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## The Multilateral Trading System: Mid-Flight Turbulence or Systems Failure?

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The current round of multilateral trade negotiations, the first since the founding of the World Trade Organization (WTO), was launched in November 2001 in Doha, Qatar. Organized around the so-called Doha Development Agenda (DDA), it is intended to enhance the development relevance of the WTO. Expectations for its successful conclusion remain mixed. The failure of the WTO Ministerial in Cancun, Mexico, in September 2003 underscored the difficulties faced by negotiators. The August 1, 2004, WTO General Council decisions, by contrast, were hailed by many as an important achievement that helped put the DDA back on track after the “detour” in Cancun. The agreed negotiation frameworks—particularly on agriculture—were an important step in the right direction. As the limited progress achieved since then suggests, however, negotiators still face major challenges in bringing this round to a successful conclusion.<sup>1</sup>

This cyclical pattern of good and bad news on the multilateral trade system (as exemplified by the “downs” in Seattle (1999) and Cancun (2003) and the “ups” in Doha (2001) and Geneva (2004)) has motivated an ongoing debate about its health.<sup>2</sup> 2005 will be a critical year for the DDA. Many expect the Hong Kong Ministerial (December 13–18, 2005) to be a harbinger of the fate of the “development” round. Moreover, the outcome of the Doha Development Agenda—a first for the WTO—is considered an important factor in shaping the future of the institution.

Are the WTO and the multilateral rules-based system facing a serious crisis, or are the problems experienced so far in the DDA the usual turbulence that characterizes complex trade negotiations? More specifically, can the multilateral trading system deliver a “development round”? In summarizing the debate surrounding these questions, this note presents three stylized perspectives on the health of the multilateral trade system. The first sets out the business-as-usual view, according to which current difficulties are nothing new and, as in previous rounds, will be resolved when the time for a deal is right. The second focuses on the lack of progress in the negotiations and argues that current circumstances conspire against the capacity of the system to deliver an ambitious outcome. The third paints a bleaker picture of “systemic crisis.”

The note starts with a brief historical review of the system. It goes then into an analysis of the evolution of the DDA and the main obstacles to a successful conclusion of the round. It concludes with an evaluation of the dangers of failure in the negotiations. This discussion led us to conclude that claims of a systemic crisis

may well be exaggerated, but that complacency about the health of the multilateral trade system is not warranted.

### **A bit of history**

The modern multilateral trade system, with its emphasis on nondiscrimination, was born in 1948, when the General Agreement on Tariffs and Trade (GATT) entered into force. The GATT era witnessed eight rounds of multilateral trade negotiations. The last, the Uruguay Round (1986–94), culminated in the establishment of the World Trade Organization on January 1, 1995. The Uruguay Round led to the most comprehensive set of multilateral trade agreements to date. It not only extended multilateral rules to services and trade-related aspects of intellectual property rights but also brought agricultural trade back under GATT disciplines. Not surprisingly, there was unfinished business. Some 30 items in the Uruguay Round included a “built-in agenda” for further negotiations. There also was a large unfinished agenda in agriculture, as evidenced by the desire of some WTO members (particularly the European Communities, EC) to extend the scope of WTO disciplines to new themes such as competition, investment, transparency in government procurement, and trade facilitation, themes that became known as the Singapore issues. The unfinished agenda led to calls for a new round of negotiations in the late 1990s.<sup>3</sup>

The DDA was launched in Doha, Qatar, at the Fourth WTO Ministerial (November 2001) amid much optimism about the ability of the multilateral system to transcend national differences. The tragic events of September 11, 2001, weighing heavily on national capitals in the run-up to that meeting, encouraged major trading nations to build bridges in multilateral forums. Optimism was fueled by a sense that the major players would not allow a repeat of the failed Seattle Ministerial. Many developing countries, particularly Asian and African countries, agreed to launch negotiations on the understanding that the new round would be a “development” round. The DDA would cover most of the core elements of the WTO—agriculture, services, and nonagricultural market access. The decision on the Singapore issues was left to the Fifth WTO Ministerial (Cancun) with the proviso that it would require explicit consensus.

The early momentum was soon lost. The Doha mandate established a series of interim deadlines on a variety of subjects with a view to concluding the round by the end of 2004. All major deadlines were missed and extended, fueling cynicism about the ability of the WTO process to deliver negotiations within the original timetable. WTO members failed, for example, to meet the self-imposed deadline of March 31, 2003, to agree on general terms for a deal on agriculture—an issue seen by most as the deal breaker for the round. Members also failed to meet a similar deadline for negotiations on manufacturing tariffs. Deadlines were extended twice in discussions on special and differential treatment (SDT), but members still failed

to reach agreement before the Cancun Ministerial. The end-December 2002 deadline for a compulsory-licensing solution to problems faced by countries with no pharmaceutical manufacturing capacities was also missed, although a solution was subsequently found prior to Cancun.

The Cancun WTO Ministerial meeting in September 2003 was mandated from Doha as a “mid-term review” to provide guidance on moving negotiations forward and to make decisions in several areas—most importantly how to proceed with respect to the Singapore issues. Missed deadlines meant that what was envisaged as a mid-term review was bound to become a forum for divisive confrontations. Ministers failed to agree on the text prepared in advance of the meeting, thus relegating negotiations to further months of drift.

There were three key trigger points that, at least on the surface, precipitated the collapse of negotiations at Cancun: agriculture, cotton, and the Singapore issues.

- On agriculture, developing countries—in particular, the coalition known as the G-20—refused to accept the limited ambitions on subsidy cuts, market access, and elimination of export subsidies by northern countries.<sup>4</sup>
- Cotton was chosen by nongovernmental organizations as the poster child of the unfairness of the multilateral trade system, with subsidies in industrialized countries tilting the playing field against developing countries. In mid-2003, Benin, Burkina Faso, Chad, and Mali proposed the elimination of cotton subsidies worldwide and the establishment of a compensation fund to reimburse the least developed countries (LDCs) for revenues lost because of subsidies in industrialized countries. There was no agreement in Cancun on this request.
- On the Singapore issues, the European Union offered to unbundle the four issues at the eleventh hour and to begin negotiating on one or two (starting with trade facilitation). However, the countries that objected to negotiations on these topics saw too few concessions on agriculture to agree to proceed, with most advocating that all four subjects should be dropped entirely or relegated for further clarification by WTO working groups.

Cancun was followed by a period of mutual recrimination in which the reasons for the failure of the meeting were extensively analyzed.<sup>5</sup> By March 2004, however, negotiations restarted in earnest. There was broad recognition that the political calendar in some of the main trading nations was not particularly conducive to bold commitments in the near future. At the same time, it was also recognized that if agreement on the negotiating frameworks could not be reached by mid-2004, the round would be in serious trouble.

In the early hours of August 1, 2004, the WTO General Council reached decisions on frameworks to continue with multilateral negotiations on agriculture and industrial products, on a series of recommendations concerning services and de-

velopment-related issues, and on a text on modalities for negotiations on trade facilitation, which included a decision to drop the other three Singapore issues from the DDA. These decisions became known as the “July package”.<sup>6</sup>

The framework for agriculture laid the foundations for reform of global agricultural trade.<sup>7</sup> It called for the parallel elimination of all forms of *export subsidies*, as well as all export measures with equivalent effect (export credits, export credit guarantees and insurance programs, trade-distorting practices of exporting state trading enterprises, and food aid). The end date for the elimination of all forms of export subsidies and the time profile for the implementation, however, remained to be negotiated.

The framework also committed member countries to substantial reductions of *trade-distorting domestic support*, encompassing the so-called Amber and Blue boxes, as well as *de minimis* subsidies. In the first year of implementation of the agreement, countries are expected to cut at least 20 percent of the overall level of trade-distorting support. The framework calls for substantial improvements in *market access* for all products. Tariff reductions are expected to be made from bound rates and expected to foster greater harmonization of tariff regimes, with deeper cuts in higher tariffs. In the case of sensitive products, “substantial improvement” is to be achieved through a combination of tariff-quota expansion and tariff cuts. The framework, however, leaves to the next stage of the negotiations the details of the tiered formula to be applied (for example, number of bands and type of tariff reduction in each band) and the criteria for selection of sensitive products. Market access remains the most controversial pillar of the agricultural negotiations. Finally, there was agreement that *cotton* would be dealt as a priority, but in the context of the overall agricultural negotiations rather than as a stand-alone issue.

*The framework on nonagricultural market access* set the stage for the pursuit of tariff cuts according to a nonlinear formula and the reduction or elimination of nontariff barriers. Many issues, however, remained open to debate, and some developing-country members (particularly African countries) have been vocal in criticizing what they perceive as the limited flexibility afforded to them. In the area of *services*, WTO members agreed to intensify their efforts with a view to ensuring a substantive outcome with respect to market access. A new date (May 2005) was established for presenting new and revised offers.<sup>8</sup> Concrete recommendations on how best to make *SDT* provisions more operational were also postponed to July 2005.<sup>9</sup>

The July 2004 package reinvigorated the Doha Round. Negotiations over the next 12 months, however, proceeded slowly. Limited progress was achieved in addressing some technical questions—such as the methodology for calculating *ad valorem* equivalents for specific duties in agriculture—but, overall, the negotiating targets often referred to as benchmarks for evaluating progress by July 2005 were

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missed,<sup>10</sup> reigniting doubts about the ability of WTO members to reach a timely conclusion of the DDA. In what follows, we review different perspectives on the prospects of the current negotiations.

### **Just mid-flight turbulence?**

Some analysts point out that current difficulties in the negotiations resemble the turbulence experienced in past negotiations. Moreover, they argue that with appropriate corrective actions, the DDA could still deliver a substantive outcome.<sup>11</sup> There are five main planks to their argument.<sup>12</sup>

First, failures and delays in trade negotiations are nothing new.<sup>13</sup> Multilateral trade rounds have always taken a long time and often have lasted longer than originally intended, with “failed” ministerial meetings preceding an agreement. Indeed, the predecessor to the WTO—the GATT—was a “provisional” agreement that lasted until 1994 because of the failure of the United States to agree on the establishment of the International Trade Organization (ITO) proposed in an ambitious draft charter in the late 1940s. A ministerial meeting in Geneva, intended to launch a new round, failed in 1982. Two years into the Uruguay Round, begun in 1986, negotiations on a mid-term review in Montreal ended in deadlock. A ministerial meeting in Brussels in 1990, in turn, was not able to bring the negotiations to a closure, with treatment of agriculture as the main sticking point. In the WTO era, the failed ministerial meeting at Seattle in 1999 was followed by a successful launch of negotiations at the next ministerial in Doha. In this light, some argue that highly publicized failures such as Seattle may be necessary to shock the system into action.

In the same vein, the fact that the original deadline for the conclusion of the round (December 2004) was missed does not constitute in itself a major indictment of the system. That deadline was always more of a target to keep the pressure on negotiations than a plausible end point. This short leash allowed the WTO to push for progress in what would otherwise have been a dormant period.

Second, the growing complexity and breadth of the negotiations means that, inevitably, negotiations will take longer than before. The duration of negotiations gradually extended from one year for the first four rounds up to eight years for the Uruguay Round (table 1). In parallel, the number of negotiating partners swelled from 23 in 1947 to 148 in the current negotiations. Further, the breadth of the negotiating agenda has expanded significantly. The first five rounds essentially covered market access (focusing on tariffs). The Kennedy Round added some nontariff measures and antidumping measures; the Tokyo Round added “plurilateral agreements”<sup>14</sup>; and the Uruguay Round covered all existing areas, plus rules, services, intellectual property, and dispute settlement, while strengthening multilateral disciplines for trade liberalization with respect to textiles and clothing and agriculture. The DDA covers most of the above plus so-called development

issues (in particular, SDT), and, at least initially, a discussion of whether to launch full negotiations on the Singapore issues. These themes, in turn, are influenced by the continuous debate on the so-called implementation issues, reflecting concerns raised by some developing countries about difficulties in implementing Uruguay Round agreements.

Third, negotiations have already achieved some results. WTO members reached a deal on the compulsory licensing issue in TRIPS and health shortly before Cancun. At the technical level, WTO members have built up their understanding of each others' positions on all the main issues, as illustrated by the July package and, more recently, by the agreement on how to calculate *ad valorem* equivalents with respect to specific duties in agriculture. Moreover, one of the controversial Singapore issues (trade facilitation) became one of the most dynamic areas in the negotiations, with a large number of proposals on the table, including joint proposals by developed and developing countries. Less tangible but equally important is a change in negotiating dynamics: the WTO is becoming a truly *world* trading organization. Developing countries are increasingly assertive, leading many to argue that the silver lining of the failure of Cancun was that developing countries found their voice in the negotiations.

Fourth, there is a well-established tradition for trade negotiators to "talk up" and exaggerate their differences until the very last minute. Negotiators often engage in a game of "chicken" in which each tries to demonstrate its strength to the other by standing firm on its position.<sup>15</sup> These tactics can exaggerate the perceived gulf between country positions. There are numerous examples of apparently intractable differences falling away as trade negotiators are replaced by government ministers in the endgame of negotiations. For example, a deal on the Singapore issues seemed unlikely going into the Doha Ministerial, but, in the interest of securing the launch of the round, the European Union at the last minute moderated its proposals. For the same reason, the United States changed its position to agree to launch negotiations on antidumping in the DDA.

Finally, some analysts argue that even though the negotiations are facing a series of difficulties, the political environment since September 11 is such that failure is not an option. According to this perspective, the "war on terror" will engender strong political support from the top to achieve a prodevelopment outcome when the time is ripe for the completion of the negotiations.<sup>16</sup>

According to those that embrace the "business as usual" perspective, the problems identified above can be surmounted as long as key trading nations keep their commitment to a liberal rules-based trade regime. There may be a need for some adjustment with respect to the governance structure of the WTO, and countries may need to show restraint in engaging in preferential trade agreements, but the multilateral trade system and the DDA, while confronting many challenges, are

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experiencing in-flight turbulence, not systemic crisis.<sup>17</sup>

### **The DDA: a mismatch between expectations and reality?**

Many commentators argue that the experience of the first four years of the Doha Round suggests little cause for optimism for significant trade liberalization. Doubts from developing countries about the benefits of multilateral liberalization, unrealistic expectations about the capacity of the system to deliver development outcomes, and lack of enthusiasm from traditional *demandeurs* are often mentioned in this context.<sup>18</sup> These concerns are well captured by Curtis and Ciuriak (2005) who point out that to launch “the Doha Round in late 2001, before completing and digesting the Uruguay Round results and China’s accession to the WTO and integration into the global trading system, might well have been a great mistake.” The following arguments support that perspective:

First, the Doha Round was an unwanted child for some members of the WTO. The European Union was its main champion, proposing an ambitious agenda that would extend the WTO’s mandate further into domestic regulation. Many developing countries initially resisted the launch of a new round. Their main objections were that (i) they were still struggling to implement Uruguay Round agreements; (ii) they were not ready for more trade liberalization; (iii) they did not have the capacity to negotiate a new round at that point in time; and (iv) they were not convinced that developed countries would be prepared to offer enough in the way of subsidy and tariffs cuts in sensitive areas to justify the costs of new negotiations. It is also worth noting that many developing countries feared that MFN liberalization would worsen their competitive position by eroding preferences.<sup>19</sup>

Second, expectations were too high at the launch of negotiations. The current negotiations are often referred to as the “Development Round”—a term that was already being used in the late 1990s.<sup>20</sup> The communiqué of the Doha Ministerial framed the negotiating agenda in terms of its potential benefits for developing countries. The text was full of references to development, increasing technical assistance, cutting agricultural subsidies in the North, addressing developing-country concerns on SDT and implementation, lowering tariff barriers on products of interest to developing countries, providing duty- and quota-free access to products from LDCs, and addressing concerns about the impact of TRIPS on the capacity of developing countries to deal with health crises.

Third, some seemingly intractable issues were papered over at the Doha Ministerial only to resurface at a later date. This is not unusual in international negotiations. The DDA contained a number of early deadlines on issues of importance to those resisting new negotiations—among them an ambitious agenda to review Uruguay Round commitments on SDT. Those deadlines occupied a great deal of negotiators’ time following the launch of the round, with limited results.

Overly high expectations and a difficult agenda were not a good start for the

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round. There was also little early progress on the core issue of agriculture, with the European Union and United States seen to favor a limited reform agenda.<sup>21</sup> In the absence of many early deliverables, the European Union's attempts to launch negotiations on the Singapore issues failed to garner support from most developing countries.

Fourth, there was no consensus on what a "Development Round" meant in terms of new concessions granted to, or offered by, developing countries. Widely varying views on the role of trade policy in the development process added to the complexity of the negotiations. To take one example, SDT proposals related to GATT Article 28 call for greater freedom to restrict trade to protect infant industries. This was seen as a development deliverable by some developing-country members. In stark contrast, many developed (and some developing) countries argued that greater exemptions to WTO disciplines would harm developing countries.

Underlying most SDT-related disagreements in the WTO is the concept of policy space, which has become synonymous with development for some commentators and some WTO negotiators.<sup>22</sup> To some extent it also has been an organizing theme for those challenging what they perceive as the established trade orthodoxy. Many developing-country negotiators argue that the more advanced countries used infant-industry protection to industrialize, hence WTO rules should allow developing countries to do the same. Further, many argue that the North should open their markets to products from the South and cut subsidies without asking for reciprocal market opening. In contrast, developed countries have sought to explain the benefits of "policy lock-in" through the WTO, questioning the ability of interventionist trade policies to promote growth and emphasizing the costs of not engaging in reciprocal bargaining in the WTO.<sup>23</sup>

Fifth, some observers have claimed that there is no clear leadership in negotiations from the major power blocs. Frequent comparisons are made to the Uruguay Round, where the United States was a driving force in negotiations. There is a perception that the United States is only half-engaged in current negotiations, devoting at least equal energy to the pursuit of new regional and bilateral trade agreements and often adopting unilateral decisions (on steel and agriculture, for example) that called into question its commitment to the multilateral process. The European Union, in turn, although also publicly committed to multilateralism, has been unable to come to terms with its own agricultural problems.<sup>24</sup> And major developing countries (notably Brazil), while effectively pursuing an offensive tactic in agriculture, have adopted a wait-and-see approach with respect to other themes such as services and nonagricultural market access.

Sixth, the private sector in industrialized countries seems lukewarm about the current round. This contrasts with the high level of engagement of business leaders and business organizations during the Uruguay Round. One possible reason for this lukewarm attitude is that the concept of the Development Round may have led

business to question the benefits to be gained from the negotiations. Moreover, with the acceleration of the business cycle and increased shareholder concerns with results, business has become more focused on the short term. In this context, it is not surprising that protracted multilateral negotiations have a lower priority in the allocation of resources for lobbying national governments.

All these considerations have been cited in predictions that the initial ambitions of the DDA will not be realized. There is growing concern that the Hong Kong Ministerial in December 2005 may not be able to deliver full-fledged modalities for negotiations in agriculture and nonagricultural market access. If the results of the upcoming ministerial are not significant, it is unlikely that the round will be completed within the lifetime of the current U.S. Trade Promotion Authority. As a consequence, the negotiations could linger on for several additional years.<sup>25</sup>

### **A systemic crisis?**

The previous section outlined a series of arguments that put in doubt the ability of the DDA to deliver an ambitious liberalization outcome. It also underscored the lack of consensus on the meaning of a Development Round. Could these problems, however, reflect a deeper and more profound failure of the multilateral trading system associated with the WTO? There are those who believe that current problems in negotiations are a symptom of multilateralism in crisis.<sup>26</sup>

First, the “global commons” of ideas has swung from seeing trade opening as generally a good thing to something to be feared. In particular, skeptics question the ability of developing countries to compete in their own markets with competition from developed countries and to take advantage of new market opportunities because of weak supply capacity. At the same time, support from the traditional advocates of liberal trade, such as the United States, is being undermined by growing anxieties about the capacity of industrialized economies to compete in agriculture (the Brazilian threat), manufacturing (the Chinese threat), and even in services (the Indian threat).<sup>27</sup>

Second, the “mercantilist motor” of the multilateral trading system may have run out of fuel. The original logic of multilateral trade negotiations was that negotiators would trade tariff reductions. Even though theory tells us that unilateral liberalization is generally a good thing for small economies, the political economy of the process is such that reciprocity becomes a useful lever. Trade liberalization is then presented as the price to be paid for new access to other markets. This model, which served the multilateral trading system well in the past, is coming under pressure for the following reasons: (i) “mercantilist” calculations are much more complex when regulatory issues are involved; (ii) much of the low-hanging fruit was picked in previous rounds, and what protection remains is in sensitive areas where political risks of confronting concentrated vested interests are high (for example, would European governments be able to claim that new market access in

the South is adequate compensation for the feared impact on the rural economy arising from liberalization?) and (iii) many developing countries have become increasingly risk-averse in agreeing to new concessions, reflecting the perception that they got a bad deal in the Uruguay Round. In short, the incentives to “free-ride” on the public good of the multilateral rules-based system have increased, weakening the appeal of engaging in reciprocal concessions.

Third, the rapid proliferation of regional and bilateral trade agreements is undermining the core principle (nondiscrimination) of the multilateral trade system, raising several concerns. Regional trade agreements—RTAs—are absorbing scarce time and energy from negotiators. Many of the poorest WTO members are part of several regional and bilateral trade negotiations, distracting them from multilateralism. RTAs may also lock in competing and sometimes incompatible regulatory practices, making it harder to harmonize standards in the multilateral system at a later date. For example, some observers have expressed concerns that the imposition of TRIPS-plus rules on intellectual property rights will further erode flexibilities in the WTO TRIPS agreement—in particular in the area of compulsory licensing.<sup>28</sup> A related concern is that a new generation of RTAs contains dispute-settlement provisions that have the potential to conflict with WTO dispute settlement.

Fourth, slow progress in the DDA is increasing concern about whether the WTO is an effective place to do business. The economically advanced countries may conclude that WTO does not meet their constantly evolving business needs because of difficulties in negotiating and agreeing upon rigorous new standards in the multilateral context, thus hastening the trend toward regionalism. As the negotiating agenda extends into areas beyond tariffs, it has become more difficult to develop rules that reconcile the needs of the advanced trading nations with those of the less advanced countries. The WTO Customs Valuation agreement is a good example. An approach that suited the more advanced countries appears to be expensive and difficult for less advanced countries to implement.<sup>29</sup> Further differentiation in the application of WTO rules based on different implementation capacities appears to be difficult to reconcile in the face of an increasingly legalistic approach to rulemaking.

Moreover, some members came away from Cancun with serious doubts about the ability to reach agreement by consensus among such a heterogeneous and large number of countries, although no clear alternative has been presented.<sup>30</sup> There are therefore real challenges in making the mechanics of a truly representative trade negotiation work effectively.

Finally, there are those that point to a legitimacy crisis of the global governance regime associated with WTO agreements. Although the trade focus of the WTO is perceived by many analysts as a plus, critics emphasize that unless the multilateral trade regime is able to address other important goals—such as poverty and the environment—while promoting a fair distribution of outcomes in a transparent

manner, its political legitimacy will be increasingly contested in the streets and in parliaments around the world.<sup>31</sup>

### **Concluding remarks**

These three perspectives are, of course, stylized summaries of the evolving debate on the future of the multilateral trading system. As already mentioned, we believe that claims of a “systemic crisis” may well be exaggerated, but this is not an invitation to complacency. After all, concerns about the DDA outcome become increasingly pertinent as time passes without substantive progress in the negotiations.

Action needs to be taken to avoid the erosion of the multilateral trading system. Renewed progress to meet the ambitious objectives of the DDA would provide a huge confidence boost to the multilateral trading system and make a significant contribution to the world economy.<sup>32</sup> On the other hand, a timid set of reforms and limited multilateral liberalization will generate not only small benefits, but it could also feed skepticism about the capacity of the multilateral trading system to contribute to economic development.

Even worse, a failed DDA would damage the WTO by eroding its relevance. This is not in the long-term interests of developing countries, which have a real stake in a strong rules-based multilateral trading system, irrespective of new market-access gains from the DDA. WTO rules lock in existing access on a nondiscriminatory basis, an increasingly valuable asset in a time of growing protectionist pressures, political tensions, and the potential reemergence of trade blocs. They also promote transparency and good governance. Moreover, the WTO dispute-settlement system provides for a rules-based mechanism that allows developing countries to defend their interests against larger and better-resourced trading partners, as the recent sugar and cotton cases attest.

As the number of WTO stakeholders grows and reciprocity increasingly requires complex trade-offs between greater market access in sensitive areas (such as agriculture) and rules (intellectual property rights), the capacity of the WTO to promote nondiscriminatory trade liberalization is under stress. This puts an additional premium on leadership dedicated to promote the global public good derived from credible multilateral rules.<sup>33</sup> Independently of the direct impact of the DDA on developing economies, the continued use of the WTO as a forum for negotiations is essential to the preservation of the multilateral trade system, which remains an important objective both for developed and developing countries alike. In sum, the answer to the original question posed in this paper—can the multilateral trade system deliver a Development Round?—is a qualified yes, but time is running out.

**Table 1. Overview of GATT and WTO negotiating rounds**

Round	Year	Number of contracting parties/members <sup>a</sup>		Negotiated items
		Total <sup>b</sup>	Developing country share (percent) <sup>c</sup>	
Geneva	1947	23	48	Tariffs
Annecy	1949	23	48	Tariffs
Torquay	1950–1951	33	46	Tariffs
Geneva	1955–1956	35	46	Tariffs
Dillon	1960–1962	42	50	Tariffs
Kennedy	1964–1967	75	68	Tariffs, some nontariff barriers, antidumping measures
Tokyo	1973–1979	85	71	Tariffs, nontariff barriers, plurilateral agreements
Uruguay	1986–1994	128	77	Tariffs, nontariff barriers, rules, services, intellectual property rights, agriculture, textiles and clothing, institutional issues
Doha	2001–	148	76	Agriculture, nonagricultural market access, services, intellectual property rights, rules, further work on UR items and implementation-related issues, development, and trade facilitation.

*Notes:* a. Included in the list of contracting parties/members are those countries that were signatories to the GATT by the end of each trade round or became signatories in its immediate aftermath.

b. The European Communities, though an official WTO member in its own right, have been excluded for purposes of statistical continuity in the ratio of developed to developing countries.

c. Developing-country classifications are based on GATT/WTO practices and on Kasteng, Karlsson, and Lindberg (2004).

*Source:* Compiled by the authors based on WTO/GATT documents.

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**Notes**

1. Elwyn Grainger-Jones is Principal Economist, European Bank for Reconstruction and Development (EBRD). This note was prepared while he was a consultant with the World Bank. Carlos A. Primo Braga is Senior Adviser, International Trade Department, World Bank. Comments and assistance from R. Newfarmer, B. Hoekman, K. Brokhaug, W. Martin, R. Sally, A. Mattoo, H. Corbet, J.P. Chauffour, and P. Reichenmiller are gratefully acknowledged. This note reflects solely the views of the authors. It does not necessarily reflect the views of the World Bank Group, the EBRD, or the Executive Directors of either institution.

2. See, for example, the series on “What’s Holding Up Doha?” *Finance and Development* (March 2005).

3. These topics were first introduced in the debate at the Singapore WTO Ministerial of 1996. Accordingly, they became known as the “Singapore issues.” Sir Leon Brittan, former EC competition and trade commissioner, was an early champion of the idea of a new trade round.

4. The G-20 came to life on August 20, 2003, as a reaction to a joint U.S.-EU paper on agriculture. It has since become an influential voice in the agricultural negotiations, under the leadership of Brazil. The coalition encompasses both Cairns Group countries (which favor an ambitious liberalization agenda) and G-33 countries, which have defensive interests in agriculture (focusing on food security and rural development). The G-20 has positioned itself as the “pragmatic voice” of the South, aiming for elimination of export subsidies, substantial reductions of trade-distorting support, market access liberalization, and special and differential treatment for developing countries. In March 2005, the group included Argentina, Bolivia, Brazil, Chile, China, Cuba, Egypt, Guatemala, India, Indonesia, Mexico, Nigeria, Pakistan, Paraguay, Philippines, South Africa, Thailand, Tanzania, Uruguay, Venezuela, and Zimbabwe.

5. See, for example, Hoekman and Newfarmer (2003).

6. See WTO (2004).

7. For details see Primo Braga (2004).

8. That deadline was missed. By May 31, there were 62 initial offers (covering 86 members) and 9 revised offers.

9. This deadline was also missed and the Chairman of the Special Session reported to the WTO General Council in July 2005 that recommendations for a decision should be presented by the Hong Kong Ministerial Conference.

10. Speaking at the OECD Ministerial on May 4, 2005, Dr. Supachai Panitchpakti (then WTO Director General) identified the following items as required components for a “substantial breakthrough” at the ministerial: concrete modalities for agriculture and nonagricultural market access, a critical mass of market-opening services offers, significant progress in areas such as rules and trade facilitation, and a proper reflection of the development dimension. He also pointed out that time was running out for the negotiators to achieve these goals. His report, as chairman of the Trade Negotiations Committee to the General Council, further elaborated on these targets and stated that “progress made [since 2004] had been insufficient” (WTO 2005). See also [http://www.wto.org/english/news\\_e/news05\\_e/dg\\_oecd\\_4may05\\_e.htm](http://www.wto.org/english/news_e/news05_e/dg_oecd_4may05_e.htm).

11. It is worth noting that full merchandise liberalization (ignoring potential dynamic gains associated with productivity increases) could add roughly \$300 billion per year to the global economy by 2015. Even though agriculture and food processing account for less than 10 percent of world trade, trade liberalization of agriculture and food would account for 63 percent of gains (with textiles and clothing accounting for 27 percent and other manufactures 10 percent). An ambitious Doha outcome, featuring the elimination of export subsidies and significant cuts in domestic support and tariffs in developed and developing countries, could deliver roughly one-third (\$96.1 billion) of the full-merchandise-liberalization scenario, with agricultural liberalization delivering roughly two-thirds of the gains. Services liberalization, particularly for the movement of people, could significantly expand those welfare results. See Anderson, Martin, and van der Mensbrughe

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(2005) for detailed calculations of the welfare implications of different DDA scenarios.

12. See, for example, Srinivasan (2003), Cline (2005), and Messerlin (2005).

13. It is worth noting that the negotiations on the Free Trade Area of the Americas, for example, have been going on for more than 10 years and that the completion of the EU-Mercosur negotiations also missed its original target (2004).

14 The Tokyo Round “codes”: subsidies and countervailing measures—interpreting Articles 6, 16 and 23 of GATT; technical barriers to trade—sometimes called the standards code; import licensing procedures; government procurement; customs valuation—interpreting Article 7; antidumping—interpreting Article 6, replacing the Kennedy Round code; bovine meat arrangement; international dairy arrangement; trade in civil aircraft.

15. The traditional description of the “chicken game” presents a situation in which two players drive their cars at each other on a narrow road. Each has the choice of swerving to avoid a collision or not swerving. The first to swerve loses face among his peers. If neither swerves, both die.

16. This point is made in Cline (2005).

17. See Sutherland and others (2004) for a detailed discussion on how best to address WTO’s institutional challenges in the current economic environment.

18. See, for example, Mattoo and Subramanian (2005) and Curtis and Ciuriak (2005).

19. Mattoo and Subramanian (2004) review challenges faced by poor countries in engaging in WTO negotiations.

20. See, for example, Short (1999), a speech delivered at UNCTAD by the former British secretary of state for international development, the Rt. Hon. Clare Short (see <http://www.gene.ch/gentech/1999/Mar-Apr/msg00068.html>).

21. See Primo Braga (2004) for a description of the evolution of the agricultural negotiations and the role of different coalitions.

22. See Corrales-Leal, Sugathan, and Primack (2003).

23. These polar positions on the costs and benefits of SDT are well captured in Bhagwati (2004) and Oyejide (2004).

24. Critics cite the Franco-German deal on the mid-term review of the Common Agricultural Policy.

25. For a discussion of U.S. interests in the DDA and the U.S. legislative agenda affecting its trade policies see Schott (2005).

26. See Sally (2004) for a detailed presentation of this perspective.

27. The negotiations take place against a backdrop of significant debate on the benefits of globalization by governments and the public. The debate on the costs and benefits of international economic integration is well captured in Wolf (2004).

28. See Fink and Reichenmiller (2005).

29. See Finger and Schuler (2000).

30. See the discussion on “variable geometry” and plurilateral agreements in Sutherland and others (2004).

31. See, for example, Esty (2002) and Trotman (2004).

32. In October 2005, the U.S. made an important move by presenting a more ambitious proposal for agricultural liberalization. This was followed by a flurry of additional proposals and reactions from other WTO members and coalitions. At the time of writing, however, no consensus had yet emerged on market access with a wide gulf separating the more ambitious proposals from the U.S. and the G-20, for example, vis-à-vis the EU proposal.

33. This leadership is also required to advance the “aid for trade” agenda as discussed in IMF and World Bank (2005).

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