trade barriers in the developing economies have remained high, although reasonable progress in binding tariffs was noted in the upper-middle and high-income developing countries as well as some lower-middle-income and low-income ones. This grouping of the developing economies is in accordance with the World Bank classification; see note 10 to Chapter 1. Trade barriers in the industrial economies against products of interest of the developing economies are still much higher than they are against the exports from other industrial economies. As noted in Chapter 1, these barriers have become more stringent in the post-Uruguay Round era. The same observation applies to trade in agricultural products where retrogression was observed and protection and subsidization increased after the Uruguay Round. In addition, it is now evident that welfare gains from the implementation of the recommendations of the Uruguay Round were overestimated by various quantitative exercises.

The Doha Round of MTNs has much to achieve for WTO members. It was launched in Doha, Qatar, following the Fourth Ministerial

Conference of the WTO during 9–13 November 2001. Trade ministers of 142 WTO member countries participated in the Doha Ministerial Conference. Although its agenda was not finalized until quite late, it was intended to be an extensive round of MTNs to cover a good number of critical areas of the multilateral trade regime. After a great deal of debating, disagreeing and foot-dragging, conflicting positions of members were brought into harmony, and the long-awaited and crucial framework agreement, the so-called July Package, was signed on 1 August 2004. If the participating WTO members look at the Doha Round through the lens of the global public good, their perspectives will certainly change and the usual intransigence among negotiating members or country groups – which led to failure of the Cancún Ministerial Conference in September 2003 – is sure to wane.

Multilateral organizations like the WTO, aided by the United Nations Conference on Trade and Development (UNCTAD), the World Bank and the International Monetary Fund (IMF) have been working to make the international trading system more supportive of developing countries' needs and policy priorities. The Doha Round of MTNs marked the first time that developing-country interests were placed at the centre of a multilateral round of trade negotiations. The Doha Development Agenda (DDA) is a major opportunity to attack poverty in developing countries. It favours lifting the protectionist measures that have locked small and low-income developing economies out of rich-country export markets.

According to estimates of the World Bank, a successful culmination of the Doha Round should result in substantial lowering of agricultural and manufacturing tariffs, as well as lowering or eliminating agricultural subsidies. It could certainly cut the number of people living in absolute poverty. A successful culmination of the Doha Round can be an instrument of meeting the first objective of the Millennium Developmental Goals (MDGs); that is, reducing absolute poverty by a half by 2015. In the short term, positive steps towards a new international trade agreement would boost confidence in the multilateral trade regime and global economic environment. For sure, to become participative partners – in the multilateral trade regime as opposed to passive onlookers – developing economies will need to lower their trade and non-trade barriers. There is a pressing need for action on this front.

An outstanding feature of this book is that unlike most books on multilateral trade, it is written in a comprehensive manner and covers large areas of the subject matter. The noteworthy areas of focus include the Doha Round and the multilateral trading system, the failure of the

Fifth Ministerial Conference in Cancún, developing economies' role in the contemporary multilateral trading system, and trade in agriculture. There are two chapters dedicated to trade in services and trade-related intellectual property rights (TRIPS) in the Doha Round. These two areas are referred to as two of the three 'pillars' of the WTO, the third one being merchandise trade. Thus viewed, in a succinct manner, this tightly written volume covers a great deal of ground and imparts substantive knowledge on multilateral trade-related themes to students, researchers and policy-makers alike. It is a worthwhile exercise because a knowledge gap has existed among various stakeholders on the Doha Round-related issues.

Another outstanding feature of this book is that in taking a contemporary view of multilateral trade, the book offers the most recent ideas, concepts and knowledge related to relevant themes. The book also deals with the principal normative and positive strands with which one needs to be properly familiar in this subject area. As it is essential for a book of this kind, parts of the chapters have been written in a 'just-the-facts-Jack' style. It inevitably draws on WTO sources, but does not stop at that because WTO reporting in most cases is static and misses the negotiation dynamics. The picture of both static and dynamic aspects of important economic themes related to multilateral trade has been painted with a broad brush. The selection and rejection of the thematic strands covered in the book have been done exceedingly carefully.

Although written in a reference book style, it can also be used as a textbook. As noted above, students and policy mandarins should find the latest knowledge and concepts on several important themes in the area of international trade in this book, presented in a manner which they can appreciate and absorb, as well as use as input in their decision-making. Students, particularly those from business schools, who may hold multilateral trade-related jobs after completing their studies, should find this knowledge extremely relevant, usable and helpful on the job.

The number of academic institutions offering courses related to multilateral trade and trading system is already significant and growing. The target readership of the book is master's-level students in economics, international political economy, international relations as well as MBA students. Ambitious senior-level undergraduates are also sure to find it valuable. Decision-makers in business as well as those with their hands on public policy levers can also benefit from the book. A background of initial micro- and macroeconomics, international trade and monetary

economics should be sufficient to comprehend this book because it provides definitions and explanations of terminology and advanced concepts in its notes.

In addition, this book is neither overly technical nor highly model-oriented. I have avoided any excessive emphasis on technicalities, equations and econometric modelling, which would discourage many potential readers and narrow the book's appeal to a small expert readership. The book is easy to access for the target readership because of its descriptive analysis style, which stops short of mathematical formulations and econometric modelling. Many students and other readers who have good analytical minds and sound knowledge of economic principles feel lost in mathematical formulations. The writing style I have adopted should hopefully make the book accessible to a much larger number of readers.

As regards its structure, the book is divided into seven chapters. The first, introductory chapter offers a global public-good perspective of the Doha Round. Any discussion of the Doha Round has to start with the achievements – or lack thereof – of the Uruguay Round and the debacle at the Seattle Ministerial Conference. Therefore, the first chapter covers these two issues as a precursor of the primary analysis. The second chapter addresses how to equilibrate the global trading system and the role that the Doha Round can play in this important task. It also deals with the areas of specific focus as well as the potential welfare gains from the Doha Round. The setback during the Fifth Ministerial Conference in Cancún was one of the most important recent events for the multilateral trading system, which is thoroughly covered in Chapter 3. The chapter delves into the causal factors behind the Cancún failure, as well as the retreat from intransigence and the salvaging of the Doha Round. As the Doha Round is the first ever round of MTNs that was formally christened the 'Development Round', Chapter 4 has been devoted to the developing economies. A Development Round of trade liberalization should focus on improving the market access of developing economies to industrial-country markets and each other's markets. Issues of special concern to the developing economies, such as special and differential treatment, beneficiaries of special and different treatment and special and differential treatment in the Doha Round are discussed at length in this chapter. Chapter 5 focuses on the trade in services in the Doha Round. Liberalization and the bringing in of agricultural trade under the umbrella of multilateral trade discipline has a special place in the contemporary trading system. Chapter 6 follows the progress of liberalization trade in

agriculture since the Uruguay Round Agreement on Agriculture (URAA), during the lead-up to the Doha Round, and after its launch. The final chapter delves into intellectual property rights and the Doha Round. The TRIPS agreement, in particular, technology transfer and the Doha Round and public health-related concerns are examined closely in this chapter.

*Toronto*  
*November 2004*

DILIP K. DAS

# About the Author

Professor Dilip K. Das has been associated with several prestigious business schools around the globe, including the European Institute of Business Administration (INSEAD), Fontainebleau, France; the ESSEC, Paris; the Graduate School of Business, University of Sydney; the Australian National University, Canberra and the Webster University, Geneva. He was also Professor and Area Chairman at the Indian Institute of Management, Lucknow, India, and EXIM Bank Distinguished Chair Professor in the International Management Institute, New Delhi.

His areas of expertise include international finance and banking, international trade and WTO-related issues, international business and strategy, the emerging-market economies and Asian economies, including the Chinese and Japanese economies. His most recent interest is globalization and the global business environment. Professor Das has worked as a consultant for several international organizations, such as USAID, the World Bank, and the World Commission on Development and Environment in Geneva. He has organized 13 large international conferences during the last 10 years. He is presently a Toronto-based consultant to international organizations.

Dilip K. Das has an immense appetite for research and writing; he has written extensively and published widely. He is the author or editor of 23 books. He edited *The International Finance Reader*, published by Routledge, London and New York, in 2003. The last two books he authored were *Financial Globalization and the Emerging Market Economies*, Routledge, London and New York, 2004, and *Regionalism in Global Trade: Turning Kaleidoscope*, Edward Elgar Publishing, Inc., Boston, Mass., USA, 2004. He has contributed a significant number of articles to professional journals of international repute, and his papers have appeared in many prestigious research paper series. They have also been posted on the well-regarded websites of many business schools and universities.

He was educated at St John's College, Agra, India, where he took his BA and MA (Economics) degrees. He went on to study at the Institut Universitaire de Hautes Études Internationales, the University of Geneva, Switzerland, where he completed his MPhil and PhD in international economics. He is fluent in French.