

Why the doha round
negotiation wasnt
concluded until today



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Explain why the Doha Round negotiation has failed to be concluded until today.

The Doha Development Round or Doha Development Agenda (DDA) is one of World Trade Organization (WTO) efforts to liberalize international trade which was commenced in November 2001 with the objective of lowering trade barriers around the world. This allows countries to increase trade globally; permitting free trade between countries; to open agricultural and manufacturing markets and expand intellectual property regulation. As of 2008, talks have stalled over a divide on major issues, such as agriculture, industrial tariffs and non-tariff barriers, services, and trade remedies. The members of Doha Round are consisting of the developed nations which led by the European Union (EU), the United States (USA), and Japan and the major developing countries which led and represented mainly by India, Brazil, China, and South Africa. The Ministerial Conferences and related negotiations have taken place in:

1. Doha, Qatar (2001)

The main issues discussed were the Singapore Issue which comprises the new rules on investment liberalization, competition policy, government procurement, market access, and control on trade and any form of 'red-tape' including e-commerce. The Singapore Issue was agreed by the industrial countries at WTO Ministerial meeting in Singapore in January 1996 without negotiating with the developing countries. Furthermore, it also links to the Non- Agricultural Market Access (NAMA) with the method of reducing tariff rates of manufactured product. Besides that, the issue regarding the

liberalization and removal of subsidies for agriculture particularly by industrial countries that are reluctant in reducing or removing subsidies caused the failure of agreement.

2. Cancun, Mexico (2003)

The Cancún ministerial collapsed after four days for several reasons such as both the European Union's Common Agricultural Policy and the United States government agro-subsidies could not come to an agreement with the other countries concerning their subsidies in agriculture sector. Furthermore, the developing countries also rejected the Singapore Issue that erodes country sovereignty. Moreover, the government of the developing countries did not have freedom in drafting and implementing development policies for the people welfare and national interest.

3. Geneva, Switzerland (2004, 2006, 2008 and 2009)

It failed in 2006 because of farming subsidies and lowering import taxes. The developing countries were "instructed" to reduce tariff rates to the level which will harm the domestic industries. However, USA wanted the developing countries to open up their agricultural market, eliminate special treatment given to local industries, and eliminate special safeguards mechanisms (SSM) but yet they themselves reluctant to open agriculture market. Furthermore, the chance of success in this agreement is getting smaller as the Trade Act of 2002 expires in the year of 2007. The broad authority granted will pass to the US president George W. Bush and this will increase the dominant power of US and this would create conflicts between the interests between developed and developing countries.

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4. Paris, France (2005)

France disagreed to cut subsidies to farmers, while the US, Australia, EU, Brazil and India failed to come with agreement relating to chicken, beef and rice. Although most are minor points, trade negotiations are facing more problems when dealing with major issues. The 'delaying tactics' played by EU were charged to be the reason threatened to spoil the round.

5. Hong Kong (2005)

Industrial countries remain unfair towards the developing countries opening up the agriculture sector, services sector, and manufacturing goods. Besides that, the rules that proposed for countries brought negative impact or so called "industry injury" in opening economy to rectify matter which the possible sectors including textile, clothing, sugar, leather products that known as sensitive products. For instance, the Malaysia government opens up the textile market if deal with the agreement. However, in one or two years later, due to the openness of the textile market might hurt domestic textile industries in Malaysia. This is so called the industry injury as it brings negative impact or backslides to local Malaysia textile industries. Hence, the government can increase tariff rate for temporary to protect key industries before exposing them to foreign competitions as what Japan and South Korea did it successfully.

6. Potsdam, Germany (2007)

In June 2007, due to the disagreement on opening up agriculture and industrial markets in various countries and cutting rich nation farm subsidies,

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the agreement again broke down. The main countries involved in this were the US, EU, India and Brazil.

There are several reasons which result in why the Doha Round negotiation has failed to be concluded until today. First of all, the failure to agree on special safeguard mechanism (SSM) during Geneva 2008 which aimed to protect poor farmers by allowing countries to impose a special tariff on certain agricultural goods when there is a rise in import rise or fall in the price. Under SSM, the United State and EU protect their productions and their domestic markets by giving high subsidies. As a result, the United State farming community enjoys very low cost of production and their products are extremely cheap. The tariff on agriculture products of developing countries have to be reduced and they are only allowed to increase the tariff if their import is rose above 40%. In spite of this, India opposed the policies because it proposed to use such mechanisms when imports of agricultural products and food reached a 10% increase, while the developed countries wanted that these mechanisms triggered at a 40% increase on import. This would possibly caused millions of agricultural workers to have suffered the negative outcomes of this liberalization. Many developing countries support India's position because India represents the strong voice expressing many poor countries which concern on the livelihoods of millions of small farmers in the developing countries and they want to protect their infant domestic markets. However, United State refused to accept the safeguards proposed by India and this results the Doha Round failed to be concluded because of the disagreement over the special safeguard mechanism (SSM) issue.

Next, the other factor that causes Doha Round failed to be concluded is these negotiations insisted on an exchange. The developed countries would open their markets for developing countries agricultural products while the developing countries would open their markets for the developed countries' industrial products. These negotiations are known as NAMA (Non Agricultural Market Access). If NAMA is succeeded, this would strengthen the traditional role of developed countries and their transnational corporations as exporters of high-value goods and technology and increase the risk of rapid deindustrialization of the least developed countries, while slowing down the development of the developing countries' industrial and technological advancement. Meanwhile, this would have an adverse effect on the ability of governments to design and implement policies in order to promote industry for local capitals and small and medium enterprises (SMEs) as part of a sustainable economic development and gender equity in the long term. Under NAMA, governments agreed to increase market access commitments through a tariff reduction formula that will even out or regulating the tariff levels across products to become more standardize. High tariffs will be subjected to steeper cuts than lower tariffs, and tariffs will be cut on a product-specific basis. Besides, this is a real innovation as compared to past rounds where countries were merely required to make an average tariff cut. This allowed them to pick and choose the products on which to cut tariffs and thus allowed tariff peaks to continue. The tariff cuts promoted in NAMA would open industries to competition with imported industrialized goods, which would probably hinder the local production with serious impacts for the loss of millions of employments.

In addition, the global food and fuel crisis is another major factor that caused the Doha Round failed to be concluded. In July 2008, the price of crude oil has increased from USD80 per barrel to USD145 per barrel. The prices of wheat and rice also increased more than 50% from March 2007 to March 2008. The other countries which are already reluctant to compromise on the world trade term will be even reluctant to compromise after the impact. For example, India has to stop the export of its rice to other countries due to the food crisis. This is because the oil price is too high and this will eventually affect the food production. In contrary, US tried to encourage the production of agricultural products by giving farmers generous subsidies. These US products will then flood to the international market and worsen the domestic markets of developing countries. Moreover, reducing tariff would also reduce the income of developing countries. Consequently, the developed nations will not cut subsidies while the developing nations will not reduce their tariffs.

Furthermore, the opting for bilateral or regional free trade area (FTA) by some of the member countries in WTO also one of the factors contributing to the failure of Doha Round. For instance, a deal signed by US and Japan that the US will export rice to Japan if Japan reduces its tariffs on US rice imports by 10%. US reciprocated the deal by lowering tariffs on one of the Japanese products import. However, under the Most Favored Nation (MFN) rule, Japan will need to reduce import tariff on all of its rice importers not only to USA. This rule is deemed by many especially the developed countries as unfair because developing countries become free riders under the system. Besides, countries have the alternative of forming their own FTAs with their preferred

choice of trading partner. Therefore, countries participating in the Doha Round are definitely less willing to cooperate as they feel that they have the choice of develop their own FTA later. One of the good examples would be Singapore where it signed a FTA with USA in January 2003. Singapore might deem the relatively slow developments of ASEAN as an impediment to its own growth and thus signed an FTA with US. Therefore, Doha Round still failed to be concluded.

Apart from that, the emergence of China, India and Brazil could be one of the factors that caused the Doha Round fail to be concluded. China, India and Brazil are emerging as the leaders of the developing countries recently. Their role in global trade had been increasing and US is afraid that its importance will override by these countries. Thus, US not willing to compromise in the terms under Doha Round because they do not want to give out any benefits to these rival countries.

Furthermore, there is also lack of commitment from some of the participating countries. During the Cancún 2003, it was questioned whether some countries had come to Cancún with a serious intention to negotiate. In the view of some observers, a few countries showed no flexibility in their positions and only repeated their demands rather than talk about trade-offs. The rich countries are never committed into helping their poorer counterparts but just interested in their own benefits from trades.

Developing countries want to gain more profit and want to protect their infant economies by implementing high tariffs. As a result, Doha Round failed to be concluded because the members of the countries refuse to mutually accommodate each others' requests.

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In conclusion, Doha Round has failed to be concluded until today because most of the countries are interested in own benefits than helping another countries. In fact, developed countries are shielding their agricultural sectors too much while developing countries are less interested in opening up their industrial goods markets. For instance, the most recent round of negotiations which was held from 23 to 29 July 2008, broke down after failing to reach a compromise on agricultural import rules. After the breakdown, major negotiations were not expected to resume until 2009. Nevertheless, intense negotiations mostly between the USA, China, and India were held in the end of 2008 in order to agree on negotiation modalities. However, these negotiations did not result in any progress. Thus, in order to achieve the main objective of Doha Round, the self-interested mentality should not exist. Therefore, it is not easy to create a successful conclusion for Doha Round and that is why Doha Round still failed to be concluded until today.