

The Doha Ministerial and its implications for Caribbean economies

The Fourth Ministerial Meeting of the World Trade Organization (WTO) was held in Doha, Qatar, from 9-13 November 2001. The convening of the meeting and the declarations agreed were seen as a success for the world trading organization following the failure of the last ministerial to launch a new round of global trade negotiations, and amidst the fears of a global recession. This Issue Brief attempts to look at the main results of this meeting and its implications for developing countries with particular reference to the Caribbean subregion.¹

A general overview

At Doha, the Ministerial Meeting agreed to a broad and balanced work programme, which the Ministerial Declaration informs “incorporates both an expanded negotiating agenda and other important decisions and activities necessary to address the challenges facing the multilateral trading system”. The Declaration has given members the mandate to engage in negotiations on a variety of issue areas. These include traditional items on the WTO’s ‘built-in-agenda’, such as agriculture and services, as well as negotiations on environment, industrial tariffs, antidumping, fisheries subsidies, regional trade agreements and dispute settlement. However, the Declaration also establishes future negotiations on the so-called ‘Singapore’ issues of investment, competition policy, transparency in government procurement and trade facilitation.

The work programme consists of two declarations – a main declaration and one on intellectual property (TRIPS) and public health - and one decision on implementation-related issues and concerns, that is, developing countries’ difficulties in implementing current WTO agreements. The main Ministerial Declaration includes elaboration of objectives and timetables for the current negotiations in agriculture and services, negotiations or possible negotiations in a range of issues such as industrial tariffs, trade and investment, trade and competition policy, some aspects of trade and the environment, as well as implementation issues.

Members also agreed to establish two working groups on debt and finance, and technology transfer and these groups have to forward their results to the next ministerial conference in 2003. Five international organizations, including the WTO, the United Nations Food and Agricultural Organization (FAO), the International Animal Health Organization Office, the World Health Organisation (WHO) and the World Bank, committed themselves to assist developing countries to participate more fully in setting international norms and for sanitary and phytosanitary measures – food safety and animal and plan health.

It was also decided that the negotiations which shall take place under the terms of the Ministerial Declaration should be concluded by 1 January 2005. The only exception is

¹ Fifteen Caribbean Development and Cooperation Committee (CDCC) member countries were present at the meeting. These were: Antigua and Barbuda, Barbados, Belize, Cuba, Dominica, Dominican Republic, Grenada, Guyana, Haiti, Jamaica, St. Kitts and Nevis, Saint Lucia, Saint Vincent and the Grenadines, Suriname and Trinidad and Tobago.

the negotiation on improving and clarifying the Dispute Settlement Understanding which is to be concluded by the end of May 2003. Other elements of the work programme are to be concluded by the end of 2002 or by the next ministerial meeting which has to be held no later than the end of 2003. This meeting will take stock of the progress in the negotiations, provide necessary political guidance, and take decisions as necessary. When the results of the negotiations in all areas have been established, a Special Session of the Ministerial Conference will be held to take decisions regarding the adoption and implementation of those results. Under the authority of the General Council, a Trade Negotiations Committee (TNC) was established to supervise the overall conduct of the negotiations. This Committee is mandated to hold its first meeting not later than 31 January 2002 and shall establish negotiating mechanisms, as required, and supervise the progress of the negotiations.

Selected Issues

Waiver to the EC

The meeting granted a waiver to the African, Caribbean and Pacific-European Community (ACP-EC) Partnership Agreement and the transitional regime for the EC's autonomous tariff rate quotas on the importation of bananas, thus enabling the EC to give preferential tariff concessions to its former African, Caribbean and Pacific Colonies. However, the waivers only apply under specific conditionalities and time periods, that is, with respect to the ACP-EC partnership agreement, the waiver expires on 31 December 2007 and permits the European Communities to provide preferential tariff treatment for products originating in ACP States. The waiver on the transitional regime for the EC's autonomous tariff rate quotas on imports of bananas extends through the period 1 January 2002 to 31 December 2005. The decision to grant waivers to the European Union (EU) spells good news for the Caribbean subregion for it means an extension of preferential access to ACP countries. However, it is hoped that these countries would not become complacent but would take advantage of the longer time-frame afforded them by the waiver and take steps to make the necessary reforms to enhance their international competitiveness.

Regional trading arrangements: Building or stumbling blocks?

The issue of the compatibility of regional trading arrangements (RTA) and the multilateral trading system has been an issue of debate for decades. Are regional trade arrangements building blocks, that is, do they foster multilateral trade or divert trade and are, thus, stumbling blocks to multilateral trade integration?

Since its inception, the GATT which was succeeded by the WTO, has allowed member countries to conclude customs unions and free trade areas, as an exception to the fundamental principle of non-discrimination set out in the most-favoured-nations (MFN) clause of Article 1. The WTO's position is that the purpose of the RTA should be to facilitate trade between the constituent countries and not to raise barriers to the trade of other WTO members not parties to the RTA. This debate is still pending conclusion and

still serves to act as a challenge to member countries since it has a direct impact on the development of world trade. The issue is of direct concern to the Caribbean since most of these countries are members of a number of RTAs such as the Caribbean Community (CARICOM), the Association of Caribbean States (ACS), and are currently negotiating the establishment of the Free Trade Area of the Americas (FTAA).

Special and Differential Treatment

Another positive development for the Caribbean and developing countries, as a whole, was the decision on Implementation-related Issues and Concerns. The Ministerial Declaration reaffirmed that provisions for special and differential treatment (S&D) are an integral part of WTO Agreements and noted the concerns expressed regarding their operation in addressing specific constraints faced by developing and least-developed countries. In this regard, some members² proposed a Framework Agreement on Special and Differential Treatment³ which stated that “it is imperative to undertake a thorough review of the concept of S&D as its basis objective to create a level playing field for unequal players in the Multilateral Trading System” (See Box 1). It further stated that developing countries could hardly benefit from the almost 145 S&D provisions in the Uruguay Round agreements since they are not legally enforceable because they mostly do not go beyond a best endeavour promise. Lack of any mechanism to ensure effective implementation of S&D provision in the WTO has been a major area of concern for Caribbean countries.

BOX 1:

Proposed recommendations for the agreement on S&D

The WTO Members recommended the following as some of the elements which could form part of the Agreement on S&D:

- Special and Differential treatment shall be mandatory and legally binding through the dispute settlement system of the WTO (including notification requirements and inclusion of these commitments in country schedules).
- In any future agreement, that the Members may agree, there shall be an evaluation of the development dimension. The evaluation should include the fact as to how these agreements facilitate attainment of development targets (e.g. as set out in the Millennium Declaration).
- The Members shall undertake an evaluation of the implications of any future agreement, with respect to implementation costs in terms of financial, capacity building and technical assistance, etc.

² The Members are Cuba, Dominican Republic, Honduras, India, Indonesia, Kenya, Malaysia, Pakistan, Sri Lanka, Tanzania, Uganda and Zimbabwe.

³ See WT/GC/W/442 - “Framework Agreement on Special and Differential Treatment”. WTO Secretariat - www.wto.org

- The transition periods shall be linked to objective economic (debt level, level of industrial development, human development index, etc.) and social (literacy and life expectancy) criteria.
- Without an evaluation of the fact whether an Industrial Policy has a demonstrable adverse impact on trade, that there shall be no prohibition of policies which promote growth and development in developing countries.
- The application of the concept of Single Undertaking for developing countries should not be automatic.

Source: WTO Secretariat

Small economies

The Conference agreed to examine issues relating to small economies. While making reference to small economies, it must be noted that neither did the members specify what were the characteristics of small economies nor did they identify which countries were to be considered as small. Also, they did not make reference to “smaller” economies and, while making a link between smallness and vulnerability, they explicitly stated that they did not want to create a sub-category of WTO members and probably this would explain why they did not qualify the issue of smallness. Furthermore, they agreed to review the work programme and to make recommendations for action to the Fifth Session of the Ministerial Conference, but none of these recommendations are as yet legally binding.

Least-developed countries

With respect to the least developed countries (LDCs), the Declaration suggests the elimination of trade and non-trade barriers that affect these countries. In this sense the Declaration commits ministers to address “the particular vulnerability of least developed countries and the special structural difficulties they face in the global economy”. At present, the only country classified as a LDC in the Caribbean subregion is Haiti. The Declaration goes beyond the extension of time limits and provides a greater degree of flexibility for LDCs to comply with multilateral commitments. It endorsed the “Integrated Framework for Trade-Related Technical Assistance to Least-Developed Countries (IF)”⁴ as a viable model for LDCs’ trade development. IF seeks to increase the benefits that least-developed countries derive from the trade-related technical assistance available to them from multilateral organizations. The definition and description of the conditions attached to the implementation of the IF remains to be settled.

⁴ See WT/LDC/HI/1/Rev.1 “An Integrated Framework for Trade-Related Technical Assistance, including Human and Institutional Capacity-Building, to Support Least-Developed Countries in Their Trade and Trade-Related Activities”. WTO Secretariat, www.wto.org

Intellectual property and health issues

At Doha, developing countries were of the view that any new round of negotiations would have to be a development round since they felt that the negotiations, thus far, did not bring to them what they expected. Many felt that the inequities between the developed and developing world had not been addressed and some felt that they might have even been worsened. As such, the developing countries specifically sought a greater emphasis on development problems. In this regard, these countries were quite successful at the Doha Ministerial. One of the main outcomes of the meeting was a declaration on the TRIPS agreement and public health. This was of particular interest to developing countries which were deeply concerned about the impact of the patent system with respect to pharmaceuticals for public health policy. In essence, developing countries wanted to be allowed greater flexibility to manufacture and source drugs at a cheaper cost especially in light of the HIV/AIDS pandemic which has the worst impact on the developing world. This development would come as a boon to the countries of the Caribbean subregion in light of the fact that this subregion has the second highest HIV/AIDS prevalence rate worldwide. However, access to less-expensive drugs is only one side of the coin, there has to be the political will to put policies in place to specifically take advantage of these measures and to use it to the benefit of the Caribbean subregion.

Accession of new members

The WTO Conference completed the accession procedures for China and Chinese Taipei to the WTO, thus increasing the number of member countries of the WTO to 144. China is one of the world's lead exporters in textiles and garments and thus its accession to the WTO would spell greater competition for these developing countries (See table 1).

Table 1

US Imports of Articles of Apparel, Clothing and Accessories (1990-1999) by Product Share (%)

Market Share of product 61

	1999	1995	1990
Mexico	14.0	7.0	1.0
Hong Kong	9.2	14.4	19.3
China	8.5	9.9	12.6
Honduras	6.2	3.2	0.4
Taiwan	4.9	7.9	11.8
Korea, Republic of	4.2	4.5	10.3
El Salvador	3.9	2.1	0.2
Dominican Republic	3.8	3.4	2.1
Thailand	3.4	3.4	2.7
Canada	3.4	2.3	0.8
Philippines	3.0	3.9	4.0
Macao	2.7	3.1	2.7
Guatemala	2.2	1.0	0.5
Turkey	2.2	2.7	1.6

Pakistan	2.1	2.8	1.4
Italy	1.9	1.8	2.6
India	1.8	1.9	0.4
Indonesia	1.8	2.3	2.1
Costa Rica	1.6	1.9	1.1
Malaysia	1.5	1.8	2.2
Bangladesh	1.5	1.6	1.0
Israel	1.4	1.8	1.3
Sri Lanka	1.3	1.4	1.2
Jamaica	1.2	2.9	1.7

Source: ECLAC Module to Analyse the Growth of International Commerce (MAGIC) 1990-99

Note: Countries are ordered according to market share for the year 1999

The transition period that China may face to become a full member of the WTO and participate in the international trading system, coupled with the possible decline in Pakistan's competitive position due to recent world events, would leave space for larger Caribbean countries to improve their positioning in the textile market. In addition, these countries should be able to benefit from the extension granted under Article 27.4 under the Agreement of Subsidies and Countervailing Measures. The question remains whether countries would take the necessary steps to take advantage of the extension of the time period to enhance their productive potential.

Sustainable development

The Ministerial Declaration also reaffirmed countries' commitment to the objective of sustainable development – “we are convinced that the aims of upholding and safeguarding an open and discriminatory multilateral trading system, and acting for the protection of the environment and the promotion of sustainable development can and must be mutually supportive”. They agreed for WTO members to conduct national environmental assessments of trade policies on a voluntary basis and for the reduction or, as appropriate, elimination of tariff and non-tariff barriers to environmental goods and services. The effect on the developing countries will depend on the effect of environmental measures on market access, and on those situations in which the elimination or reduction of trade restrictions and distortions would benefit trade, the environment and development. In this context, the Conference instructed the WTO Committee on Trade and Environment to pursue work in this area. Sustainable development as a development objective has been agreed by the international community since the United Nations Conference on Environment and Development (UNCED) at Rio de Janeiro in 1992.

Conclusion

The WTO Ministerial is currently viewed with optimism. Developing countries were able to ensure that the principle of “consensus” be used as a basis for future issues in the multilateral trade negotiations. This would provide a more democratic environment for trade rule making and would counterbalance the influence of bigger industrialised nations. The extensions and waivers mentioned in the Ministerial Conference which are not as yet legally binding are to be seen as stepping stones to further the needed reforms

in developing countries. These countries will need to define a coherent external agenda and outline internal strategic plans to promote and raise the competitiveness of the sectors benefiting from the flexibility and time extensions stated in the Ministerial Declaration. In the case of the Caribbean economies, particular structural features will also determine the nature of their response to the current challenges posed by the Doha Declaration.