

The Role of the WTO in Assisting Developing Countries, Especially the BRICS: an Analysis of Doha and Bali

Mr Tarun¹, Ms Nishi Malik²

Corresponding Author: Mr Tarun

Abstract: *WTO have 164 members now which were 29 on 1 January 1995 and two third of which are developing nations. They play a very important and active role in the WTO due to their large numbers. They are having very important role in global economy so an attempt is made in this paper to examine whether the WTO policies have positive or negative effect on the trade of developing countries special reference to BRICS nation. This paper focus on the analysis of Doha and Bali agenda and their impact on developing countries.*

Date of Submission: 14-10-2018

Date of acceptance: 28-10-2018

I. Introduction

The World Trade Organization was developed in 1995. It is one of the youngest international organizations. WTO is the progeny to the General Agreement on Tariffs and Trade (GATT) established in the wake of the Second World War and came into force on 1 January 1948. So while the WTO is still young, the multilateral trading system that was originally set up under GATT is well over 50 years old. The past 50 years have seen an exceptional growth in world trade. Merchandise exports grew on average by 6% annually. Total trade in 2000 was 22-times the level of 1950. In replacing the General Agreement on Trades and Tariffs (GATT), the World Trade Organization's (WTO) purpose was to equalize trade conditions and create a fairer trade environment for goods and services and the free flow of trade. For two decades, the WTO has tried to serve as an impartial forum for countries to confer. The General Council convenes as the Dispute Settlement Body (DSB) to deal with disputes between WTO members that is its crown jewel and most notable achievement. The WTO, as well as any other international organization, brings many members who join voluntarily but have external interests that conflict. Most notably, the WTO is home to developed nations as well as developing countries – countries with unstable economic conditions that still are attractive economies. This paper will analyze how the WTO, in its role as a forum for trade. The focus will be on the WTO's Doha Development Agenda, India's food reserve policy and the Trade Facilitation Agreement (TFA), which were outcomes of the Bali round of negotiations. Nations have different priorities, but a sound economic environment will depend on strategic factors. At its core, the WTO promotes international welfare with a multilateral trading system. Notably, the WTO decision-making is unanimous. It concentrates a broad set of members with highly differentiated interests and needs, which brings dense political weight to the organization.

In Doha Agenda highlighted certain concerns, such as agriculture subsidies, textile and clothing trade and trade related to intellectual property. But much of what was accomplished as agreed under the Doha round was slowly implemented. The "Bali Package" focuses on a new agreement on trade facilitation aimed at reducing bureaucracy and facilitating customs procedures to cut the cost of doing business. This paper examines some of the most relevant points in assessing economic growth: the correlation between the points in the Doha Agenda and the Bali Package.^[1]

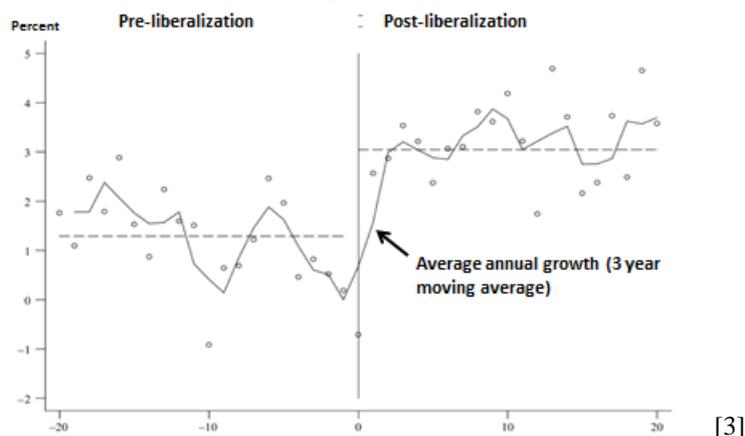
The Doha Agenda

The Doha Development Agenda, more often referred to as the Doha round, this round was launched in November 2001 – and it's still not over. It is the latest cycle of negotiations under the umbrella of the World Trade Organization (WTO), the Geneva-based negotiator of global trade. There have been nine rounds of multilateral trade talks since the end of the second world war, but the Doha round is the first to focus on helping developing countries join the global marketplace, and boost their economies as a result.

Generally talking, the aim of any trade negotiation is to make it easier to trade across national boundaries. If we talk about Doha round, that means cutting import duties which are known as tariffs – on everything from grains to automobiles to daily necessity goods that means restriction on countries' to provide subsidies to farmers and farmers; reducing taxes and barriers to enhance cross border trade in service such as banking, insurance, consulting communication etc and negotiating new intellectual property rules on things such as medicines, patents, copyrighted works etc.

Though the WTO has 160 members over its 20 years of existence, about two-thirds are developing economies and developing countries have most of their population living in rural areas so this was the reason because of which farming subsidies issue was critical in the Doha Round. The United States knew that it steadfast to offering more farm subsidy cuts and the European Union knew it would need to cut down on agriculture tariffs, so all large rising countries would need to offer deeper industrial and agricultural tariff cuts. Yet after more than five years of preparations, when the deal was there for the taking none of the key players stepped up to make it happen because the doubt to trade opening was based on the fact that countries tended to associate high unemployment rates with increasing trade liberalization. The conclusion given by the International Labour Organization (ILO) and the WTO is that trade opening leads countries to seek to leverage where they can have a comparative advantage, and that this carries short-run effects in which certain sectors of the economy will endure the conversion. Studies display that except other reasons, liberalization helps raise the average trade to Gross Domestic Product (GDP) ratio.^[2]

This can be proved by the graph shown bellow which is taken from:



After evaluation it is found that mostly developed countries maintained a balance between trade liberalization and social security programs that may succeed to promote stable economic growth where as developing countries including the BRICS, did not necessarily suffered from reducing local taxes on industrial products rather than the key factor was the maintenance of well-constructed social policies.

Would a Doha deal be good for developing countries?

That depends on what kind of agreement the negotiators come up with. It also depends on who you ask. Most people would agree that stronger restrictions on farm subsidies in the EU and the US would be good for farmers in the developing world. But if developing countries sign a deal that severely limits the tariffs they're allowed to place on, say, imports of maize, that could make it harder for them to protect their domestic maize farmers in the event of a drought or other disaster at home. Most economists would tell you that, broadly speaking, that sort of "protectionism" – which a Doha deal would guard against – is bad for the global economy, but a lot of anti-poverty activists would disagree.^[4]

Bali Round

The Bali Ministerial Declaration and accompanying ministerial decisions — known informally as the Bali Package — were adopted at the Bali Ministerial Conference on 7 December 2013. Subsequent decisions related to the Bali ministerial outcomes were adopted by the General Council on 27 November 2014.^[5]

Despite many shortcomings and after several suspenseful days and nights of meetings, ministers finally signed off on their first multilateral trade deal since the creation of the WTO. The final agreement begins with a three-page ministerial declaration, acknowledging the accession of Yemen and adopting decisions on the ten texts regarding the three pillars of the Bali package: trade facilitation, some agricultural issues, and selected development-focused provisions (WTO, 2013a). It also features a series of decisions submitted by the General Council in areas such as e-commerce and TRIPS non-violation and situation complaints, as well as other standing items at WTO ministerial.

The Bali package is an agreement on a small subset of issues being negotiated under the Doha Round, launched in 2001 in Qatar. It represents, however, the first truly multilateral agreement negotiated under the auspices of the 20-year-old organization, in what was seen by many as the last opportunity to save the Doha talks Finally.^[6]

The Bali Package created interest of BRICS nation in WTO in positive manner by providing helping hand. With the Doha Round in 2001, member states declared their willingness to negotiate a more liberal multilateral trade regime that would make trade serve the development of all countries.⁹ But because this was only a declaration, the big players often diverted in different ways and negotiated regional agreements in their own terms. At Bali, the areas of trade facilitation, food security and agricultural subsidies and matters concerning the least developed countries (LSD) were discussed; much of the debate related to the BRICS. The BRICS are devoting time to the formation of an effective anti-cartel system and growing cooperation between competition authorities of the BRIC countries. This is why the Bali Round was fundamental in trying to solve key issues for the BRICS members, such as India's agriculture and food matters as well as its excessive bureaucracy with the trade facilitation talk.

Food stockpiling and subsidies – the India case

The WTO Members came together at the end of November in a Special General Council meeting and took three very important decisions: First, they clarified the Bali Decision on Public Stockholding for Food Security Purposes. The peace clause agreed in Bali will remain in force until a permanent solution is found to this issue. This was a key issue for India.^[3] According to the WTO's policy, trade hindering subsidies for agriculture in a developing country cannot exceed 10% of the total value of its crops.^[7] Under the main limelight at Bali were the methods on how developing countries, led by India, deal with food instability as they are depend on imports. Agriculture is the main employment source in developing country like India. It is emulated that the growth of food stockholding schemes in the build to the Bali meeting was the result of the failure of WTO members to agree on fair solutions for updating farm trade rules, in respect to the new market trends. Public maintain food reserves in countries that often suffer from shortages of daily supplies, like India and other developing nations. India's policies on agriculture sponsored the whole consumer chain by protecting farmers and distributing food to the population. The argue was close when India led the G33 group of developing countries in stating it would pay above-market prices for stockpiled food it bought from local farmers. As a member of the BRICS, India trust on the WTO system to which ensure that control of world trade is no longer in the hands of developed nations only. On the issue of insertion the BRICS as main part in international trade, India's position while apparently less cooperative than expected, represented that the WTO's common decision-making process thinks the BRICS with huge bargaining power as development of international commerce continues.

Trade Facilitation

The WTO member countries in November 2014 adopted a "protocol of amendment" incorporate the TFA on goods in the overall WTO agreement. For the TFA to be operational, two-thirds of WTO members will have to ratify it. However so far only 68 of the 162 WTO member countries have ratified it.^[8]

The objectives of TFA are :

- To speed up procedures of customs.
- Make trade faster easier and cheaper.
- Provide transparency, efficiency and clarity in trade.
- Reduce bureaucracy and corruption.
- To advance the technology.
- TFA having provisions on goods in trade, landlocked issue of trade with neighboring countries through ports.

The thought of TFA was that if the customs procedure of import and export are simplified that will result in rapid pace of international trade volume [9]

Where as BRICS countries differ to a large extent with respect to their trade volumes, structure and environment which create diversification in trade and tariff facilitation. The very large export oriented economy "China" is more sensitive to trade and tariff facilitation due to its large volume of manufacturing goods and primary goods.^[7]

Large economies face the same problem of enrooted bureaucracy in governmental authorities. the focus of TFA is to end up all this and reduce the red tapes at all stages of international trade. The agreement in this point, demonstrated a significance sensation of "delivery" as Director General Roberto Azevedo emphasized in the closing economy. In order to adopt full implementation of it TFA connects commitment in bureaucracy reduction to increase the technological advancement.

The broad opinion is that, if Doha was too wide-ranging because countries that arrived at the negotiation table had very distant views and lacked goodwill to reach a middle term, Bali was a significant step taken towards progress. Trade facilitation has been backed by studies showing it will successfully reduce money

expenditure on red tape. This was a sign of a growing sense of cooperation. The TFA represents a major effort by member states to craft an agreement that extends WTO rules, in a way that addresses restrictions on the ability of developing countries to implement changes.

The potential cost reduction from a “full” implementation of the WTO Trade Facilitation Agreement is 14.1% of total costs for low income countries, 15.1% for lower middle income countries and 12.9% for upper middle income countries.

If countries limit themselves to the mandatory provisions of the agreement, the potential reduction reaches 11.7% for LICs, 12.6% for LMICs and 12.1% for UMICs, 2.4, 2.5 and 0.8 percentage points less than if they “fully” implemented best practices. This scenario reveals significant opportunity costs for low and lower middle income countries, in particular.^[11] However, implementation of the full agreement was initially blocked by India due to its desire to extend permanently its food stockpiling privileges.

Brazil

The WTO Agreement on Trade Facilitation (TFA) will have a great impact on and could unlock important potential for the Brazilian transformation industry. As a developing country, Brazil would have to make significant changes in its legislation in order to adopt a single window for exporters and importers. TFA could result in gains for world GDP of up to US\$ 1 trillion. As Brazil is one of the world’s 10 largest economies, its Portal Único Programme has the potential, once fully implemented, to produce significant impacts on the Brazilian economy, with nearly US\$ 70 billion per year to be added to Brazilian GDP in the long term.^[12]

It is of note, as well, that Brazil’s commitments to trade facilitating measures can cause a general effect on the highly protectionist agricultural policies the country adopts. Brazil, as an economy still largely dependent on the export of raw materials, has a rigid legislation prohibiting the purchase of large plots of land by foreigners without congressional approval. Though bills of law propose that these restrictions should be lessened, the WTO can again be a useful tool for interested members that could pressure Brazilian authorities to ease access of foreign players to the nation’s agriculture market. In exchange, local producers could certainly benefit from the income of advance technology and diverse production techniques.

II. Conclusion

WTO is a platform to join hands for economic development and disputes settlements. Yet some loop holes were there in Doha round because of which Negotiations for the WTO’s Doha Development Round had been suspended for years due to differences on issues such as trade barriers and agricultural subsidies. Having previously been opposed to the idea of an early agreement package, India now supports an early outcome; however, it believes that if a small package is to be the result of the deliberations in Bali this December, it is imperative that development be at the core of all negotiations. In this regard India could benefit largely from a TFA. According to the Organization of Economic Cooperation and Development (OECD), India has the potential to draw considerable benefits in terms of trade volumes and trade costs from significant improvements in the areas of fees and charges and the streamlining of procedures.

Pascal Lamy, the outgoing Director General of the WTO, stated earlier that an agreement on trade facilitation had the potential to boost the global economy by \$1 trillion.

Still we can see the impact of WTO is empowering the developing nations. Trade in agriculture is also a huge opportunity for the BRICS nations. BRICS cooperation may lead to great effects which can persuade the WTO negotiations.

References

- [1]. <http://ssrn.com/abstract=301394>
- [2]. <http://cep.lse.ac.uk/pubs/download/CP210.pdf>
- [3]. <http://www.oecd.org/site/tadicite/50258009.pdf>
- [4]. <https://www.theguardian.com/global-development/2012/sep/03/doha-round-trade-talks-explainer>
- [5]. https://www.wto.org/english/thewto_e/minist_e/mc9_e/balipackage_e.htm
- [6]. <http://poldev.revues.org/1744>
- [7]. Bailing out from Bali. Available at <http://www.economist.com/news/finance-and-economics/21611088-indias-scuppering-latest-trade-talks-leaves-no-one-better-bailing-out>
- [8]. http://www.thehindu.com/business/india-wants-wto-to-work-on-services-trade-facilitation-pact/article8214089.ece?gclid=EAJlaIQobChMIzbDw6Zeq2QIV2QQqCh0vigzCEAMYASAAEgL_LfD_BwE
- [9]. <https://www.indianeconomy.net/splclassroom/what-is-trade-facilitation-agreement-tfa-of-the-wto/>
- [10]. <http://www.iie.com/publications/papers/hufbauerschott20130614ppt.pdf>
- [11]. <http://www.oecd.org/trade/facilitation/indicators.htm>
- [12]. https://www.wto.org/english/res_e/booksp_e/trade-costs-incl-growth_chap10_e.pdf
- [13]. <https://www.tralac.org/discussions/article/6762-the-wto-breakthrough-on-the-bali-package-the-trade-facilitation-value-chain-and-african-integration.html>