DOHA ROUND AND THE PERSPECTIVES OF MULTILATERAL TRADING SYSTEM

Summary of the PHD Thesis

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INTRODUCTION

“Those who cannot remember the past are condemned to repeat it”.  
George Santayana

Because the author’s desire is to capture all relevant aspects of the scientific approach taken in the doctoral thesis entitled “Doha Round and the perspectives of multilateral trading system”, it appeals to a more thorough introductory section.

A. Research theme

The end of Second World War brought from a political view the Allied victory and from a commercial perspective – the manifestation of the desire for a freedom of trade. As in other areas (of peace, money etc.) it is required to build a “device” (Josling, 2007) to organize this freedom. Thus, the market globalization begins with the creation of the General Agreement on Tariffs and Trade (GATT) in 1947 and from 1 January 1995, this position is given to newly established World Trade Organization (WTO). Although WTO agreements, concluded most often during the Ministerial Conferences, provide a common mechanism for settling disputes, through which members defend its rights and regulate the misunderstandings that arise between them, with the launch of the fourth meeting in Qatar (November 2001), this rule does not seem to be fully respected. As a proof it can be invoked the current impasse among the Doha Round negotiations and the entire multilateral trading system.

B. Formulation of the aim and the main goals of the research

The study that is intended to be undertaken is one with a comprehensive approach that seeks to achieve a “scan” of the international trade under GATT/WTO, focusing on the past ten years and comparing the results with those of the recent research in this field in order to find the sought answers and the solutions of the problem.
The purpose of this research is to analyze the global multilateral system by focusing on commercial phenomenon – the Doha Round from a theoretical perspective by addressing the literature and other researches in the field, and to identify and interpret the change that will occur in international trade from a practical perspective.

In order to achieve this goal must fix some benchmarks, ie several specific objectives like:

- To identify the key areas of Doha Agenda and the forms of presentation of the development dimension;
- To identify any relation between the spectacular growth recorded in the first decade of the XXI century by emerging economies and actual negotiations, held in Doha Round in the same period;
- To estimate a possible impact of the Doha Round on the Russian Federation;
- To identify the changes that can occur in the global trading system as a result of completion of ongoing negotiations at the end of 2013 (based on scenarios drawn).

C. Structure of the thesis

In achieving the stated approach, we proposed structuring the paper into 5 chapters plus the conclusions, references and a series of annexes, all are listed through the “filter” of scientific rigor, claimed a thesis.

Thus, the first chapter entitled “Doha Round: the launching, goals and its performance” is intended as an introductory section that focuses on the desire of liberalization especially of poor countries, and on the analysis of events that occurred after the creation of the GATT/WTO.

The second chapter called “Development problems and the difficult issues on the Doha Round Agenda” is dedicated, completely, to the integration of the “development” concept in the multilateral trading system. Because we have in
front a traditional action, we proposed a comparative analysis of how the development dimension was seen in the twentieth century.

The third chapter entitled “The position of the main commercial actors in the Doha Round” wants to be a case study, capturing the place of the “couple” US-EU in the WTO negotiations and in the international arena. A major section is devoted to developing countries and to new groups of nations, considered alongside the development dimension, the key elements of the Doha Round.

In the fourth chapter called “Doha Round and the emerging countries”, the analysis narrows through the focus on the impact of the Doha Round towards BRICS group. In a separate chapter, we tried to estimate the possible impact of trade liberalization on the new member of the WTO – Russia.

The last chapter entitled “Possible outcomes of the Doha Round and their incidence on multilateral trading system” refers to a detailed analysis of the second component, found in the title of this thesis. Therefore, based on the proposed objective, we tried an emphasis on the possible effects arising from the conclusion of trade negotiations (with a scenario positive/negative) and on the multilateral system regulatory modifications and renovations and not only.

In the final section of conclusions, we tried an inventory of the main results we reached in this research.

D. Research methodology

In the first part of the research, we stopped to collect opinions, reasoning and arguments of specialists in the field. Therefore, this thesis is included to the descriptive-explanatory category and sometimes to the analytical one, focusing on the identification and reporting of certain events that took place in the “life” of the WTO, and on the determination of a causal relationship between the conduct of some Member States and the current disaster of international trade. Research strategy is mostly constructivist and method – a qualitative one – is to study the
documents. As **instruments**, we have been used mostly *tables, figures* and *graphs* for ease of understanding the results.

The second part is a foray into observing and anticipating trends in the global trading system, based on the four scenarios listed. Therefore, we appealed to an *inductive strategy* – the research stops at two possible finalities of negotiations in the Doha Round and their impact on international trade, and to following some general conclusions, ie an *analysis from particular to general*. In addition, the paper highlights some parts of measuring and quantifying of the Doha Round impact on Russia and the future of international trade.

**E. General aspects**

No doubt the thesis don’t constitute a finality and the research on this complex phenomenon, entitled – Doha Round leave open on the future,, which is closely related to the liberalization of international trade and multilateral trade system, to the Millennium Development Goals and so on.

In elaborating the scientific paper, we used a substantial *literature*, including the researchs from international trade, global economy, economy of European integration domain. In the same vein, it is necessary to emphasize that the scientific approach ends with an extensive section of *appendices*, fragmented on each chapter.

**CHAPTER I. DOHA ROUND: THE LAUNCHING, GOALS AND ITS PERFORMANCE**

The literature has a reasonable number of studies which are evaluated the Uruguay Round negotiations and their agreements. Therefore, most researchers opine that negotiations concluded with the creation of commercial institution have made a substantial progress in terms of international trade liberalization. Moreover, they examine that “milestone” in terms of improvements and achievements to the international trading system. However, there are some
scientists that explore the failure and shortcomings of subjects included in multilateral trade agreements, existed under the GATT/WTO “umbrella”. Therefore, together with the favors directed to topics of industrialized nations’ interest, exemptions from WTO rules and regulations, partial implementation of Round agreements from Punta del Este and deepening North-South asymmetry in the first ministerial meetings, we can remember and the different agendas of Member States, designed so as to cover a wide range of areas of primary interest for each category of negotiators. At this cracked context have joined other globally profound changes such as: reconstruction of the global market (affected by the dissolution of the socialist system) and growing economic phenomenon, called globalization; attacks of 11 September 2001, respectively the decline of the West hegemon; delimitation of a global genuine economic axis with a definite and concrete mega-tendency towards multipolarity; conclusion of several bilateral free trade agreements with other regional economic blocs; increasing internal inequalities in all Member States and between them etc. Therefore, it was necessary a particular economic change that must be directed towards developing nations.

Failure to leave the past in the twentieth century due to imbalances of the Uruguay Round, no fulfillment of promises made to developing countries, but also “Millennium Round” launch’s failure (Seattle, 1999) represented a leitmotiv at the beginning of the third millennium. Even some scientists affirmed that on the eve of entering the new century appeared a sense of collective responsibility for the challenges faced by poor nations, and a recognition of the inequities created by previous rounds of trade negotiations (Stiglitz & Charlton, 2005a). In addition, subsequent events and changes have further emphasized the need for a recast on a planetary scale. In this situation, any delay was excluded, forcing major commercial players to abandon the national interest in favor of the collective-international one. So, after the WTO was announced, the next move consisted in setting a date for a new meeting at ministerial level. In this context, we are compelled to say that concerns about launching a round of “change” in the hope of
removing the obstacles to development and poverty eradication spread globally became more visible. Thus, from 9 to 14 November 2001, trade ministers from member countries met in Doha (Qatar) for the fourth WTO Ministerial Conference. Its purpose is rooted in the past (the continuation of trade liberalization in traditional sectors and not only), being adapted to the circumstances of the XXI century. Moreover, in the desire to respond to multiple calls in terms of rebalancing the multilateral framework for developing countries, it was launched Doha Round (of Development) in the months (and years) that preceded the ministerial meeting.

Although the extremely ambitious work program, semi-officially called – Doha Development Agenda (DDA) included a number of action directions for the coming years in favor of marginalized countries, the ministerial meetings held in 2003-2011 at Cancún, Hong Kong, Geneva etc. were characterized by failure, then by a partial success, continuing with a deadlock of multilateral negotiations and the international trade entry in collapse. Although most optimistic researchers hope that the current negotiations will be completed by the end of the year in Bali, in our opinion a radical solution on the completion of the Doha Round aims the stop of negotiations and relaunch them from scratch with a new mandate and other provisions.

CHAPTER II. DEVELOPMENT PROBLEMS AND THE DIFFICULT ISSUES ON THE DOHA ROUND AGENDA

International community’s commitment to the goals related to economic progress and poverty reduction is not part of the present. Since the mid-twentieth century, several committees of the United Nations have engaged to promote development in all countries of the world. In addition, the Millennium Development Goals are considered among the latest evidence of this worthy and noble task. Moreover, the fact that expansion of the trade has a strong correlation with the economic growth is not a novelty; even the first commercial theories (the
absolute or comparative advantage one etc) suggest that there is a substantial increase in economic efficiency when a country moves from autarky to free trade. In addition, although the WTO doesn’t seem to be a development institution (like World Bank), its operations have defined the relevance of this dimension, especially at the beginning of XXI century. In other words, the cycle of negotiations launched in 2001 was designed to be a “development round” and issues of this section remained an integral part of Doha Round. Thus, the first characteristic element of the analyzed dimension in this chapter is the Development Agenda, ie the program of the event with 21 subjects treated in the eight groups of negotiatons. Then, the second feature is given by the “equation” international trade – economic development in light of new reflectors, specific to XXI century, with emphasis on the second side. It also should not be omitted from the analysis the “aid for trade” initiative that would enable the awareness of support that developing countries need to strengthen their capacity in order to produce real gains in their economic activity. In addition, the way to promote sustainable development, adapted to the new context that was launched in 2001 at Doha would favour and emphasize the importance of both “variable of the equation” – trade-environment. The main argument is to achieve the sustainable development dimension – ie, to improve the quality of life, to conciliate the economic development with social cohesion and environmental protection – considered to be closely related to the relationship between trade and environment. And last but not least, the development dimension treated in terms of improving access to medicines and of promoting the research in other new products that will enable human development, even in poor countries. In our opinion, the Declaration on the TRIPS Agreement and public health is the result of developing countries efforts to claim the primacy of public health over IPR, particularly for AIDS, tuberculosis and malaria. However, the problem of access to medicines and public health is not just the WTO and WHO, but of all mankind. In other words, although international society seems to be increasingly involved in seeking solutions to these key topics, there are necessary some relevant measures, such as:
funding for the R&D projects, procurement of quality medicines, investment in social infrastructure, mobilization of healthcare.

Regarding the second component included in the title, we would like to say that most difficult sectors of the Development Agenda remain *agriculture, NAMA* and *services*, on the one hand, and *trade facilitation*, on the other hand. The main argument is that these areas present real interest for all the 159 WTO members, and more than that, the Doha Round has been shown to be less relevant in the direction of these difficult sections.

In these circumstances, we conclude with the idea that both GATT and WTO are situated in the context of new and changed concepts of “*development dimension*”, including sustainable development and the environment, development and human rights and human security.

**CHAPTER III. THE POSITION OF THE MAIN COMMERCIAL ACTORS IN THE DOHA ROUND**

European Union and United States have always supported the multilateral trading system that led to the creation of the GATT, then the WTO. The explanation is that MTS was seen as the most appropriate way to encourage and support economic development and prosperity of their nation, but also to reduce global poverty. But officially speaking, into international forum, there were two other categories of members who have been marginalized every time in the adoption by consensus of some agreements and multilateral trade rules, deepening, therefore the discrepancies in terms of growth and economic progress between the Contracting Parties. Starting from this goal, we intend to draw some arguments to highlight the assumption that *developing nations* form – or only partly – a target group of the Doha Round. Therefore, it appears that pan which tilts towards pro evidence gradually gives priority to the critical arguments, such as: failure to reach any agreement generally accepted in the fields of interest of this group of countries; damage to the priorities and needs of the smallest players in international trade; the
existence of high tariffs in the way of exports of developing countries; relatively high costs related to the implementation of agreements etc. Starting from these remarks, we contradict the opinions of few researchers who attribute to the Doha Round the tag of “development round”. In the author’s view, the previously mentioned rating links up more to rhetoric than today’s reality.

Over a decade of negotiations, the EU has played a decisive role in shaping the global trade architecture. Through the commercial power that EU holds (and the attractiveness of Community market for exporters from third countries) or through donated aid flows (in the form of aid for trade, capacity building, foreign direct investment, preferential access to their markets), EU states have shown that can act with a defensive strategy and with collaborationist one, directed towards the development dimension and its related elements. The best example in this direction is expressed by the Economic Partnership Agreements, concluded with the countries of African-Caribbean-Pacific region, responding thus of the XXI century’ challenges.

United States continue to find itself at the beginning of XXI century among the nations that call for meetings and trade negotiations. As during the Uruguay Round, the U.S. actions have been driven by many hidden interests. Briefly, the conclusion of the Doha Round would bring both a series of gains and negative effects (reduction/elimination of domestic support, including all forms of export subsidies: food aid, loan guarantees etc.).

Regarding to the so-called Doha Round effects on our country, the established objective must be analyzed from the dual status held over a decade of negotiations. Thus, Romania’s participation as a developing country in the first three years after launch can be seen as making a new stage in cooperation and dialogue with the EU in the context of common interests, derived from the expansion of the EEC. From this perspective, the impact of the Doha Round on Romania was positive, the earnings were collected a few years later. However, the change of status in the WTO would bring with it some less beneficial effects, such as: gradual reduction of financial support allocated by CAP to all EU states;
obligation to *increase the amount of development/trade aid* and to *support* the consolidation of institutional capacity of underdeveloped countries etc.

We consider, therefore, that at present, our country has more favors (from international trade) of the EU compared to other developing countries of the WTO direction. Starting from the Romania situation, we are determined to affirm that bilateral relations have also their merit.

**CHAPTER IV. DOHA ROUND AND THE EMERGING COUNTRIES**

About three decades ago, the world was characterized by different features compared to currently ones. If in 1986, the world population was divided into industrialized, developing and underdeveloped economies, towards the end of the twentieth century, about 32% of the largest group of states would embrace the transition to a new society, called in a symbolic mode by specialists – “emerging world”.

However, the phrase – “emerging country” can not be classified as those concepts used in a comfortable and agreed way. In the most *simplistic approach*, the term relates to a *financial market*; in a *broad sense*, the concept of emerging country would designate the *economies* other than industrialized ones who registered spectacular increases in a short period of time and have a real interest to investors. Because of all analyzed groups of emerging countries, the **BRICS** includes the most defining characteristics of emerging economies, we have decided to examine this chapter by focusing on the five members of the institutionalized group. Therefore, based on the analysis made in the first part, we have seen that the currently **BRICS** position held in the global economy is not due to the active participation in the WTO negotiations; rather, this success should be attributed to the internal reforms that aimed to attract a large flow of FDI and the export growth on a regional trade (MERCOSUR, ASEAN etc.) to the detriment of multilateral trade – “surrounded” by the protectionist measures.
In another vein, the four countries of the BRICS group (excluding the Russian Federation), WTO members since 2001 have shown great kindness and developed negotiations skills throughout the Doha Round. Moreover, the active participation often materialized into concrete proposals leads us to state that developing countries (taken as a category) sought to correct some past imbalances, directed towards their interests. Based on these aspects, we wanted to identify possible effects on emerging markets, WTO members, as a result of international trade liberalization. So, we focused the analysis on the most recent tariffs imposed and paid by high-income developing economies, appealing both to WTO statistics (WTO-IDB) and to the World Bank platform (WITS). The conclusions point to the idea that emerging countries will not suffer from possible cuts in NAMA (except the Chinese state) because the coefficient that aims to correct the previous imbalances will be applied to consolidated tariffs (much higher) and not to applied ones (significantly different from the first). However, from a possible liberalization of trade in agricultural products, South Africa, particularly Brazil would get a number of positive effects for the simple reason that the export of these goods is a rooted lever in the development and economic growth of these nations. For this reason, we say that emerging economies can be considered somewhat successful countries of the Doha Round conclusion (except China), while advanced countries – net losers.

Regarding the Russian Federation is recognized that it has gone through a difficult process from the WTO observer status to the full membership. But it was required such an effort? What gains it get from the Doha Round and the multilateral trading system, as a whole? these are the objective questions that we wanted to know the answer from the analysis undertaken in this section. Based on the results obtained by using the EViews 7.0 program on research carried out on a series of Russian macroeconomic indicators, we can assert that duties applied by some WTO members to Russian exports present a “modest” or low relation even on some relevant indicators for any nation.
Therefore, we affirm that BRICS countries have the potential to “emerge” to the status of advanced economies; they will soon become industrialized countries.

CHAPTER V. POSSIBLE OUTCOMES OF THE DOHA ROUND AND THEIR INCIDENCE ON MULTILATERAL TRADING SYSTEM

Lately, the uncertainty that was installed in the multilateral negotiations seems increasingly oppressive. *When will finish the Doha Round? What changes will occur in the WTO in such a problematic context? What are the prospects of multilateral trading system as a whole, taking into account the current framework of negotiations dominated by own interests and less, common ones?* – all these are just some research questions which continue to be built most specialized studies since 2006.

Based on these *research questions*, we tried a deeper academic approach, focusing us on the possible outcomes of the Doha Round, whether it is a favourable context for all nations or only for some WTO Members, whether it is talking about circumstances that will cancel the purpose and objectives of the Ministerial Declaration.

The conclusions of this chapter lead to the idea that the failure to conclude the Doha Round will not produce serious changes in trade between WTO members. But there is the possibility that many of them abandon the WTO “perimeter” and focus on regional trade agreements, thus forming blocks of this type, like those already known: MERCOSUR, ASEAN, NAFTA, APEC and the EU. However, the disadvantage of leaving from WTO consists in the loss of multilateral treatment under MFN clause, and in changes related to the prevalence of domestic over common interests – an aspect that continues to hamper the ongoing negotiations.
Analysing from another perspective, we consider that to record significant gains, the liberalization should be complete; i.e., reducing tariffs on agricultural and industrial world exports with no any structural changes in the other two pillars, services, trade facilitation etc. will not have an obvious impact, directed to world trade.

CONCLUSIONS AND PROPOSALS

This paper entitled “Doha Round and the perspectives of multilateral trading system” aimed to analyze the multilateral trading system, focusing on the “phenomenon” called Doha Round and to identify and interpret the mutations that will occur in the trade from several scenarios. In other words, this scientific approach has attempted to address the two dimensions of title: Doha Round, on the one hand and prospects of multilateral trading system, on the other hand, by appealing to both qualitative and quantitative analysis.

Based on the elements specified in the preamble and the research objectives, noted in the introductory section, we said that the launch of the Doha Round could not be avoided. The multitude of difficult issues that preceded the meeting in Qatar forced the need for a change. In other words, the imbalances of the Uruguay Round (embodied in reflecting priorities of developed countries, internal protection through increased agricultural subsidies, partial implementation of the agreements) and the marginalization of developing nations (through well-known “green room”) are only some arguments, dedicated to support previous remark. In addition, the implementation of the Punta del Este Round was quite expensive and only partially completed, the expected benefits of market access have not materialized and more than that it was a strong feeling that the WTO rules were unbalanced, even violated. In such a context, it was impossible to postponed the launch of a new round of multilateral negotiations.

The importance of the Doha Agenda consist in the idea that many elements are beneficial to development. These include: clarifying the TRIPS
Agreement for developing states to address public health crises; then, further liberalization of trade in all major sectors; followed by restriction of WTO rules such as anti-dumping measures, just to arbitrarily exclude their use for protectionist purposes and not least, the increased emphasis on capacity building and technical assistance on addressing to implementation and to help developing countries in order to participate effectively in the new round of multilateral negotiations.

But the Doha Round has shown, until now, that WTO does not have the necessary means to make improvements in developing countries’ sectors of interest. From such a view, we consider that the appeal, made by the “peripheral” Member to the current round of negotiations, regarding of fairness in the negotiations process and in further results can be considered a failure. In the idea of strengthening this remark, we affirm that the objectives proposed in the Ministerial Declaration on trade integration of developing economies were not fulfilled during the round of negotiations. As a result, we are encouraged to note that the assumption of specificity of these countries as a target group of current negotiations have canceled with more determination.

Another conclusion detached from the present work lies in the fact that all areas covered by the program meeting (2001) are placed in category of difficult areas. The explanation is very simple and consists in the idea that the Doha Agenda, proposed to the debate is a vicious circle from which it can not exit only by giving up their interests, often mercantilist ones.

Therefore, one of the causes of the current collapse is coming from the positions of WTO members in the Doha Round. National or even mercantilist interests prevailed, especially in the first part of the discussion (until 2005) in the detriment of common, ie multilateral ones. In addition, we found that oddensive and/or defensive approaches – to which the U.S., EU, G-20 coalition etc. have appealed – was driven by the major concerns in areas such as agriculture, industrial goods and services (in the case of India, especially).

The injustice that exists in the WTO system under which economies like Brazil, China, Singapore etc. can be compared with Moldova, Egypt, Belize and so
on has led us to focus the attention on identifying a possible impact of trade liberalization on emerging countries, as defined by the acronym BRICS. Based on the assumption that the development and sustained growth of the BRICS economies in last decade due to the current multilateral negotiations, we found that in fact, the situation should be seen in other direction. In other words, their economic progress has consolidated the “voice” of these nations and other developing countries, especially, in the ministerial meeting in Cancún. In addition, G-20 coalition, led by Brazil, India and South Africa, would “stretch” the “couple” US-EU and would take it out form the light of the current context that was different in comparison with that specific twentieth century.

Because the Russian Federation is the “young” WTO member compared to other states from institutionalized group, we focused attention towards the custom tariff impact on Russian exports and the country’s GDP. The conclusions that we reached show that the link between GDP and applied tariff \((r = 0.2162)\) is a direct one, but rather weak. On the other hand, between the variable – exports of goods and services and the applied tariff exist a weak link, demonstrated by a value of \(r = 0.083321\) and included in the multiple linear regression model.

In a last step, we aimed to identify which of the categories of existing states in the WTO would have most to gain from liberalization, reflected in the final agreement of the current negotiations. Therefore, a simulation of the effects of the Doha Round on Kenya’s trade under 3rd Scenario, named “IMPROVEMENT” has led us to conclude that the end of the current negotiations would have a positive impact, however a modest effect on trade between Kenya and its main partners. Moreover, the changing of customs tariff has a positive influence on the flow of exports; in other words, the relationship between the two variables is presented as one inverse – a reduction of duty (with 35.66%) resulted in a growth rate of exports of Kenya (with 7568 USD) to Pakistan market. This principle seems to have a higher accuracy for top partners, an aspect confirmed by the simulation results.
Although the analyzes made by the author refer to a relatively short time horizon, existing studies in the literature take into account a longer period of 10-15 years. What is interesting is that the conclusive character ideas are similar.

So, based on the idea claimed above, the **failure to conclude the Doha Round will not produce serious changes in trade between WTO members.** But there is the possibility that many of them abandon the WTO “perimeter” and focus on regional trade agreements, thus forming blocks of this type, like those already known: MERCOSUR, ASEAN, NAFTA, APEC and the EU.

Looking at the other side of the barricade that situation, we note that a **partial liberalization** (as envisaged by the “modalities” package (2008)) **will not achieve the objectives from 2001** on the development dimension in favor of “marginalized” nations. Therefore, to record significant gains, the **liberalization** should be **complete**; ie, reducing tariffs on agricultural and industrial world exports must be completed by structural changes in the other two pillars, services, trade facilitation, WTO rules etc.

So, we are exhorted to say that all major global trade negotiations have “flirted” with both success and collapse. However, the **Doha Round** is more difficult compared to the predecessor (Kennedy, Tokyo, Punta del Este Rounds). WTO is constantly expanding and currently includes a growing number of members (159 – March 2013).

Without pretending that we succeeded in the contents of the 350 pages to highlight the importance and impact of the Doha Round on trade system, this mission we are proposing like a first **direction for future research.**

**In conclusion,** we can say that the **Doha Round** is for a decade the “heart” of multilateral trading system and a current phenomenon of the international economy. Therefore, the fundamental reasons that reinforce the need to complete it is that the Doha Round is sees as a factor of growth and a solution to the global crisis and the recession that followed. On the other hand, an favourable agreement would lead to regaining WTO credibility, stained by destructive criticism which proved its inability to channel the protectionism threat.
SELECTED REFERENCES


