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UNITED NATIONS CONFERENCE ON TRADE AND DEVELOPMENT

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MARKET ACCESS ISSUES IN THE DOHA AGENDA

IV. DOHA AND MARKET ACCESS: THE CHALLENGES AHEAD

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In Doha, WTO Ministers agreed to launch "a broad and balanced work programme which includes an expanded negotiating agenda and other important decisions and activities necessary to address the challenges facing the multilateral trading system".[1] The agenda contains matters for immediate negotiation, matters for future negotiations that are subject to "explicit consensus" among WTO Members on modalities, to be decided at the Fifth Ministerial Meeting (scheduled for 2003), and matters for further examination in relevant WTO bodies.

In the first category are included negotiations on agriculture, services, industrial goods, environment, WTO rules regarding anti-dumping, subsidies and countervailing measures, dispute settlements, regional agreements and fisheries subsidies. As discussed earlier, in this paper the focus is on market access issues in the area of merchandise trade.

Agriculture is of critical importance to many developing countries in terms of gross domestic product (GDP) and employment, and thus plays a key role in meeting development objectives such as poverty alleviation and food security. Negotiations on agriculture began already in 2000 under the "built-in agenda" of the Uruguay Round, with the long-term objective of establishing "a fair and market-oriented trading system through a programme of fundamental reform encompassing strengthened rules and specific commitments on support and protection in order to correct and prevent restrictions and distortions in world agricultural markets". The negotiations are aimed at "substantial improvements in market access; reductions of, with a view to phasing out, all forms of export subsidies; and substantial reductions in trade-distorting domestic support". There is to be special and differential treatment for developing countries in negotiations and eventual concessions and commitments, and "as appropriate in the rules and disciplines to be negotiated, so as to be operationally effective and to enable developing countries to effectively take account of their development needs, including food security and rural development". Non-trade concerns are to be taken into account in the negotiations, as provided for in the Agreement on Agriculture.

In the Uruguay Round non-tariff barriers were eliminated or converted into tariffs on the basis of computations by each WTO Member, and these tariffs were then reduced by 36 per cent (24 per cent by developing countries) over the implementation period. However, tariffs on traditional agricultural exports of developing countries (primary commodities and agricultural raw materials) are either zero or minimal in developed country markets, except for a limited number of "sensitive" products such as sugar, rice and tobacco. Given a continual deterioration in the terms of trade in those sectors, the export interests of developing countries have shifted in recent years to sectors with high value-added and faster growth, such as processed food products and fresh/frozen vegetables, fruits and cut flowers. Tariff barriers against those products are significantly higher (with frequent occurrence of tariff peaks), more complex and non-transparent than those against traditional exports.

In Doha no targets, negotiating modalities or timetables for implementation were agreed. However, to meet the objectives of the developing countries, the negotiations would need to address tariff peaks and escalation, tariff quotas and their administration, and improved transparency, perhaps through the elimination of the use of specific tariffs (although there is a danger that these could be replaced by countervailing or anti-dumping measures). One possible modality which would ensure substantial cuts in the bound tariffs, specifically targeting tariff peaks and tariff escalation, is the application of a harmonized tariff-cut formula (e.g. the Swiss Formula), as proposed by many developing countries, both the net food-exporting and the net food-importing ones. Developing countries would like to see the elimination of the use of special safeguard measures (SSG) in developed countries or exemption from their application.

The elimination of export subsidies – already reduced by 36 per cent in the Uruguay Round (14 per cent for developing countries)[2] would improve export opportunities for many developing country exports while safeguarding the domestic producers in importing countries from artificially low-priced food imports. This policy change is included in the CGE simulation scenarios performed below.

Immediate negotiations are also programmed on market access for *industrial goods*, with the aim at reducing or eliminating tariff peaks and tariff escalation, as well as non-tariff measures affecting all products and in particular products of interest to developing countries. Support for negotiations on market access for industrial products, essentially tariff negotiations, grew up to and beyond the Seattle Ministerial Meeting. This support seems to have been based on the realization that inclusion of industrial products would permit some cross-sectoral trade-offs with the built-in market access negotiations on agriculture and services. There was also a realization that developing countries have much to gain in this area since tariffs on their exports are particularly high and there are welfare gains to be obtained from further liberalization in this area. On the other hand, some developing countries are concerned that making further concessions could limit their scope for industrial development programmes.

Overall, as shown in the previous section, industrial tariffs are now modest, with the trade-weighted average tariff on industrial goods in the developed countries standing at some 3.5 per cent at the end of 2000. However, this does not take account of high tariff peaks and escalation.[3] As we have also seen, these high rates, in both developed and developing country markets, are often concentrated in products of export interest to the developing countries. Developing countries' bound tariffs affecting imports of manufactures are also relatively high, but applied MFN rates and preferences under regional trading arrangements (RTAs) are lower in practice (Laird, 1999). The potential gains from liberalization in this sector are discussed in the next section.

Another issue of concern to developing countries is the possible erosion of tariff preferences such as those granted under the Generalized System of Preferences (GSP). On the other hand, developing countries may also be expected to gain from the erosion in intra-industrial country preferences, e.g. intra-EU trade, EU-EFTA, Canada-United States trade, etc. Any negative effects on developing countries from further MFN liberalization may need to be addressed with appropriate support measures.

Liberalization in *textiles and clothing* (the "integration of textiles and clothing into the GATT 1994") has been a key concern of the developing countries in relation to the implementation of the Uruguay Round Agreements. Following nearly 50 years of restrictions, the Agreement on Textiles and Clothing (ATC) defines three successive stages for liberalization in textiles and clothing: 1995-1997, 1998-2001 and 2002-2004. On 1 January 2005, the textiles and clothing sector should be in full compliance with the rules of GATT 1994. However, the WTO Textile Monitoring Body (TMB) has reported that while there has been progress towards bringing trade in textiles under the GATT 1994 disciplines, a significant number of restrictions are still in place, causing serious disappointment to a large number of developing countries that are major textile exporters. While the overall liberalization target of 51 per cent on 1 January 2002 (the beginning of the third stage of integration provided for by the ATC) is on track according to the strict provisions of the agreement, only about 20 per cent of imports under specific quota restrictions have been liberalized by the United States and the European Community (WTO, 2001b). This process of holding off the major liberalization until the end of the implementation period ("backloading"), together with the use of special safeguards, tariff increases, restrictive rules of origin and anti-dumping, has been a major concern. Annex II of the Doha Decision on Implementation-Related Issues and Concerns contains important provisions to encourage faster movement on textile quota liberalization and an agreement by liberalizing countries to exercise restraint in the application of anti-dumping for two years after the full integration of textiles and clothing into the GATT 1994. How these exhortatory provisions will work in practice remains to be seen.

One question that still needs to be addressed is how to link these stylized facts on dynamics of trade patterns and market access with the theory predictions surveyed at the beginning of this section. While some preliminary conclusions have been already formulated, a more elaborate answer would require a thorough empirical analysis. This issue is further analysed in the next section, where, on the basis of a widely used CGE model for policy analysis, a series of simulations are performed in order to identify the magnitude and direction of changes arising from a new round of multilateral liberalization.

Notes:

1 WTO document, WT/MIN(01)/DEC/1 of 20 November 2001.

2 An additional guarantee of reductions stemmed from the second condition, namely that the volume of subsidized exports had to be reduced by 21 per cent from the base period level.

3 A number of complex technical questions to be resolved in relation to tariff negotiations are reviewed in Laird (1999).