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

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i. Introduction

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. Aligning structural imbalances in multilateral commerce in an asymmetrical economic environment was pivotal.

For two decades, the WTO has tried to serve as an impartial forum for countries to negotiate. It has successfully administered a sophisticated dispute settlement mechanism that is its crown jewel and most notable achievement. On the other hand, WTO ministerial conferences are often regarded to be perfunctory affairs, branded as ‘house-keeping’ exercises and structured to disperse the more fiery aspects of multilateral politics in the trade environment.¹

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

talks, can assist developing countries – the BRICS in particular – find progress. 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.

The Uruguay Round that created the WTO left many subjects unanswered, especially agriculture. The attempt to subject it to disciplines similar to those that govern trade in manufacturing was partially successful: export subsidies and domestic support measures were reduced but not eliminated. Thus, Doha set out in its final agenda the need to discuss and develop more consensual policies.

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 2001, the member states reached an understanding on several aspects that would drive the workforce. The 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 and how this may ultimately assist in the development of

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developing countries and, in essence, the presence of the BRICS in international economy and politics.

ii. **The Doha Agenda**

The Uruguay Round took six years to be negotiated and was merely the kick-off for the World Trade Organization. It was foreseeable that poles and interest groups would form over time. The Fourth Ministerial Conference in Doha, Qatar, in November of 2001, saw government officials from the member states launch a new set of negotiations.

Academic research is highly critical on what the initial goal of the Uruguay Round was and what it displayed as a final product. Industrial countries were to reduce their barriers to exports from the South, especially in the most important sectors, like clothing, textiles and agriculture. Despite the failure of the Uruguay Round to address all key points from the start, the coalition of countries built up a complete and extensive list of work in the Doha negotiations.

In short, Doha aimed to eliminate distorting domestic support in agriculture, reduce tariffs and create a method for tariff escalation: higher tariffs protecting final products and lower tariffs on raw materials. Another highly debated factor was trade facilitation – i.e. reduction of bureaucracy easing customs procedure and clearance of exports and imports. Generally speaking, the Doha Agenda aimed to cut import taxes, restricts countries' use of subsidies for agriculture and lower taxes and regulatory barriers that affect the multilateral trading system. Doha produced a final declaration on intellectual property issues, as well as on the implementation of policies, but lacked conclusion on many points that sparked heated discussions.

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While the WTO has 160 members over its 20 years of existence, about two-thirds are developing economies. The WTO is the “arbiter” of global trade. In line with the World Bank, a developing country is a country in which the majority of the population lives on less money and with fewer basic public services than persons in highly industrialized countries. While this is a broad definition, scholars and anyone interested in current issues are able to determine whether a certain country is a developed or developing nation. Countries with a Gross National Income (GNI) of US$ 11,905 and less are defined as developing.

Because developing nations have most of their population living in rural areas, the farming subsidies issue was critical in the Doha Round. There was also concern that the Doha approach was a minimalist one. The United States knew that it committed to offering more farm subsidy cuts. The E.U. knew it would need to cut down on agriculture tariffs. Large emerging countries would need to offer deeper industrial cuts.

Much of the skepticism to trade opening was based on the fact that countries tended to associate high unemployment rates with increasing trade liberalization. The conclusion invoked 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 transition hardship. Studies display that, absent other reasons, liberalization helps raise the average trade to Gross Domestic Product (GDP) ratio.

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4 Data available at https://www.wto.org/english/thewto_e/whatis_e/tif_e/org6_e.htm
5 Doha round trade talks - explainer. Available at http://www.theguardian.com/global-development/2012/sep/03/doha-round-trade-talks-explainer
6 Data available at https://www.wto.org/english/thewto_e/whatis_e/tif_e/org6_e.htm
Moreover, a recent study provided data that alleged that jobless rate was not a result of increased imports in the long run. Since 1990, the imports line constantly rose and diverged from a fairly constant line of unemployment rate.

Source: wds.worldbank.org/external/default/WDSContentServer/WDSP/IB/2013/05/28/000442464_20130528112411/Rendered/PDF/775730JRN020080alization0and0Growth.pdf
In having evaluated mostly developed countries, the graphic might suggest that trade liberalization that is tied to the maintenance of effective social security programs may succeed to promote stable economic growth. Developing countries, including the BRICS, will not necessarily suffer from reducing local taxes on industrial products. The key factor is the maintenance of well-construed social policies.

iii. The Bali deal

Past the effect that Doha represents in the geopolitics of trade, the WTO has over the years played a significant role in implementing its applauded Dispute Resolution mechanism, its data collection expertise and review of trade policies. The general sense, however, is that implementation was inconsistent and lacked further development in the Doha Agenda. Bali was the Ninth
Ministerial Conference, held in December 2013, and the first one headed by the new Brazilian Director-General, Roberto Azevêdo.

The Bali Package shows how the WTO is a helpful hand for the BRICS. The emergence of these new players is one of the central facets of the evolution currently taking place in global trade and global governance mechanisms. 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. But because this was only a declaration, the big players often diverted in different ways and negotiated regional agreements in their own terms.

Mr. Azevêdo had been appointed to office less than three months before the Ninth Ministerial Conference and was conscious of the need to negotiate key agriculture matters. He pledged to boost world economy, adjust agricultural rules and aid developing countries, and to substantiate the WTO as a forum for trade negotiation.

As detailed in academic literature: “[i]t is precisely because agricultural earnings are so important to a large number of developing countries that the highly protective farm policies of a few wealthy countries are being targeted by them in the WTO negotiations. Better access to rich countries’ markets for their farm produce is a high priority for them.” At Bali, the areas of trade facilitation, food security and

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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 BRICS 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 talks.

a. Food stockpiling and subsidies – the India case

Under the WTO’s rules, trade-distorting subsidies to farmers in a developing country cannot exceed 10% of the total value of its harvests.\textsuperscript{12} Under the main spotlight at Bali were the methods on how developing countries, led by India, dealt with food volatility as they are import sensitive. As previously expressed, farming is critical in developing countries, and India is heavily dependent on farming in order to provide employment to its people. It is contended that the growth of food stockholding schemes in the run-up to the Bali meeting was the result of the inability of WTO members to agree on equitable solutions for updating farm trade rules, in respect to the new market trends.\textsuperscript{13} Public food reserves are sometimes determinative in countries that frequently 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 inhabitants. The fall-out 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. The result was a compromise by Pakistan not to challenge India’s policies for four years, while the member states work together in finding an adaptable solution. Pakistan feared India’s policy would directly affect its own local farming, but was persuaded by the United States to lower the tone and allow some progress to be made. The consensus was that by ironing out their differences on food stockpiling issues, negotiators paved the way for discussing other key topics.

As a participant of the BRICS, India relied on the WTO mechanism to evidence that control of world trade is no longer in the hands of developed nations only. On the issue of placing the BRICS as central revolvers in international trade, India’s stance, while seemingly less cooperative than expected, represented that the WTO’s unanimous decision-making process adds the BRICS with huge bargaining power as development of international commerce continues.

b. **Trade Facilitation**

The partial agreement on the food security issue proved that, at least, the parties were able to decide and not go around in circles. The issue of trade facilitation was a long-standing issue in the WTO’s to-do list and some room was found to deepen it. In reaching the Trade Facilitation Agreement, the member states committed to the reduction of customs bureaucracy and promised technical cooperation with those countries most historically buried in burdensome red tape. The Trade Facilitation Agreement holds that support will be provided to assist developing countries in achieving the capacity to implement the necessary domestic reforms to reduce excessive filing. 14

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In fact, the Trade Facilitation product is, by far, the main takeaway of the Bali round, let alone the biggest achievement in the WTO’s existence as a negotiator for the poorest states. Studies suggest that moving goods more quickly and efficiently would carry a payoff of $1 trillion in exports gain and GDP increases of $ 960 billion.\(^{15}\) It would also create 21 million jobs, which directly correlates to the previously discussed idea that expanded market openness does not affect employment negatively if accompanied by effective public policies and labor regulation. The genesis of trade facilitation discussions in the organization was a general concern by the global community that inefficient border management procedures and controls increasingly impeded international production sharing.\(^{16}\) Countries fail to leverage their competitive advantage in production by burdening their economy with procedures and costs for imports.

The BRICS differ greatly with respect to their trade volume. China, as the largest exporting emerging economy is more sensitive to tariffs and trade facilitation due to its large trade volume of manufactured and primary goods\(^{17}\). Large emerging economies face the same primary problem: enrooted bureaucracy in governmental authorities. The TFA aims to overcome these hitches by cutting excessive red tape at all stages of products clearance.

The agreement, in this point, demonstrated a significant sensation of “delivery” as DG Azevêdo emphasized in the closing ceremony. In order to accomplish full implementation, the Trade Facilitation Agreement connects commitments in bureaucracy reduction to increasing the technical capacity to

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\(^{17}\) Libo Wu, Xiangshuo Yin, Changhe Li, Haoqi Qian, Taoran Chen and Weiqi Tang. Trade and Investment Among BRICS: Analysis of Impact of Tariff Reduction and Trade Facilitation Based on Dynamic Global CGE Model. Available at [https://www.gtap.agecon.purdue.edu/resources/download/6554.pdf](https://www.gtap.agecon.purdue.edu/resources/download/6554.pdf)
do so. Trade facilitation measures are able to benefit all countries by allowing them to participate in the global value chains that feature international trade today.\textsuperscript{18} These provisions significantly alter the current approach to special and more favorable treatment for developing countries, creating an innovative template for future solutions.\textsuperscript{19}

**Figure 3**

![Overall potential trade costs reductions by income group](image)

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; it is not a utopic model


\textsuperscript{19} Christophe Bellmann. The Bali Agreement: Implications for Development and the WTO. International Development Policy, Revue internationale de politique de développement. Available at [http://poldev.revues.org/1744](http://poldev.revues.org/1744)
distant from execution. Hoekman states that high trade costs can lock a country out of participation in the supply chain trade without generating benefits for local producers, as often there will not be local demand for the specialized inputs that would otherwise be imported as part of supply chain trade production.20

However, implementation of the full agreement was initially blocked by India due to its desire to extend permanently its food stockpiling privileges. A mediated consensus that the U.S. will not challenge India’s policies reinforced the position of the U.S. as a contributor of “political and economic capital” – perpetuating the hegemonic stability theory.21

c. The example of Brazil

Eyeing the example of one BRICS adherent, Brazil, the TFA seems highly impressive and promising. Brazil’s culture has always been one of massive regulation on customs and administrative procedures, generating an extensive structuralized chain of procedures and tasks concerning import and export of goods. Notwithstanding the political turmoil involving the current government, Brazil is still, not surprisingly, a very entertaining economy.

On the flipside, Brazil’s red tape is a deficient factor. Burdened by complicated, expensive and time-consuming measures for clearance of goods, various economic sectors pressured the government to lessen and quicken customs clearance procedures. Improved actions for compliance with Brazilian duties regulations could spawn yearly savings of US$ 1.5 billion as well as add

US$ 24 billion to Brazil’s GDP.\textsuperscript{22} The Brazilian Industry Confederation, furthermore, stated that the lack of smoothness and trade clearance represents an additional 13.04\% average cost to national exports.\textsuperscript{23} The country’s attack on the problem, and in response to the TFA commitments, was the official launch in April 2014 of Portal Único (Single Window), which aimed to reduce the average time to export by 38\% (to 8 days from 13) and the average time to import by 41\% (to 10 days from 17).\textsuperscript{24} 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.

d. The least-developed countries package

It is worth mentioning that, under discussions at Bali, were also particular issues concerning least-developed nations. While this was the most finalized item after the end of the conference, the ease to reach consensus about

\textsuperscript{22} Enabling Trade: Catalysing Trade Facilitation Agreement Implementation in Brazil. Available at http://www.bain.com/Images/WEF_BAIN_REPORT_Enableing_Trade_TFA_Implementation_Brazil.pdf quoting a study from Fundação Getúlio Vargas (FGV).


\textsuperscript{24} Enabling Trade: Catalysing Trade Facilitation Agreement Implementation in Brazil. Available at http://www.bain.com/Images/WEF_BAIN_REPORT_Enableing_Trade_TFA_Implementation_Brazil.pdf
it lies on the fact that most of the language in these deals contains non-binding engagements and political statements. It is a promise of best endeavor by developed nations to ease access by poorer countries to its markets.

One of the main outcomes was the decision of duty-free and quota-free (DFQF) access of at least 97% of products originating from LDCs. There is a certain political context in this result. Both the developed countries and the larger developing countries, such as the BRICS, acknowledged the fact that judgment by the international community would be very harsh had no improvements been made in a round directed to development. Therefore, these decisions were easily agreed upon, particularly for their non-binding character. The delivery DFQF market access to LDCs as well as providing those with preferential rules of origin have, nevertheless, created doubts as to the actual positive effect they will have and how effectively it will be implemented.

The “LDC package” contains a set of non-legally enforceable promises to fulfil commitments that were made in previous Ministerial Conferences. DFQF market access and preferential rules for cotton export from LDCs are part of a package that can, in the long term, enable African countries to develop. The residual, yet most relevant, direction now is towards real application of these measures. Successfully integrating LDCs into the world economy will mean the WTO is playing an increasingly more spirited role in bringing social welfare to populations and acting on behalf of the organization as whole.

The LDC package was, after all, the least controversial of the three negotiation areas. But the actual developmental benefits remain questionable.\(^\text{25}\) The Bali commitments aim that developed countries provide DFQF access of at least 97% to LDCs to improve their existing DFQF coverage — and to do so before the Tenth Ministerial Conference to be held in Nairobi, Kenya in

December 2015. Developing countries were also encouraged to provide DFQF access.

iv. Conclusion

Bali was not a complete solution to the global multilateral trade system, but it proved to be fruitful success in what it proposed to discuss. Abandoning Doha and beginning from scratch would not have solved much, as over a decade of work would have been thrown away, while the same problems persisted. Bali was seen as a lifeline for some of the WTO’s poorest members\textsuperscript{26}, an unexpected about-turn in the fortunes of the world trading system and the first bargain to have been struck since the WTO was created.\textsuperscript{27}

While the developed countries, such as the U.S. and the countries in E.U., have the company of emerging economies – such as the BRICS – in running the show, the WTO can benefit from being an institution which convenes meetings that direct the pace of new multilateral rules. The BRICS have different primary needs and concerns; some of them are highly dependent on agriculture – such as India – while others need to deeply address bureaucracy in all public spheres.

It is pivotal to recall that the WTO has excelled in some of its functions, especially in promoting an efficient dispute resolution mechanism for controversies involving member-states. This has, in fact, enabled the BRICS to speak their concerns. However, the expected outcomes of a more developed economic system, globally speaking, that was intended from Doha never occurred and Bali introduced few, but noteworthy advances.

\textsuperscript{26} WTO agrees global trade deal worth $1tn. Available at http://www.bbc.com/news/business-25274889


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It seems plausible that a whole section on quota-free permissions for exports by least developed countries, as well as a firm position by some countries towards India’s food reserves policies, launched a wave of goodwill in seeing with new eyes the needs of developing nations. On the same path, the trade facilitation measures demonstrated practical results, as empirical studies suggested huge financial gains from lighter and more expedited customs procedures, as well as a formal concern that developing nations need technical support and time to gradually implement changes which will benefit everyone.

In giving India more freedom to implement and gradually change its food policy, the WTO provided a pathway to the negotiation of the trade facilitation deal. In contending a key member of the BRICS, Azevêdo and the U.S. participated in taking negotiations two steps further by solving one issue. The trade facilitation debate was underpinned with the concessions made under the food policy.

There is much to do, though. Some concern points to the fact that India may try to extend the “peace clause” to be an indefinite provision. A more conservative understanding is that trade facilitation was a minor accessory bolted on to the main body of the Doha round.28

The key to the WTO’s success is to put the TFA into full practice. India had previously intended to block the trade facilitation agreement implementation because it wanted to draw attention to its own food stockpiling policy needs. It will be senseless to battle over a remarkable achievement such as the TFA, using it as trade-off, by allowing India to continue with some of its protectionist policies in agriculture if the TFA is not properly implemented.

This calls for a major workforce by the developed nations to render specific technical cooperation and financial aid for emerging nations in renovating border customs. The gains notwithstanding, it is important to resist the euphoria that inevitably washes over the conclusion of a deal after almost two decades of fits and starts. However, the significance of the Bali package was to bring developing countries into the spotlight and to revive the WTO’s credibility.

It is crucial that the BRICS do not fall to the temptation of forgetting their coalition. They must work together a series of measures to keep the WTO up to its task of helping promote development worldwide. Historical evidence shows that the BRICS need, though, to honor their commitments and effectively place efforts in stimulating and setting up permanent trade facilitation mechanisms and public policies.

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