

Why has the unsuccessful Doha round resulted in bilateral and inter-regional FTAs and what are the consequences for global trade?

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Overview

- The Doha Development Agenda is the **ninth WTO multilateral trade round** of negotiations launched in Doha, Qatar in **November 2001** that was to be concluded by **early 2005**.
- Some of the main points on the agenda were **reduction of barriers** in the **services sector**, **environmental issues**, and **freer trade in agricultural goods**.
- Moreover, Doha was the **first WTO round** in which big emerging markets like **Brazil**, **China** or **India** had an **important saying**, thus increasing the complexity of negotiations.

Overview (Cont'd)

- However, talks **collapsed several times** and deadlines were constantly overdue.
- After ten years, trade negotiators **have failed to reach an agreement** and it seems challenging to end the Doha Round in the foreseeable future.
- Due to Doha's collapse a number of countries are **resorting to bilateral negotiations** or **regional trade agreements instead** of the lengthy multilateral process negotiations of the WTO.

Overview (Cont'd)

- The failure of Doha threatens the **credibility** of the **multilateral trade system** and raises attention on the need of **reforming the outdated structure of WTO** in order to reflect better the circumstances of the 21st century.

Causes of the Doha failure

- Firstly, Doha's failure was partly due to the **division between developed and developing countries**.
- **Emerging economies have become a dominant force** in the global economy and are having a stronger power of influence than ever.
- For example, when China entered the WTO in 2001, no one expected it to become the world's largest exporter in 2010; now, issues like China tariff profile or renminbi value have become of global interest giving China great influence during negotiations. (Hufbauer; 2011)
- During Doha's negotiations, the **emerging economies** pursued maximum flexibility for their group and **focused on the market-opening obligations of the developed countries**.
- On the other hand important actors like the **United States** or the **European Union** have **lost ground in negotiating**.
- The greatest cuts in tariffs and the **most significant burdens fall on the developed countries**, while **developing countries enjoy more relaxed cuts and slower implementation time**, having significant flexibility.

Causes of the Doha failure (cont'd)

- Another issue was **agricultural trade**, a sensitive topic especially for countries like US and the EU that heavily subsidize this economic sector.
- Negotiators showed concern that the **severe tariff cuts** will affect their economies without any significant gains.
- So it was **difficult for governments to convince domestic interest groups** to agree with the tariff cuts.
- Nevertheless, at the Hong Kong Ministerial in 2005, governments reached an agreement in this direction (the EU agreed to eliminate agricultural export subsidies by 2013 while **industrialized countries agreed to eliminate 97% of the tariffs on exports** of the least developed countries).
- Timing was another issue raising concern between US trade partners about whether the US congress will accept the negotiated commitments.
- In addition, after 2008, the Doha round was **confronted with the financial crisis** and with the rapid changes that took place in the global economy which made the **negotiation structure** and **the dichotomy between developed and developing countries obsolete**.

Consequences and implications

- Taking a realist point of view, by referring to the self-help principle: no other state or institution can be relied upon to guarantee your state's survival (Baylis; 2011) we might understand why states are leaning towards regionalism.
- The logic of self-interest overcomes the interests of collective goods; in our discussion, "free trade".
- Furthermore, individual states believe that they could increase their wealth by pursuing the protectionist advantages of an FTA.
- This thinking increases the likelihood of other states to resort to FTA's thus interfering with international trade liberalization, WTO's basic goal.
- The tendency of resorting to bilateral and regional free trade agreements has eroded political will to support the multilateral trade system as these FTA's are being perceived as easy alternatives.
- Although RTA's liberalize trade they nevertheless institutionalize discrimination through trade diversion.
- RTA's could also lead to the creation of rival and more protectionist in other regions leading to a spiral of protection between these trade regions that would undermine global trade liberalization (Oatley, 2010).