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PROGRESS IN THE DOHA ROUND OF THE WORLD TRADE ORGANIZATION – THE BALI AGREEMENT

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Abstract: The World Trade Organization is the most important international organization that defines the rules of international trade and those rules contribute to creating an orderly world market. Multilateral trade agreements under the WTO are the result of negotiations. The set of rules are created in order to help trade flow as freely as possible and to keep the trade policies of member countries within the agreed limits. The first round of multilateral trade negotiations launched in the WTO, the Doha Round, clearly showed large differences between developed and developing countries. A conclusion of the Doha Round of negotiations is still not in sight, but the Bali Ministerial Conference brought some hope. Bali brought to a conclusion the first multilateral trade agreement under the WTO. The first agreement reached through the WTO that is approved by all its members is aimed at lowering global trade barriers, regulating trade facilitation and agricultural support.

Key words: WTO, Bali Ministerial Conference, Agreement, free trade, Doha Development Agenda, GATT.

INTRODUCTION

The creation of an international trade organization was a dream that had evaded trade negotiators of the post-war era for almost 50 years. The General Agreement on Tariffs and Trade (GATT) was considered a poor substitute to the aborted International Trade Organization (ITO), but the attempts to form a multilateral trade organization continued. When the Marrakesh Agreement concluded the Uruguay Round of Multilateral Trade Negotiations in 1994, the World Trade

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Organization (WTO) was born. Legally, the WTO came into existence on 1 January 1995 with a membership of 128 countries (Naligar, 2005, p. 22).

The creation of the WTO was certainly a response to the problems with which the old GATT structure could no longer cope. The founding of the World Trade Organization and the entry into force of its rules on 1 January 1995 was a turning point in the development of international economic relations today. The WTO today can be considered the most relevant regulatory body in global economic relations. After a long period of lesser significance and effectiveness of the international trade system, the WTO adopted an institutional framework and complex body of law (Tobias Stoll and Schorkopf, 2006, p. 1).

The GATT had undertaken eight rounds of multilateral trade negotiations which achieved major cuts in tariffs and since the 1970s, some reductions in related non-tariff barriers to trade. The latest round, the Uruguay Round, lasted seven years as its agenda broadened to include trade in services and intellectual property and a revised system of dispute settlement mechanisms. The WTO did not replace the GATT. An amended GATT (GATT 1994) remains as one of the legal pillars of the world's trade and, to a lesser extent, investment systems. The other pillars set up by the Uruguay Round's Marrakesh Agreement of 1994 include the General Agreement on Trade in Services (GATS) and the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPs) (Rugman, 2001, p. 3).

At the heart of the WTO are the WTO agreements negotiated and signed by the bulk of world's trading nations. These documents provide the legal ground rules for international commerce; although negotiated and signed by governments, the goal is to help producers of goods and services, exporters, and importers conduct their business, while allowing governments to meet social and environmental objectives. They are essentially contracts binding governments to keep their trade policies within the agreed limits. The system's main purpose is to help trade flow as freely as possible because this is important for the economic development and well-being. That partly means removing obstacles and it also means ensuring that individuals, companies and governments know what the trade rules are around the world and giving them confidence that there will be no sudden changes of the policy. In other words, the rules have to be "transparent" and predictable.

The members of the WTO now account for well over 90 per cent of the world's trade and virtually all of its investment; on 26 June 2014 the organization's membership had increased to 160 members and 24 observer governments (WTO, 2014). Since the Uruguay Round, the WTO has been covering virtually all trade and a vast range of domestic regulations concerning foreign trade. Now, the WTO is stretching further covering foreign direct investment and the competition policy.

WTO – DOHA DEVELOPMENT AGENDA

The WTO was born out of negotiations and everything it does is the result of negotiations. The bulk of the WTO's current work comes from the 1986–94 negotiations called the Uruguay Round and earlier negotiations under the General Agreement on Tariffs and Trade. The WTO is currently the host to new negotiations under the “Doha Development Agenda” launched in 2001.

The topmost decision-making body of the WTO is the Ministerial Conference, which usually meets every two years. It brings together all members of the WTO, all of which are countries or customs unions. The Ministerial Conference can take decisions on all matters under any of the multilateral trade agreements. Until now, nine WTO Ministerial Conferences have been held under the World Trade Organization (view the table). The plan for going into the Seattle Ministerial was to launch a new round of multilateral trade negotiations. But the meeting was accompanied by the street protests and ended in a failure and no declaration was issued. The failure at Seattle to agree on an agenda to launch a new negotiating round represented the culmination of several issues that threatened to undermine the progress and at the end the very existence of the WTO. The Fourth WTO Ministerial Conference was held in Doha, Qatar from 9 to 14 November 2001. There was launched the Doha Round of multilateral trade negotiations. The Agreement on the Doha Declaration was influenced by concessions to developing countries since the aim was to strengthen the developmental aspects of the WTO. The Doha round is still in progress.

Table 1: WTO Ministerial Conferences

No.	Place	Time
1.	Singapore	9 – 13 December 1996
2.	Geneva	18–20 May 1998
3.	Seattle	30 November – 3 December 1999
4.	Doha	9–13 November 2001
5.	Cancun	10–14 September 2003
6.	Hong Kong	13–18 December 2005
7.	Geneva	30 November–2 December 2009
8.	Geneva	15–17 December 2011
9.	Bali	3–7 December 2013

Source: WTO

For the first round of multilateral trade negotiations under the auspices of the WTO it is difficult to predict exactly how this round will conclude. Not just the interests of particular countries but the very credibility of the WTO as an international organization hang around a successful conclusion of the round and completion of the Doha Development Agenda (DDA). This organization is seen to have failed developing countries. Disillusionment with the organization is very high; countries have begun to resort to bilateral and regional agreements that threaten any meaningful existence of the WTO and often also further undermine the position of the weak (Naligar, 2005, p. 99).

During the Doha Round negotiations quite big gaps have emerged between the demands of high-income countries, on the one hand, and those of the developing countries, on the other. After 13 years of negotiations high-income countries, in particular, should forgo the pleasures of using trade weapons to force others to behave in ways they desire, while insisting on their freedom to do as they please. During these negotiations much pressure has been being put on developing countries to accept minimum standards for the environment and labor backed by trade sanctions. Much pressure is also being placed on members to accept further increases in the scope and intrusiveness of the system (Wolf, 2001, p. 204). Given the small progress in many years of the Doha Round and the reluctance to bring Ministers together without the prospect of some success the World Trade Organization for some time has now fallen in a crisis.

By now it has been clear that developing countries are not going to agree to any unbalanced final deal. The old relationships between groups of countries have changed very substantially and they are likely to go on changing (Cottier and Elsig, 2011, p. 19). After a more than a century of negotiations the Doha Round is still no near any conclusion. But after the repeated failures to resuscitate the Doha Round Bali finally brought success.

BALI MINISTERIAL CONFERENCE

Roberto Azevêdo is the sixth Director-General of the WTO. His appointment took effect on 1 September 2013 for a four-year term. Ambassador Roberto Carvalho de Azevêdo, a Brazilian career diplomat, has been the Permanent Representative of Brazil to the WTO and other International Economic Organizations in Geneva since 2008.

Roberto Azevêdo took over the job of Director-General of the WTO in September and in December 2013 successfully brought the World Trade Organization to a conclusion of the first multilateral trade agreement. He succeeded in unlocking the deadlock in the Doha Round.

The Bali Ministerial Conference was planned to take place from 3-6 December 2013, but it lasted until 7 December. The Ministerial Conference on the island of

Bali, in Indonesia, brought a successful conclusion of the first multilateral trade agreement negotiated at the WTO.

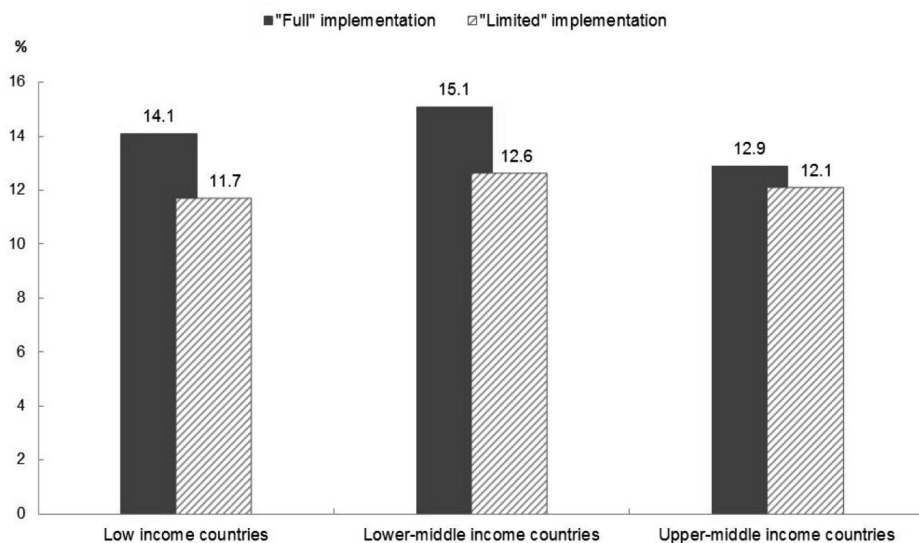
Doha, which began in 2001, suffered near-fatal breakdowns in 2003 and 2008. When trade officials worked to resuscitate discussions in 2012, they opted to keep the agenda as simple and attractive as possible. Even so, the talks almost collapsed on multiple occasions.

According to the estimates of the OECD Trade Facilitation Indicators comprehensive implementation of all measures currently being negotiated in the World Trade Organization's Doha Development Round would reduce total trade costs by 10% in advanced economies and by 13-15.5% in developing countries. Reducing global trade costs by 1% would increase worldwide income by more than \$40 billion, most of which would accrue in developing countries according to the OECD (OECD, 2014).

The Bali agreement or the so-called Bali package consists of ten decisions and agreements in the following three areas: trade facilitation, agricultural support policies, and economic development. The Bali package is the Bali Ministerial Declaration and the ministerial decisions that were adopted on 7 December 2013. The main part of the multilateral trade agreement is The Agreement on Trade Facilitation or measures to reduce trade costs by cutting red tape in customs procedures. One of the unique feature of the agreement is that developing countries can determine whether specific provisions will apply immediately, only after a transition period, or only after a transition period and the provision of technical/financial assistance. The latter option is an innovation for the World Trade Organization. This means that commitments that are conditional on receiving help cannot be enforced through the WTO dispute settlement provisions if the assistance is not provided (Hoekman, 2014). It is aimed at lowering global trade barriers and it is the first agreement reached through the WTO that is approved by all its members. The objectives are as follows: to speed up customs procedures; to make trade easier, faster and cheaper; to provide clarity, efficiency and transparency; to reduce bureaucracy and corruption, and to use technological advances. It has also provisions on goods in transit, an issue particularly of interest to landlocked countries seeking to trade through ports in neighboring countries (WTO, 2014).

The benefits to the world economy are calculated to be between \$400 billion and \$1 trillion by reducing costs of trade by between 10% and 15% increasing trade flows and revenue collection, creating a stable business environment and attracting foreign investment (WTO, 2014). (Figure 1)

The OECD estimates of potential cost reductions from the Agreement on Trade Facilitation, that was concluded at the Bali Ministerial in December 2013 are 14.1% of total costs for low income countries, 15.1% for lower-middle income countries and 12.9% for upper-middle income countries. The biggest impacts are

Figure 1: Overall potential trade costs reductions by income group

exerted by the same types of measures in almost all cases: for low income countries (LICs) indicators (f) documents, (g) automation, and (a) information availability (3%, 2.4% and 1.7% respectively); for lower-middle income countries (LMICs) (f) documents, (h) procedures and (g) automation (2.7%, 2.3% and 2.1% respectively); and for upper-middle income countries (UMICs) (h) procedures, (g) automation and (c) advance rulings (2.8%, 2.3% and 1.3% respectively).² The second scenario results in lower overall trade cost reductions.³ For LICs the potential trade cost reduction reaches 11.7%, 2.4 percentage points less than if all provisions were implemented (view the figure). The three most influential types of measures remain the same, but their impact is now more limited: (f) documents would potentially reduce costs by 2.5%, (g) automation by 1.7%, and (a) information availability by 1.3%. LMICs could benefit from potential trade cost reductions of 12.6%, 2.5 percentage points less than in the case of “full” implementation of best practices of which 2.4% for (f) documents, 2.1% for (h) procedures and 1.5% for (g) automation. In the case of UMICs the impact would be of 12.1%, 0.8 percentage points less than if they “fully” implemented best practices with a potential cost

² Using the OECD Trade Facilitation Indicators (TFIs) and a scenario where WTO Members would implement all the options contained in the agreement, including those formulated on the “best endeavours” basis.

³ The second scenario where WTO Members would only implement the mandatory provisions contained in the agreement leaving aside discretionary provisions.

reduction of 2.4% for (h) procedures, 1.9% for (g) automation and 1.2% for (c) advance rulings (OECD, 2014, p. 2).

The problem is that the one research in the World Trade Review finds that a trade community is much more divided than ten years ago. Today, trade community is influenced by the conflicting interests in the world trade with no leading group capable of influencing the negotiations. This fragmentation may be a long-lasting collateral cost of the Doha Round, whether it succeeds or fails (Messerlin and van der Marel, 2011, p. 555). Within the WTO this power shift has been articulated in the growing salience of China, India and Brazil in the Doha negotiations and trade governance matters more generally. Reaching collective accords will become increasingly, not less, challenging (McGrew, 2011, p. 35).

AFTER BALI

“The big question confronting the WTO now is whether Bali will generate momentum to develop a work programme that offers better prospects for a multilateral deal to liberalize trade in agricultural products, manufactured goods and services and addressing policy areas that so far have been kept off the WTO table, such as investment, competition and industrial policies. Much here will depend on whether current efforts to negotiate so-called mega-regional agreements (such as the EU-US Transatlantic Trade and Investment Partnership) are successful and their effects on excluded countries” (Hoekman, 2014).

The major tensions in the WTO relate to the issues of agriculture, trade in services and trade-related investment measures. The Bali decision launches a work programme with the mandate to find a way to address conflicting food security concerns throughout the WTO membership without increasing trade distortions. Food security does not mean that you need to abolish border protection and all forms of non-green box support. At the present, there is mistrust in the multilateral trading system represented in the WTO and this increases the inefficient food production. The complex issues of domestic support and export restrictions cannot be solved easily.

All over the world the liberalization process is advancing far more quickly at the regional level than at the multilateral level. Regional trade agreements (RTAs) exist in all regions of the world. They are no longer the privilege of developed industrialized countries, but developing countries are becoming active players in regionalism. Increasing trade between developing countries might be one positive result. Regionalism is undoubtedly on the rise and the depth and breadth of regional integration has far exceeded the expectations originally entertained when Article XXIV of the GATT was formulated. What was thought to be an exception to the rule of multilateralism and non-discrimination became the rule (Fisch, 2001, p. 16).

WTO members are required to give notification of the RTAs in which they participate. Regional trade agreements have become increasingly prevalent since the early 1990s. As of 15 June 2014, some 585 notifications of RTAs (counting goods, services and accessions separately) were received by the GATT/WTO. Of these, 379 were in force (WTO, 2014). Almost all WTO members are party to one or more regional trade agreements.

The Transatlantic Trade and Investment Partnership (TTIP, also known as the Transatlantic Free Trade Area, abbreviated as TAFTA) is a proposed free trade agreement between the United States and the European Union. Supporters say the agreement would result in multilateral economic growth, while critics say it would increase corporate power and make it more difficult for the governments to regulate markets for public benefit. The U.S. government considers the TTIP a companion agreement to the Trans-Pacific Partnership. The TTIP free trade agreement could be finalized by the end of 2014.

The Trans-Pacific Partnership (TPP) is being negotiated between United States and 11 countries throughout the Asia-Pacific region. The USA negotiating parties are Australia, Brunei Darussalam, Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore, and Vietnam. The negotiations over the huge trade agreement — which, when finished, will govern 40 percent of U.S. imports and exports. It is expected to eliminate tariffs on goods and services, terminate a host of non-tariff barriers and harmonize all sorts of regulations when it is finished. These two are at the moment the largest free-trade agreement negotiations.

Almost all Regional trade agreements exhibit an inherent dynamic towards greater liberalization and open markets. They have brought about liberalization in areas such as services and investment on a scale unlikely to be seen at the multilateral level for some years to come. Increasing competition is always seen as a source of economic growth. The story behind justification for the formation of regional trade agreement is that ultimately non-members will benefit as well. Today, motivation for forming regional trade agreements is to open up markets and promote competition. The best example of this free market orientation is the EU, where a single market and a common currency were introduced to strengthen internal competition and external competitiveness, among other reasons. The best-known exception is the EU's Common Agricultural Policy (Fisch, 2001, p. 214).

Since regional trade agreements discriminate against outsiders, non-members may respond to this situation by trying to join the club, which will then give the boost to regionalism. The academic interest in regional trade agreements is dominated by the question of whether regionalism is a building block or a stumbling block for multilateralism. A conclusive answer to this question has not yet been found and the chances for this to happen are small. In the case of unsuccessful multilateral negotiations regionalism might be one way to promote and secure trade liberalization.

The WTO General Council met on 12 May 2014. At the meeting, there were many topics. The Director-General Mr. Roberto Azevêdo noted that members had remained focused on the following two main priorities: a) implementing the Bali Ministerial outcomes and b) meeting the December deadline for the preparation of the work programme to complete the Doha Development Agenda. The Chairman of the Council also announced that he would soon start consultations on the date and venue for the WTO's 10th Ministerial Conference (2015) and on the possibility of appointing a "facilitator" for e-commerce. He announced the launch of a new initiative aimed at ensuring that developing and least developed countries receive the assistance they need to implement the trade facilitation pact. Trade ministers had agreed in Bali that the General Council – the WTO's highest decision-making body outside of ministerial conferences – would have to adopt the Protocol of Amendment until 31 July 2014 that would bring the Trade Facilitation Agreement into the organization's legal framework. In July 2014, despite intensive consultations, WTO members were not able to find a solution that would allow bridging the gap on the adoption of the protocol on the Trade Facilitation Agreement (WTO, 2014). That is now another setback for the WTO.

The WTO has become the most prominent symbol of globalization. But for all its great merits, the WTO has limits as a tool for liberalizing trade. Meanwhile, the WTO that raises regulatory barriers worldwide and eliminates both valid diversity among regulatory regimes and competition among them could even be worse than no WTO at all (Wolf, 2001, p. 195-6). There are a lot of concerns about the future of the WTO. The questions are being raised about the future of the WTO system that go beyond the issue of a new WTO trade round. Countries might even stop implementing WTO rulings. In such a case, the trade disputes system could break down, particularly if there were a fall in the world economic growth prospects that weakened support for trade governed by the WTO (Jordan, 2001, p. 244).

The WTO still has time to seize the momentum from the Bali Ministerial Conference, but the time is running and implementation of the reached agreement is an imperative for the new boost to the negotiations.

CONCLUSIONS

The establishment of the WTO was the biggest reform of the international trading system since the establishment of the GATT. Where countries faced trade barriers and wanted them to be lowered, the negotiations under the WTO should have helped to open markets for trade. Unfortunately, there is an evident lack of progress in multilateral trade negotiations under the auspice of the WTO. The Doha Development Round of negotiations broke all the deadlines set for completion. Because it was not able to bring to agreement many have questioned the entire future of the WTO as a forum for trade liberalization and have pointed to the

danger that the organization could collapse. But then the Bali Ministerial Conference brought a real breakthrough. It was a large boost to the World Trade Organization. The Bali package is aimed at lowering global trade barriers and is the first agreement reached through the WTO. The Bali agreement has created the chance to revitalize trade talks at the multilateral level. Now, there are potential cost reductions from the Agreement on Trade Facilitation, which was concluded at the Bali Ministerial in December 2013. This should deliver significant gains in growth and development. But, it is uncertain that it will transform the prospects of the WTO and the multilateral trading system over a longer term and finally lead to further negotiated outcomes. It is still too soon to give a definitive response.

Unfortunately, there are still too many questions and problems to resolve in the Doha trade negotiations. The continuing difficulties in making deals at the WTO, the need for substantive reform and the need to be more transparent are among many problems that the WTO must resolve. When there is a crisis of multilateralism regional trade agreements become increasingly prevalent and there are even some suggestions of institutional bypassing through expanding preferential trade agreements.

Still, the Bali package created once in a lifetime an opportunity to achieve a positive change and to revitalize trade talks at the multilateral level. The progress that the WTO makes in the months ahead will be critical and it will determine whether this multilateral organization can seize this opportunity.

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**NAPREDAK NA DOHA RUNDI PREGOVORA
U OKVIRU SVETSKE TRGOVINSKE ORGANIZACIJE
– SPORAZUM NA BALIJU**

Apstrakt: Svetska trgovinska organizacija je najvažnija međunarodna organizacija koja definiše pravila međunarodne trgovine, a ta pravila doprinose stvaranju uređenog svetskog tržišta. Multilateralni trgovinski sporazumi pod okriljem STO nastali su kao rezultat pregovora. Skup pravila je stvoren kako bi se pomoglo da se trgovina odvija onako slobodno koliko je to moguće i da bi se trgovinske politike zemalja članica održavale u okviru dogovorenih granica. Prva runda multilateralnih trgovinskih pregovora pokrenuta u okviru STO, u Dohi, jasno je pokazala velike razlike između razvijenih i zemalja u razvoju. Zaključenje Doha runde pregovora još uvek nije u izgledu, ali Bali Ministarska konferencija je donela neku nadu. Pregovori u Baliju doveli su do zaključenja prvog multilateralnog trgovinskog sporazuma pod okriljem STO. Prvi sporazum u okvirima STO, koji je odobren od strane svih njenih članica, je usmeren na smanjenje globalnih trgovinskih barijera, regulisanje trgovinskih olakšica i poljoprivrede podrške.

Ključne reči: STO, Bali Ministarska konferencija, dogovor, slobodna trgovina, Doha razvojna agenda, GATT.

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