

The Stalemate of the Doha Development Agenda Negotiation and Some Policy Implications for Its Completion

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Background

It is regrettable that the Doha Development Agenda (DDA) negotiation, which was launched in November 2001, has been at stalemate for more than 11 years. As many empirical studies have shown, the progress of the multilateral trade liberalization is crucial for the continuous growth of the global economy. The stalled DDA negotiation is expected to impede on the continuous growth of the world economy.

Against this backdrop, this study intends to analyze the factors that have led to the stalemate of the DDA negotiation and present some policy implications for its completion. In particular, this study tries to analyze the delaying factors in the three major market access areas, namely, agriculture, non-agriculture market access (NAMA) and services. Moreover, this study aims to present some international cooperation plans, as Korea alone cannot solve the problems.

Factors for the Stalemate of the DDA Negotiation

Overall reasons

There are various reasons for the stalemate of the DDA negotiation. We can consider the following overall reasons that the DDA negotiation has not been progressed so far.

First, the U.S. has not shown its political leadership. President Obama has not asserted his leadership in international trade policies under the circumstances that his approval rating has been falling.

Second, in the European Union (EU), where its member nations have suffered the fiscal crisis, it is difficult to expect that the European Commission continue to take the central role that it has undertaken at the WTO. In particular, the economic conditions where each member nation experienced high unemployment rates and sharp reduction in industrial production due to restructuring do not support the policies for market opening and reduction of subsidies in the sensitive agricultural sector.

Third, Free Trade Agreement (FTA) as a substitute for the DDA negotiation has been proliferating. As major member countries are actively pursuing FTA negotiations, the effectiveness of the DDA negotiation with regard to market opening is declining. Furthermore, while the realization of the benefits of market opening through the multilateral liberalization negotiation is damaged, tough issues remain such as reduction of agricultural subsidies in the DDA negotiation, which is difficult to overcome politically.

Lastly, it needs to be noted that the enlargement of the WTO membership, since the launch of the DDA negotiation, makes it even more difficult to coordinate the various inter-

est relationships among members and thus makes the negotiation dynamics more complicated.

Sector-specific reasons

Meanwhile, if we analyze the delaying factors in the three key market access sectors, the key issues in the agricultural sector can be divided into domestic supports and market access areas. In domestic supports, developing countries are confronting the U.S. in that excess benefits are given to the U.S. in the draft modalities for agriculture. In market access areas, special products and special safeguard mechanism for developing countries are the key issues. In particular, it is generally accepted that a special safeguard mechanism is necessary, but India is confronting the U.S. and EU on its conditions for exceeding the UR concession rates.

In NAMA, because members agree on the Swiss formula as the tariff reduction scheme, the sectoral liberalization is the remaining major issue. Regarding this issue, whether China will participate or not is the key. The participation of the emerging developing countries such as China, which takes important shares in the world trade, is crucial to reach the critical mass in order for the sectoral liberalization to be taken into effect. However, China is opposing the idea of the mandatory participation, arguing that the participation in the sectoral liberalization negotiation must be on the voluntary basis.

In the service sector, it is difficult to compare the importance of market access, national treatment and additional commitment. Furthermore, it is also difficult to coordinate the interest relationships among each service sub-sectors that is exposed to pressures from interest groups and non-government organizations (NGOs). In addition, developing countries do

not have interest in the multilateral liberalization negotiations due to their worries about possible market failures. Accordingly, the trade-off negotiations among the various service sub-sectors have not been tried. Furthermore, the lack of progress in agriculture and NAMA also affect service negotiations. This is because the deadline of the submission of the second revised offer is linked to the deadline of the modalities of the agriculture and the NAMA since the Ministerial Declaration at the Hong Kong Ministerial Conference in December 2005.

Some Policy Implications for the Completion of the DDA Negotiation

Overall international cooperation plans

Under these circumstances, two scenarios can be considered as the overall international cooperation plans for the completion of the DDA negotiation. The optimistic scenario is to conclude the DDA negotiation comprehensively based on the appropriateness and necessity that the DDA negotiation, as the first multilateral negotiation since the inception of the WTO, should be concluded successfully. On the other hand, the pessimistic scenario is to finish the DDA negotiation with an agreement on the minimal negotiation agenda which realistically saves the significance of the DDA negotiation by taking into account of the current stalemate and avoid the failure of the DDA negotiation.

For the optimistic scenario, it can be proposed that duty exemptions be provided to the products from the Least Developed Countries (LDCs). It can also be proposed that the trade

facilitation issue be linked to the aid for trade. That is, while expanding the aid for trade, by linking the assistance through the aid for trade with the progress of the trade facilitation, it can effectively alleviate the financial burden on the part of the developing countries that undertake trade facilitation. In addition, IT service agreement can be proposed because it can be considered as a precondition for the success of the ITA II negotiation, considering the current phenomena of fusion between IT goods and services. Lastly, an environmental trade agreement can be proposed. As the Korean government is actively supporting the Climate Change Convention, a proposal for the environmental trade agreement can be considered to materialize the positions of the Korean government in this regard.

In the pessimistic scenario, the market access side can be considered to adopt the most conservative version among the various proposals put forward so far in the goods area and also to adopt the revised offers in the services area which have been submitted since May 2005. In addition, as a way to alleviate the oppositions from the developing countries, the linkage between trade facilitation and the aid for trade as well as the duty-free and quota-free treatment for LDCs can be considered.

Sector-specific policy implications

As compromise is planned to be made in the major sectors, firstly in the agricultural sector, it can be summarized that developing countries accept the position of the U.S. in the domestic support on the level of the fourth revision of the draft modalities, while they can attain concessions from the developed countries in issues of special products and special safeguard mechanism (See Table 1 for detailed compromise plans).

Table 1. Compromise Plans for the Key Issues in the Agricultural Sector

Areas	Issues	Compromise Plans	Assessments
Domestic Support	Blue Box Subsidies	Recognize the US position	Concession from the Developing Members
	Cotton Subsidies	Accept the Fourth Revision of the Draft Modalities	Reflect the Interests of the Developing Members
Market Access	Special Products	Accept the Fourth Revision of the Draft Modalities	Concession from the Developed Members
	Special Safeguard Mechanism	Accept the Fourth Revision of the Draft Modalities if it doesn't exceed the UR concession rates	Concession from the Developed Members
		If it exceeds the UR concession rates, add the following restrictions	Compromise between the Developing and Developed Members
		Reduction in the additional tariffs	Partial Concession from the Developing Members
Reduction in the invoking period		Partial Concession from the Developing Members	
	Reflect the normal increase of trade	Partial Concession from the Developing Members	
	Relaxation of re-invocation	Concession from the Developed Members	

Source: By Authors.

In NAMA, the U.S. and China should agree on the sectoral liberalization negotiations. For example, the U.S. can have China participate in one of the sectors that it prefers and instead the U.S. should participate in the negotiation for textile and clothing and allow China to select another sector voluntarily. Otherwise, it can be also considered to conclude the NAMA negotiations abandoning the sectoral liberalization negotiations since the benefit by doing so will still be greater than the loss from the failure of the overall NAMA negotiations.

In the service area, it is inevitable that its progress is tied with the progresses in the agriculture and NAMA. In the service area alone, it is necessary to have enhanced prudential regulations and pro-competitive regulations in order to alleviate the worries of the developing countries about the possible market failure. As a method of attaining this objective, a 'services knowledge platform' has been proposed

by some service experts¹, where sectoral regulators, trade negotiators and interest groups can discuss the assessment of the current policies and possible reforms to bring benefits.

This services knowledge platform can be applied to the sensitive Mode 4 area by inducing cooperation from the supplying members in that they promise such obligations as pre-movement screening and selection, accepting, and facilitating return, and commitments to combat illegal migration.²

It can also be applied to the maritime transportation. In this sector, one of the critical hurdles on the part of the regulators is the anti-competitive practices in the port services of other members. Hence, a Reference Paper to contain a clause for competition safeguard in the port services can be considered as a solution to overcome this hurdle.

¹ See High Level Trade Experts Group (2011), p. 24.

² Hoekman and Mattoo (2011), pp. 12-13.

In the audio-visual service, another sensitive sector in the services negotiations, the services knowledge platform can also be applied. We can consider a compromise between trade negotiators and regulators by binding the status-quo in the market access area and by respecting the authorities' right to regulate concerning the subsidies. **KIEP**

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