

The Doha Round: A Development Perspective

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The new trade round launched at the 4th Ministerial Conference of the World Trade Organization (WTO) in November 2001 in Doha is widely referred to as a “development round.” It promises to place development at the heart of trade negotiations and take full account of developing countries’ interests and concerns. At Doha, the Trade Ministers produced three major documents: (i) Decision on Implementation-Related Issues and Concerns (hereafter *Decision*), (ii) Declaration on the TRIPS Agreement¹ and Public Health (hereafter *Declaration*), and (iii) Ministerial Declaration. Together they are called the Doha Development Agenda, which sets the scope of negotiations and defines WTO’s study and capacity building programs in the coming years.

Implementation Issues

Established in 1995, the WTO succeeded the General Agreement on Tariffs and Trade (GATT) in facilitating negotiations on rules of trade among its members. At its heart are WTO agreements that guarantee members’ rights and set the directions for policy and regulatory reforms in trade-related areas. These agreements are legally binding and must be implemented by all WTO members.

Trade negotiations under GATT traditionally focused on tariff reductions. Developing countries generally did not encounter great difficulties in implementing agreements reached on tariff reductions. However, at the last round of trade negotiations under GATT, the Uruguay Round, which took seven and a half years to conclude, agreements were reached on services liberalization and on “behind-the-border” issues such as intellectual property rights, and sanitary and phytosanitary standards, which have direct impacts on domestic policy and regulatory reforms. Developing countries encountered a number of difficulties in implementing agreements reached in these areas. Subsequently, issues relating to the implementation of WTO agreements became known as “implementation issues.”

At Doha, developing countries raised more than 100 implementation issues and succeeded in pushing for the *Decision*.

¹Agreement on Trade-Related Aspects of Intellectual Property Rights, reached at the Uruguay Round of negotiations.

The *Decision* aims to assuage developing countries' concerns by introducing more flexibility in implementing WTO agreements, such as a longer timeframe for compliance and phased introduction of new standards and measures. The *Decision* urges the exercise of particular restraint in challenging developing countries' policy measures aimed at promoting rural development and food security. It underscores the importance of technical assistance and special and differential treatment (SDT) in addressing implementation concerns.

While implementation issues are mainly attributable to lack of human and institutional capacities, they also reflect challenges facing developing countries in undertaking policy and regulatory reforms. As argued in an ADB study, implementation of WTO agreements requires adjustment of domestic regulations and standards related to trade (Finger 2002).

Such adjustment entails a significant financial burden. It is estimated that implementation of the TRIPS Agreement alone would require developing countries to pay \$60 billion per year in royalties. There is also an issue of development priorities. Developing countries acknowledge the importance of trade-related policy reforms. But trade-related aspects of certain policy and regulatory reforms cannot be addressed in isolation. They are only part of broad reform efforts whose priorities should be determined according to country-specific circumstances.

Intellectual Property Rights and Public Health

The TRIPS Agreement was reached at the Uruguay Round to promote international trade with adequate protection of intellectual property rights. Developing countries raised a number of implementation issues on the Agreement, particularly with respect to their obligations in observing the TRIPS Agreement and their sovereign rights in addressing epidemic diseases and public health crises. An example was the Government of South Africa's effort to make HIV drugs available through compulsory licensing and parallel importing,² which was viewed by major pharmaceutical companies as a violation of the TRIPS Agreement.

²Compulsory licensing permits the manufacture and use of generic drugs without the agreement of the patent holder. Parallel importing consists of purchasing proprietary drugs from a third party in another country, rather than directly from the manufacturer, so as to reduce costs.

The *Declaration* helps clarify the flexibility available in the TRIPS Agreement for developing countries to address their public health concerns. It is widely considered as a measure to weaken the TRIPS Agreement by stressing members' rights to grant compulsory licenses and freedom to determine what constitutes a public health crisis or other such circumstances of extreme urgency.

Again flexibility is the key in motivating the *Declaration*. In practice, however, it is not clear to what extent developing countries could push for their health and development concerns without breaching the TRIPS Agreement, which is legally binding. A declaration by the Trade Ministers does not have such a legal status. For developing countries with no or insufficient manufacturing capacity in the pharmaceutical sector, it is also not clear how they will be able to benefit from such flexibility. The *Declaration* instructs the WTO's relevant body to find an expeditious solution to this critical development issue.³

Negotiating Agenda

Major agenda items for the Doha Round of negotiations include (i) trade liberalization, (ii) WTO rules, and (iii) trade and environment. It also calls for negotiations to establish a multilateral system of notification and registration of geographical indications for wines and spirits.⁴ These negotiations are to be concluded by 1 January 2005.

Trade Liberalization

Much has been achieved under the Uruguay Round in bringing down tariffs. As a result, market protection for nonagricultural products is mainly practiced through other tariff measures such as high tariffs, tariff peaks, and tariff escalation.⁵ These tariff measures apply to many products of export interest to developing countries (e.g., clothing

³An ongoing ADB study examines these issues and identifies options available for developing countries to ensure that the TRIPS Agreement does result in mutual advantage for users and producers of intellectual property.

⁴The possibility for an extension of protection to products and traditional knowledge through geographical indications will be further studied and addressed in WTO's relevant body.

⁵Tariff peaks refer to tariff rates above 15 percent. Tariff escalation is a situation in which tariffs on raw materials are nonexistent or relatively low, tariffs on semi-processed goods are moderate, and tariffs on manufactured goods are relatively high.

and footwear). The Doha Round aims to reduce or eliminate these remaining tariff barriers and improve developing countries' market access.

On agriculture and services, the Doha Round will build on the momentum of the negotiations started in 2000 on the two sectors to push for further market access and reduction of market distortions. Negotiations on agriculture will place particular emphasis on reductions and eventual phaseout of all forms of export subsidies, and substantial reductions in trade-distorting domestic support. Negotiations on services will expand the sectors covered under the Uruguay Round (i.e., banking, insurance, telecommunications, and tourism). Negotiations will be based on proposals submitted by WTO member countries for their specific commitments and, therefore, give sufficient flexibility to developing countries to determine their own approach and speed of liberalization.⁶ This country-specific approach of services trade liberalization is considered more suitable for encouraging domestic reforms and overall economic development.

WTO Rules

The negotiations on WTO rules cover antidumping, subsidies and countervailing measures, and regional trade agreements. The negotiations aim to improve and clarify WTO's disciplines and procedures in these areas. It is worth noting that developing countries in Asia may gain particularly from improved disciplines on antidumping because they have been disproportionately affected by antidumping measures in recent years. Of the 1,640 antidumping cases recorded by WTO during 1995-2001, nearly half are filed against countries in Asia. Tightened WTO rules are expected to discourage their use to protect domestic industries.

Trade and Environment

Negotiations on trade and environment are limited to clarifying the relationship between WTO rules and specific trade obligations set out in various multilateral environmental agreements (MEAs),

⁶To assess the development potential from this round of trade liberalization, several studies (e.g., Kim 2002) are being carried out by ADB to document the situation of services liberalization and tariff structure of selected DMCs and their trading partners.

and setting up procedures for regular exchange of information between MEA Secretariats and the relevant WTO committees. It also calls for the reduction or elimination of tariff and nontariff barriers to environmental goods and services. Such limited scope was due to the opposition from a large number of developing countries to have comprehensive negotiations on trade and environment. Developing countries' main fear for linking trade with environmental standards is that market access could be denied on the ground of environmental protection.

Singapore Issues

At Doha, the Trade Ministers opened the possibility of negotiating on the so-called Singapore issues (i.e., investment, competition policy, trade facilitation, and government procurement) in the future. Whether the Singapore issues should be included in the Doha Round was a major source of disagreement among WTO members in Doha. As a compromise, the Ministerial Declaration indicated that negotiations will commence only after an explicit consensus on the modalities of negotiations at the 5th Ministerial Conference scheduled in 2003.

Arguments for negotiations on these new behind-the-border issues stress their potential benefits in terms of improved governance practices and increased foreign investment. While recognizing the potential development benefit of establishing WTO rules in these areas, several developing countries voiced strong opposition to negotiate on these issues. Given their experience with the implementation of the TRIPS Agreement, they demanded further studies to understand the implications of WTO agreements in these areas for trade and development.

Conclusion

Many aspects of the Doha Agenda are good for development. These include: (i) clarification of the flexibility available in the TRIPS Agreement for developing countries to address public health crises; (ii) further trade liberalization in all major sectors; (iii) tightening WTO rules such as antidumping so that they will not be used arbitrarily for protectionist purposes; and (iv) emphasis on capacity building and technical assistance to address implementation issues and help developing countries participate effectively in the new round of negotiations.

The Doha Agenda takes a cautious approach in expanding the negotiating agenda to the Singapore issues. It calls for careful studies on these issues to better understand the implications of WTO Agreements in these new areas for trade and development. These study efforts will help shape future WTO negotiations to make them conducive to a country-specific approach to policy and regulatory reforms.

Another major area of study is SDT, with a view to making it an effective instrument to assist developing countries and address their implementation issues and concerns. The Ministerial Declaration reaffirms SDT as an integral part of WTO Agreements. While SDT allows selected developing countries to receive preferential market access and implement WTO Agreements in a phased manner, it tends to weaken WTO principles, distort trade patterns, and slow down necessary reforms. Therefore, it is important that efforts to incorporate SDT into the architecture of WTO rules take full account of developing countries' experience with SDT.

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