

The Development Round: Main Outcomes, Challenges and Prospects for Implementation*

**Volodymyr Vashchenko,
Kostyantyn Marchenko****

ABSTRACT. The article touches upon current issues in the development of a WTO-based multilateral trade system and the participation of the broadest possible range of nations in this system, with special attention to the agenda of the Fourth and Fifth Ministerial Conferences of WTO member-states, progress on negotiations and their current status. Bottlenecks in specific areas of the negotiations that have arisen in the course of the discussions, the positions of groups and individual countries are also identified. The article outlines the possibilities of activating and accelerating efforts towards the completion of the liberalization of world trade as envisaged in the agenda of the Development Round.

KEY WORDS. Antidumping, countervailing and special measures; State procurement; Access to agricultural and industrial goods markets; Subsidies; Access to services markets; Electronics trade; Protection of geographical indications; Intellectual property rights protection; Competition policy; Customs valuation of goods; Customs procedures; Development Round; Singapore Issues; Special and Differential Treatment.

The current state and level of development of trade and economic relations among the countries of the world appears to be perfectly rational and normal. The reported volumes of the global trade in goods and services at the level of 6.3 and 1.6 trillion US dollars, respectively, as well as 1.2 trillion US dollars worth of total foreign direct investments, are no longer astonishing. In considering the

* This article is translated from its original in Ukrainian.

** Volodymyr Volodymyrovych Vashchenko is advisor to the Deputy Head of the Parliamentary Committee on Finances and Banking Issues. Until January 2004 he was Director of the WTO Cooperation Department of the Ministry of Economics and European Integration of Ukraine. He is also a post-graduate student in the Department of International Management, Kyiv National Economic University. His area of specialization is international economic relations with research interests in international economic relations, customs regulation, and international integration.

Kostyantyn Viktorovych Marchenko, is Deputy Head of the Department for WTO Bilateral Negotiations and Relations and Head of the Department for Bilateral Negotiations on Access to Goods and Services Markets in the Department of Cooperation with the WTO in the Ministry of Economics and European Integration of Ukraine. He is also a post-graduate student of the Department of International Economics, Kyiv National Economic University, and a specialist in bilateral and multilateral trade and economic cooperation in the WTO framework. His focus of research interests includes trade and economic diplomacy.

classical causes of such achievements, i.e. the promotion of information technologies and means of communication as well as a reduction in transportation costs, the role played by individual governments also must be addressed. In this respect, political decisions at the national level determine a country's economic orientation towards development, based exclusively and predominantly on its own resources or on national comparative advantages stemming from the principles of international cooperation and specialization. In the 20th century, two diametrically different trends were observed: on the one hand, the protection and pursuit of national self-sufficiency and the creation of blocs and regional unions which culminated in World War II, and on the other hand, the construction of a sustainable and predictable global trade system, restrictions on the authority of national governments in trade regulation, and the resolution of conflicts in trade and economic cooperation, specifically the principles of rule of law, through consultations and negotiations. The economic efficiency of the latter trend is manifested in the steadily growing number of World Trade Organization (WTO) members.

However, the Fifth Ministerial Conference of the Doha Round of multilateral trade negotiations held in Cancun, Mexico in September 2003 proved to be a serious test of the viability of the WTO Work Program established by the 2001 Ministerial Declaration. Since the Fifth Ministerial was expected to become a new benchmark in the Work Program implementation, this article will review the key provisions of this Program.

Doha Development Round Background and Agenda

The Doha Round of multilateral trade negotiations, i.e. the Development Round, was launched at the Fourth Session of the Ministerial Conference, the WTO's principal decision-making body, that was held on 9-14 November 2001 in Doha, Qatar. The key objectives of the Program in its pursuit of international trade liberalization enhancement include among other things:

- access to agricultural produce markets;
- access to industrial goods markets;
- continuation of negotiations on access to services markets which were launched in January 2000;
- import tariffs reduction with a special focus on tariff peaks elimination;
- improvement of:
 - mechanisms of intellectual property rights protection,
 - rules governing state procurements,

- customs clearance and customs valuation procedures,
- mechanisms of antidumping, countervailing and special measures application.

The Doha Ministerial Declaration attaches special attention to problems faced by developing and least developed countries. WTO members called for support of these countries and obligated the Ministers to take a special account of «particular vulnerabilities of the least-developed countries and the special structural difficulties they face in the global economy.»¹ The Declaration also envisaged negotiations or consultations on the following issues: government procurements transparency; trade facilitation, WTO rules with respect to regional trade arrangements; dispute settlement; trade and environment; e-commerce; trade, debts and finance; trade and technology transfer; technical cooperation and creation of new opportunities; problems faced by least developed countries; special and differential treatment of developing countries; agreements implementation issues.

In the two years since Doha, the WTO member-states have conducted multilateral negotiations towards the completion of the above-described tasks. The Fifth WTO Ministerial Conference was supposed to become a logical continuation of these discussions, allowing for practical implementation of the world trade system liberalization.

The Fifth WTO Ministerial Conference in Cancun

The Fifth WTO Ministerial Conference took place 10 – 14 September 2003 in Cancun, Mexico. Its principal objective was to review the results of the negotiations and other activities of the Development Round agenda launched at the November 2001 Doha Conference.

There were 260 participating delegations, including 146 member-states, 38 observer countries and 76 international organizations. The following international institutions were represented in particular: United Nations, African Union, Andean Community, Association of South-East Asian Nations (ASEAN), Energy Charter Conference, European Bank for Reconstruction and Development (EBRD), European Free Trade Association (EFTA), Food and Agriculture Organization (FAO), International Civil Aviation Organization, International Electro-technical Commission, International Labor Or-

¹ Ministerial Declaration, Ministerial Conference, Fourth Session, Doha, 9-14 November 2001 WT/MIN(01)/DEC/1.

ganization (ILO), International Monetary Fund (IMF), International Standardization Organization, United Nations Conference on Trade and Development (UNCTAD), WTO International Trade Center, Organization for Economic Cooperation and Development (OECD), Organization of the Islamic Conference, Organization of Petroleum Exporting Countries (OPEC), the World Bank, World Customs Organization, World Health Organization (WHO), World Intellectual Property Organization.

The Conference Work

The list of keynote speakers at the opening of the conference included the president of Mexico, Vicente Fox, the Mexican foreign minister, Ernesto Derbez, the WTO director-general, Dr. Supachai Panitchpakdi, chairperson of the WTO General Council and the ambassador of Uruguay to the WTO, Carlos Perez del Castillo, and, on behalf of UN Secretary-General Kofi Annan, the secretary-general of UNCTAD, Rubens Ricupero.

Least Developed Countries: Cotton Proposal. During the afternoon session of the conference's first day, four countries (Benin, Burkina Faso, Chad and Mali) reported on their cotton proposal which they previously had raised at sessions of the General Council and the WTO Agriculture Committee. They relayed the losses to their economies allegedly due to cotton subsidies in wealthier countries, and urged for an abolishment of these subsidies and compensation to recover from the economic losses suffered. In effect, the implementation of their proposal is viewed by them as a tool to intensify their involvement in the global trade system and as a use of trade to alleviate poverty in the countries in question. WTO director-general, Dr. Panitchpakdi, in turn urged the ministers of all WTO member-states to seriously consider the proposal in light of its importance. He specifically indicated that the four countries were not proposing any special treatment, but instead sought to ensure a free trade regime.

Support of the proposal in its entirety or its individual elements, such as the gradual abrogation of subsidies, was provided by Canada, Australia, Argentina, Cameroon, Guinea, South Africa, Bangladesh (on behalf of least developed countries), Senegal and India. At the same time, the US delegation noted that distortions in the cotton trade ensue from factors in addition to subsidies. Other important causes of the downgrading of the cotton market include industrial policy measures that encourage the production of artificial fibers, high tariffs on finished products and favorable weather con-

ditions. The US also proposed a discussion on ways in which these issues ought to be addressed in order to resolve the problem of the mass production of cotton, as well as on tariff and non-tariff barriers in the cotton market and synthetic fibers and products manufactured from them.

The European Union (EU) delegation noted that its production and export of cotton is insignificant and unlikely to affect global prices. In any case, it also pointed out that it was considering changes in its program of support to cotton producers. The EU upheld the commercial aspects of the proposal and reconfirmed its commitment to a solution of the problem.

Nepal and Cambodia: Acquiring Member Status. The second day of the conference saw an official meeting of the heads of the delegations on the admission of Nepal and Cambodia to the WTO. These two countries appeared to be the first of the least developed nations to accede to the WTO on general terms in the course of bilateral and multilateral negotiations with WTO members.

Organizational Measures to Foster Negotiations Progress. During the unofficial meeting of delegation heads, the chairperson of the Ministerial Conference, the foreign minister of Mexico, Ernesto Derbez, explained that such unofficial meetings are essential to ensure the principles of transparency and the broadest possible participation in consultations and negotiations. These principles were in effect in assigning negotiation coordinators by issue-area. Their prime task was to assist the chairperson of the conference in achieving consensus in respective issues and presiding over working groups that were open to delegates of all WTO member-states. Incidentally, Director-General Panitchpakdi, coordinated the discussion of one item on the negotiation agenda, the cotton proposal tabled by the four African countries (see above).

Singapore Issues. Discussion of the agenda for the Singapore Ministerial Conference turned out to be among the most important and controversial aspects of the Cancún Conference. Canada's international trade minister, Pierre Pettigrew, presided over these discussions and consultations. Issues concerning the Singapore Ministerial agenda include trade and investment, trade and competition policy, transparency in government procurements and trade facilitation. The views on these issues varied broadly among the delegations and the Draft Ministerial Declaration provided for two alternatives, either to launch negotiations in Cancún or to forward the whole package of issues for further deliberation in Geneva. The second option was endorsed, in particular by India which spoke on behalf of a number of other developing countries and prepared a document identifying issues that required additional attention. Other developing countries noted that progress in other areas should not be undermined if

agreement could not be found on issues for the Singapore agenda, and suggested that the conference concentrate on those areas of negotiation where successful resolution is realistically achievable.

Representatives of developing countries also pointed out that the Singapore Issues are an integral part of the Development Round negotiations launched in Doha, as are questions pertaining to access to agricultural produce markets. They maintained that, while the seven-year discussion of these issues brought about a better understanding, a delay in further talks would lead to a loss of economic growth opportunities for developing countries. A separate proposal was made concerning the items for the Singapore agenda whereby negotiations would be launched on two of the most advanced issues, trade facilitation and transparency in government procurements.

Development Issues². Development issues were another important part of the discussion and included special and differential treatment of individual countries; the implementation of WTO agreements; technical assistance; prospects for least developed countries; issues related to specific goods; development of small economies; trade, debts and finance; trade and technologies transfer. Of these issues, special and differential treatment and implementation of WTO agreements were the focus of the discussion chaired throughout the entire four days of the conference by the minister of trade and industry of Kenya, M. Kitui. The main point of difference with respect to the special and differential treatment centered on the acceptability of a package containing 24 agreed proposals. On the one hand, it was observed that the proposals in question had no economic relevance and value whatsoever; and on the other hand, these proposals were useful though some additional ones should be included.

As far as the implementation of WTO agreements by developing countries was concerned, a new proposal was submitted at the end of August which envisaged: a) all negotiating parties attaching priority to the implementation of WTO agreements; b) further deliberation of a package outlining outstanding issues; c) approval of respective decisions by the latest March 2004. Developed countries noted that they were unprepared to form a working group to consider the status of the implementation of WTO agreements. One delegation insisted on attributing utmost priority to the extension of a higher level of protection for geographical indications to cover

² « ... The share of developing countries in world trade amounts to approximately 30 per cent. Through the new negotiations, it can be made to grow even further ... » Introduction speech of S. Panitchpakdi at the Opening Session of Sustainable Trade Day, 09.09.2003 http://www.wto.org/english/news_e/spsp_e/spsp16_e.htm.

wines and spirits. There is still no consensus on whether or not this matter should be referred to WTO agreements implementation framework. Another proposal was made by a group of developing countries concerning commitments in a series of issues including, among other things, small economies, trade, debt and technologies transfer.

Other Business. Guyana's minister of foreign trade and international cooperation, C. Rohee, chaired the session on Other Business which considered such issues as trade and environment and geographic indications. In the discussion, a proposal was made to include additional clauses to encourage the acceleration of efforts and to invite multilateral institutions active in the environment field to participate as observers. Special concern was expressed concerning the absence of any references to environmental marking, and a proposal was made to incorporate paragraphs requiring the convocation in the next year of special sessions devoted to this issue. This proposal met with considerable opposition from a number of developed and developing countries that preferred to see the language of this part of the declaration in the original wording.

On the multilateral registry of geographic indications for wines and spirits, a proposal was made to make a provision in the respective paragraph on the legal effect of the registry and participation, i.e. to indicate the participating countries, and delegates were called upon to postpone the finalization of this matter for the short-term. Concurrently, strong support was expressed for the proposed wording of the text whereby the Sixth Ministerial Conference is determined as a deadline for completing negotiations.

Individual member-states of the Convention on Biological Diversity proposed to include in the Draft Declaration's «Other» section references to issues raised in Clause 19 of the Doha Declaration, particularly the links between the Agreement on Trade Aspects of Intellectual Property Rights and the Convention on Biological Diversity, and inclusion in the agenda of the negotiations of the protection of traditional knowledge.

Access to Agricultural Produce Markets. Singapore's minister of trade and industry, George Yong Boon Yeo, who coordinated the discussion on access to agricultural produce markets, indicated during the second day that he had attended three meetings on 11 September 2003: Group of 21 and the EU, Group 21 and the US, and the US and the EU. These meetings were not mere negotiations but rather served as a tool for determining the positions of parties demonstrating some flexibility. Nonetheless, delegations, as they have done before, abstained from completely revealing their negotiating positions.

Outcomes³

The hard work of the delegations did not yield consensus on a single item of the agenda of the WTO's Fifth Ministerial Conference in Cancun in September 2003. At the conference's final session, the heads of delegations addressed the chairperson of the General Council to request a continuation of the consultations concerning the time and venue of the next WTO Ministerial Conference. They noted «with appreciation» that on the eve of the WTO General Council in August 2003, Hong Kong (China) proposed hosting the next Ministerial. However, the chairperson, said that because member-states were completely devoted to preparing the Cancun conference, they were unable to officially discuss the terms and venue of the next conference.

The Fifth Ministerial Conference resulted in the approval of a declaration on the conference conclusions and areas of further cooperative efforts. The declaration contains, among other things, a welcoming address to two least developed countries (Cambodia and Nepal) in light of their WTO accession and a recognition of the hard and constructive work of all participants of the forum.⁴ Ministers noted the significant progress achieved in determining common approaches and positions, while acknowledging the necessity for further efforts to bring closer a conclusion to the negotiations and to implement commitments assumed as a result of the Doha Round of discussions. The declaration also instructed officials to continue working on outstanding issues, having recognized the urgency and objective of the work carried out, and taking into account the views expressed during the conference. Furthermore, the declaration contains a request to the chairman of the General Council to coordinate this work and to convene a meeting of the General Council at the level of Senior Officials no later than 15 December 2003 in order to take the necessary action at that time to enable a successful and timely conclusion of the negotiations. The Ministers committed themselves to continue to exercise close personal supervision of this process. One of the most important conclusions of the declaration was the fact that Ministers reaffirmed all Doha declarations and decisions and recommitted themselves to working to implement them fully and faithfully.

³ «... we must see a substantial narrowing of gaps on the three areas of market access at Cancun — those of agriculture, services and non-agricultural goods» Remarks made by S. Panitchpakdi at the Second Plenary Session of Heads of Governments of the African Union Commission on 14 July 2003.

http://www.wto.org/english/news_e/spsp_e/spsp14_e.htm

⁴ Ministerial Declaration, Ministerial Conference, Fifth Session, Cancun, 10-14 September 2003 WT/MIN(03)20.

The Ukrainian Context

As a majority of Ukrainian and international experts note, 2004 is a realistic timeframe for completing negotiations on Ukraine's WTO accession. A delay may occur at the ratification stage of the international agreement by the Verkhovna Rada of Ukraine; however, at that point, negotiations will be pursued not with WTO members but internally within the country. Therefore, in the event that this scenario prevails, Ukraine will not need to continue negotiations over the inclusion into its commitments schedules of concessions in accordance with the Development Round Agenda.

At the same time, Ukraine's accession depends at least on two factors: the domestic preparedness to mobilize for the final negotiation stage and to formulate its commitments in both the bilateral and multilateral formats; and on the political will of the most influential members of the Working Party on Ukraine's accession to WTO to accept Ukraine as a fully-fledged and a highly developed member of the global community, rather than as a raw-materials-oriented country and a «semi-manufacturer» in the international economic system.

Conclusions⁵

Thus, yet another WTO Conference has now become history and, even though its outcomes may not be labeled unequivocally successfully, it nevertheless should not be referred to as a failure. The countries carried out voluminous and constructive work before and during the WTO Fifth Ministerial and, as was noted by the Ministers in the final declaration, a high level of rapprochement of texts of relevant decisions was achieved. At the same time, however, further progress is regarded as unlikely without due consideration of the following issues:

1. the need to maintain a dynamic balance between ensuring market access and putting in place rules enabling such access in observance of free trade principles and foundations. This issue is acute in light of the growing tendency towards the selective opening of markets;

⁵ « ... I am not standing before you now just to sing the praises of the WTO, its achievements, and what it represents in terms of economic and international legal principles. Because what the WTO is really is just the agent for enterprise and initiative, the decisions and the choices of business people and of consumers all over the world. That is why we need to understand each other fully as to what we should be trying to achieve in the near future ... » Presentation made by S. Panitchpakdi at the Third City of London Biennial Meeting of 04 November 2003 http://www.wto.org/english/news_e/spsp_e/spsp18_e.htm

2. the pursuit of a multilateral approach to settling controversial issues and determining trade rules. This task is of special importance based on the adherence by individual members to the liberalization of trade at the bilateral and regional levels;

3. prospects for granting a preferential system by individual developed countries to least developed and developing states which account for the economic impact of such preferential trade regimes on the multilateral trading system;

4. conformity of the WTO and its principles and organizations with modern requirements, in particular, the principle of equality of members' rights and obligations with special and differential regimes, as well as asymmetry in applying protective measures.

2003 proved to be another testing period for the WTO. As in earlier years, a number of obstacles have hindered the evolution of the world trading system. The lack of commitment to the principles of trade liberalization has led to a further decline in the global economy. The slow pace of economic growth, the decline of foreign investments flows and trade compared with 2000, all threatens the development of the world economy in general and its players in particular. Given the above described circumstances, a refusal to implement the Doha Development Round Agenda effectively will mean the loss of an opportunity to complete the integration of the world economy and, in particular, to further liberalize trade with developing countries. To a certain extent, the above signs may send a strong message to all progressively-minded people of what the world may become without a strong and sustainable multilateral trading system.

References

Burakovskiy, I., L. Handrich, L. Hofmann. *Vstup Ukrayiny do SOT: novyi vyklyk ekonomichniy reformi*. Kyiv: Vyd-vo Alfa-Print, 2003. 291 s. [Burakovsky, I., L. Handrih, L. Hoffman, *Ukraine's Accession to the WTO: A New Challenge to the World Economy*. Kyiv: Alfa-Print Publishers, 2003. P. 291].

Kasianov, S. P. «Novyi zheleznyi zhanaves.» *Biznes* No. 40 (2003) [Kasianov, S. P., «The New Iron Curtain.» *Business* No. 40 (2003)].

Tsygankova, T. M. *Hlobalna torhova systema: rozvytok instytutiv, pravyl, instrumentiv SOT*. Kyiv: Kyiv Natsional'nyi Ekonomichnyi Universitet, 2003. 660 s. [The *Global Trading System: Development of WTO Institutions, Rules and Instruments*. Kyiv: Kyiv National Economic University, 2003. P. 660].

Rezultaty uruhvaiskoho raundu bahatoronnikh torhovelykh perehovoriv: Teksty ofitsiynikh dokumentiv. Kyiv: «Vymir», Sekretariat Mizhvidomchoyi Komisii Zaporizhya pytan vstupu Ukrayiny do SOT, 1998. 520 s.

[Results of the Uruguay Round of Multilateral Trade Negotiations: Texts of Official Documents. Kyiv: «Vymir» Publishers; Secretariat of the Interdepartmental Commission for Ukraine's WTO Accession, 1998. P. 520].

Ministerial Declaration, Ministerial Conference, Fifth Session, Cancun, 10-14 September 2003 WT/MIN(03)20.

Ministerial Declaration, Ministerial Conference, Fourth Session, Doha, 9-14 November 2001 WT/MIN(01)/DEC/1.

Business Guide to the World Trading System. Second edition. Geneva: International Trade Centre (ITC), United Nations Conference on Trade and Development (UNCTAD)/World Trade Organization (WTO); Commonwealth Secretariat (CS), 1999. Pp. 329.

International Marketing and the Trading System. Geneva: International Trade Centre (ITC), United Nations Conference on Trade and Development (UNCTAD)/World Trade Organization (WTO), 2001. Pp. 219.

Results of the Uruguay Round of Multilateral Trade Negotiations: The Legal Texts. Geneva: World Trade Organization, 1995.

Results of the Uruguay Round of Multilateral Trade Negotiations: The Legal Texts. Cambridge: Cambridge University Press, 1999.

www.wto.org, website of the World Trade Organization.

www.wto.gov.ua, web-site of the Intergovernmental Commission on Ukraine's Accession to the WTO.

www.wto.ru, web-site on Russia and the WTO.

The article was received by the editorial board on 29.03.2004