

# Sufficient Efficiency?

A study on the World Trade Organization, The Doha Round  
and Agricultural Trade Issues in Developing Countries

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# Abstract

In 2001 the Doha Round Talks was initiated by the World Trade Organization. Development was the overarching goal. For several developing countries with a comparative advantage in agriculture, trade with such products is seen as essential to economic growth and thus development. In order to spur this development it appears to be particularly important that developing countries have increased access to developed countries agricultural markets. During the Doha round, negotiations pertaining to agriculture have been held on a continuous basis. Throughout these negotiations there have been both points of agreement and contention amongst the organization's members. Furthermore the WTO's wealthiest members appear to be time-consuming laggards who slow down the process of reaching a conclusive agreement. Developing countries seem to be leaders but appear dependent on the more powerful laggards. The round has yet to be concluded, therefore the WTO's efficiency to deal with issues relating to agricultural trade in developing countries is questionable.

*Keywords:* The Doha Round, World Trade Organization, Agriculture, Developing Countries, Efficiency

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# 1 Introduction

We are currently living in the age of globalization. World commerce is an important aspect of globalization and over the years, international trade, production and markets have become exceedingly integrated. World commerce can be viewed as machinery with several complex parts which are affected by various actors and regulated by numerous institutions and organizations. The most important of these organizations is arguably the World Trade Organization (WTO). The World Trade Organization is a permanent organization designed to replace the temporary GATT (General Agreement on Trade and Tariffs). The Organization was established in 1995 and consists of 151 member states. It has a broad and extensive agenda which covers trade in merchandizing, services, intellectual property and investment issues.<sup>1</sup> One of the organization's main tasks is to work towards a global free trade regime. However, the WTO permits obstacles against trade under certain circumstances.<sup>2</sup> Agriculture is one area within trade which is quite heavily regulated through for instance The Agreement on Agriculture and these regulations tend to create certain dilemmas for developing countries in particular. Agriculture is of paramount importance for many developing countries since it can lead to economic growth, poverty alienation, food security and environmental sustainability.<sup>3</sup> The question is if the WTO actually is efficient enough to deal with agricultural related issues (which have been) caused by trade regulations. In 2001 the WTO commenced its 4<sup>th</sup> ministerial conference in Doha, Qatar. Development was the overarching theme and subjects relating to agriculture were discussed.<sup>4</sup> The Doha round has yet to be completed, which makes its success as well as the WTO's efficiency in dealing with agricultural issues questionable.

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<sup>1</sup> Baylis John & Smith Steve, *The Globalization of World Politics- an introduction to international relations*, 2005: 601.

Diego - Fernandez Mateo, *Trade Negotiations Make Strange Bedfellows*, 2008: 423.

<sup>2</sup> Sjöstedt, Gunnar, *Världspolitikens Dagsfrågor. WTO – När porten öppnas*, 2004:15.

<sup>3</sup> Díaz-Bonilla et al. *WTO, Agriculture and Developing Countries. A survey of Issues*, 2002: 2.

<sup>4</sup> Storey, Mark, *Capacity Building on WTO and Environmental Protection*, 2006: 74.

## 1.1 Disposition

This dissertation is organized in the following order: First and foremost the Statement of Purpose and Main Question are presented. Method and Material then follows. Then the thesis's Theoretical Framework is explained. However, the theory used is not explained in depth in the Theoretical Framework but more so in the Analysis of this essay. This is in order to prevent more repetition than necessary. After the Theoretical Framework is clarified, the Analysis follows. In the Analysis a brief account of the Doha round is presented. This is in order to create greater understanding for the subject at large. The Analysis is based on the theory used in this thesis. Lastly a conclusion is presented.

## 1.2 Statement of Purpose and Main Question

The World Trade Organization has occasionally been criticized for being ruled by its wealthiest and strongest members and not taking into account the views and concerns of weaker economies. In many of these economies, agriculture is a major source of income. Therefore, it is perhaps vital for these countries that the WTO is efficient enough to deal with issues relating to international agricultural trade. The aim of this thesis is to analyze to what degree the WTO appears to have the capacity to deal with agricultural issues which have arisen in developing countries, partly due to the organization's trade agreements and regulations. In general, the question is if the WTO can be deemed as being an effective enough institution to deal with agricultural problems in the developing world. In order to narrow down the subject matter, focus will lie on the "success" of the Doha round. I have chosen to examine the Doha round since it is still ongoing and the agenda focuses on development, which is arguably of particular importance for developing countries. Furthermore throughout the Doha round there have been signs of international cooperation. If the WTO has been able to manage this cooperation it might imply that the organization has some degree of efficiency. The main question to be analyzed is the following:

*Is the World Trade Organization an efficient enough institution to solve agricultural dilemmas in developing countries, and if so, is this efficiency evident in the Doha round?*

## 1.3 Method and Material

Since this thesis intends to analyze and depict the efficiency of the WTO with special focus on the Doha round it can be labelled a case study. The particular case being the WTO and the Doha round. Analyzing a case (as opposed to for example depicting two cases in a comparative case study) allows the researcher to focus more on the particular case and thus consequently write a more detailed paper. In this thesis, Haas's, Keohane's and Levy's theory regarding effective institutions will be utilized. I intend to test the WTO's efficiency against Haas et al's theory, which states that certain criteria need to be fulfilled in order for an organization to be deemed effective. My main question may be viewed as being rather abstract and general, which is why I have chosen to use a theory which is relatively clear and concise.

Textual analysis is the method which will be used throughout this paper. Textual analysis involves thoroughly reading through different texts and choosing parts which are suitable for the particular subject.<sup>5</sup> In order to increase objectiveness I will try to use a wide variety of secondary sources varying from articles to websites.

## 1.4 Theoretical Framework

In order to analyze my main question I intend to use the Haas, Keohane and Levy model as stated in their book *"Institutions for the Earth - Sources of Effective International Environmental Protection"* (1993). As the book's title insinuates the model is perhaps more suitable to deal with "classic" environmental concerns such as ozone depletion or oil spills, but since the authors examine how effective different organizations and international regimes are at dealing with these issues, I still regard it a valuable model to use when analyzing the WTO's efficiency. So, it should be stated that the focus of this thesis will in fact not lie on the environmental effects of agricultural trade but more on whether or not the WTO is (or can be) a source of "efficient" agricultural trade policy in developing countries. Environmental issues will hence not be examined. *"Institutions for the Earth- Sources of Effective International Environmental Protection"* is an anthology of different cases where institutions or international regimes have tried to "solve" various environmental problems. No single case is the same. Therefore, I am more influenced by how the authors of the different articles have used the Haas et al model. I attempt to create my own framework instead of strictly using one particular author's framework.

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<sup>5</sup> Essaiasson et al, *Metodpraktikan: konsten att studera samhälle, individ och marknad*, 2007:237.

First of all, what does the Haas, Keohane and Levy model entail? Their model is organized descriptively around three political phases of activity – Agenda Setting, International Policies and National Policy Responses. They argue that an efficient institution needs to be able to affect the political process in order to achieve positive change. The institution can achieve this through (1) contributing to more suitable agendas which mirror the convergence of technical and political compromise concerning the nature of environmental risks; (2) adding to more broad and specific international policies, agreed upon via a political procedure which makes use of intergovernmental bargaining; and (3) contributing to national policy responses which manage sources of environmental degradation.<sup>6</sup> Instead of looking at the nature of environmental risks as mentioned in point (1) and sources of environmental degradation as mentioned in point (3) I will examine agricultural trade issues. What this entails will be explained thoroughly in the analysis. However, for the purpose of this thesis, issues are not viewed as being particularly important since they are in all probability not essential for measuring the WTO's efficiency.

The three criteria mentioned above are not in themselves sufficient for measuring institutional effectiveness. Therefore, the Haas, Keohane and Levy model also consists of three fundamental conditions which need to be met at the level of international society in order to achieve efficient environmental management. First and foremost, government concern must be high enough to make states devote scarce resources to dealing with the issue. Second, problems stretching across boundaries cannot be resolved effectively without an open contractual environment. States should be able to make believable commitments, to perform joint rules with relative ease, and to supervise each other's behaviour at fair costs so plans of reciprocity can be followed. Third, states should have the political and administrative capacity to make the necessary adjustments at a domestic level for implementing international norms, principles or rules. These three fundamental conditions are labelled as "the three Cs". Any specific international environmental dilemma will appear on the political agenda with given values of concern, the contractual environment and capacity.<sup>7</sup>

The analysis will be organized using the three political phases of activity mentioned in the Haas, Keohane and Levy model. However, the analysis in itself will be based upon "the three Cs". If the World Trade Organization fulfils "the three Cs" it can be considered an effective institution with the capability to deal with agricultural trade dilemmas in developing countries.

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<sup>6</sup> Haas et al, *Institutions for the Earth: Sources of Effective International Environmental Protection*, 1993: 8.

<sup>7</sup> Haas et al, *Institutions for the Earth: Sources of Effective International Environmental Protection*, 1993: 8, 11, 19, 20.

## 2 Analysis

### 2.1 Agenda Setting

Haas, Keohane and Levy claim that an effective institution should be able to contribute to more appropriate agendas which reflect the convergence of technical and political cooperation and compromise regarding the nature of environmental risks. If the institution has the ability to do so, it can affect the political process in order to achieve positive change. When it comes to setting agendas, countries should first identify problems for collective response.<sup>8</sup> Furthermore, one can ask if there are signs of concern evident in the identification of these problems.

#### 2.1.1 Identifying Issues

Have the WTO and its member states collectively managed to identify which agricultural trade related issues need to be resolved? There are several issues and some can partly be said to be “caused” by the WTO since the organization works towards a free trade regime. There are numerous key implications of trade liberalization in the agricultural sector. For net food exporting countries (typically developing countries) trade liberalization will lead to a concentration of resources in the food exporting sector. Increased production in the food exporting sector is probable and this in turn can have negative environmental consequences. If a state specializes in a few selected cash crops without paying attention to soil conditions or the need for the rotation of crops this can cause problems of soil degradation. Furthermore, it can result in less genetic diversity. Monocultures and plantations are sometimes more susceptible to extreme climatic conditions and insects and are therefore more reliant on large quantities of pesticides. Furthermore, trade liberalization on the agricultural sector can also cause social dilemmas. Being dependent on only a few export crops may increase domestic farmer’s exposure to changes in market prices. Moreover, it may cause domestic food supply to be at risk due to a decreased local production of food crops.<sup>9</sup> Liberalizing trade can be said to be the WTO’s main overarching goal.<sup>10</sup> Therefore, the WTO is perhaps

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<sup>8</sup> Haas et al, *Institutions for the Earth: Sources of Effective International Environmental Protection*, 1993: 8, 11, 12.

<sup>9</sup> Storey, Mark, *Capacity building on WTO and Environmental Protection*, 2006: 42.

<sup>10</sup> World Trade Organization’s homepage: [http://www.wto.org/english/thewto\\_e/whatis\\_e/tif\\_e/fact2\\_e.htm#seebox](http://www.wto.org/english/thewto_e/whatis_e/tif_e/fact2_e.htm#seebox)



particularly concerned with the negative effects of trade liberalization and tries to diminish these negative impacts.

Another major dilemma for the organization is the fact that many developing countries have a comparative advantage in agriculture due to their fairly large endowments of unskilled labor and land. Access to large markets in developed countries and the prices they receive there are thus fundamental to these developing countries.<sup>11</sup> Increasing the access to these markets could possibly reduce the differences between the developed and the developing countries. Hence, many issues to do with agricultural trade relate to the economic and social inequality between developed and developing countries, and trade has throughout history often been seen as a way to kick start industrialization in developing countries in order to minimize inequality between the north and south. Agricultural trade was seen as supporting the needs of industrialization in several ways. One way was through the transfer of surpluses in the labor sector. Workers employed in agriculture would allegedly be transferred to the industry. The agricultural sector could also provide food and other raw materials to keep salaries and other costs low within the industrial sector. The savings which were then generated could be taxed away in order to maintain investment in the industry and infrastructure.<sup>12</sup>

From the 1960's and onwards there has been a great deal of general concern regarding agriculture and developing countries. This is evident in the different strategies which were advocated by different organizations and other influential actors. In the mid-1960's to the late 1970's supporting the agricultural sector through investments in technology as well as physical and human capital formation in rural areas was seen as an efficient strategy for industrializing developing countries. In the 1980's the need for changes in the structure of development and macroeconomics was emphasized. The combination of overvalued exchange rates, overt taxation of agricultural exports and protection of domestic industry were criticized for severely slowing down agricultural growth, particularly in developing countries. The suggested policy was to remove inefficient industrial protectionism, to avoid over valuating the exchange rate, decrease export taxes on agriculture and reduce the involvement of governments in agricultural markets.<sup>13</sup> Even though the general amount of concern regarding agriculture and developing countries was evidently fairly high it was perhaps not viewed as being of paramount importance by the precursor of the WTO - the GATT. Prior to 1986, when the WTO's so called Uruguay Round talks were initiated, the agricultural sector was systematically excluded from GATT negotiations. This was very costly to developing countries who were efficient agricultural producers but not so prominent in industry. There was a great amount of strength of the agricultural sector in the national policies of industrial countries

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<sup>11</sup> Andersson, Kym - Josling, Tim, *The WTO and Agriculture, Vol 2*, 2005: 372.

<sup>12</sup> Bonilla- Diaz et al, *WTO, Agriculture and Developing Countries. A survey of Issues*, 2002: 2002: 36.

<sup>13</sup> Bonilla- Diaz et al, *WTO, Agriculture and Developing Countries. A survey of Issues*, 2002: 36, 37.

and the mercantilist and protectionist policies advocated by these countries on the agricultural sector lead several agricultural producing developing countries to become heavily indebted.<sup>14</sup>

Perhaps identifying what the particular problems and issues are is not of major importance, as long as the organization has recognized that there *are* problems which need to be resolved and that efforts have been made to find feasible strategies to deal with these problems. Today the WTO seems to have recognized that there are issues pertaining to agricultural trade in developing countries and the organization seems to be quite concerned regarding these quandaries, however, historically this has not always been the case. It is undoubtedly clear that the WTO's concern for agricultural dilemmas in developing countries has been growing with time. This is evident in the organization's creation of a special agreement relating to agriculture during the Uruguay Round and the WTO's focus on the issue of development in the Doha round (see the following chapters).

### 2.1.2 The Uruguay Round

Many of the agricultural issues which have been and still are being discussed in the Doha round are of a specific character, even though development is the general and overarching goal. Before analyzing the agenda setting for the Doha Round, I think it is important to look at the previous ministerial round held in Uruguay to see if any of the issues discussed there are similar to the ones being discussed in the Doha round. If agriculture played a role in the Uruguay Round this can be interpreted as a sign that the WTO and its members were/are in fact concerned with issues relating to agricultural trade. However, it is a question of degree; if agriculture did not play a very significant role in the Uruguay round, then the concern for agricultural issues can most likely not be said to have been very high either.

The Uruguay round was formally initiated in Punta Del Este on the 14<sup>th</sup> of September 1986 and was finalized in Marrakech, Morocco the 15<sup>th</sup> of April 1994. Disagreements between the USA, Brazil and India concerning services, immaterial property rights, and investments lead to the creation of the ministerial declaration, which in turn came to set the agenda for the rest of the round. The Uruguay round took longer than expected, partially due to disagreements concerning agriculture.<sup>15</sup> The main outcome of the negotiations was actually the establishment of the World Trade Organization, and this may have diverted the focus from issues concerning agriculture. However, some specific commitments regarding agriculture were made. The most important being the Uruguay Agreement on Agriculture. It included rules and commitments in three main areas – export subsidies, domestic support and market access. Certain required reductions were set for subsidy levels and subsidy coverage for developing

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<sup>14</sup> Nogues. Julio, *Agriculture and Developing Countries in the GATT*, 1985: 120, 129.

<sup>15</sup> Seth, Torsten, *WTO och den Internationella Handelsordningen*, 2004: 44, 47.

countries. These reductions were to be made during a 10 year period. The fact that developing countries were allowed to make these reductions over a fairly long time period illustrates that the GATT placed developing countries under special consideration and suggests that it was concerned with the possible impact that these commitments would have upon developing countries. Reductions of subsidy levels are in all probability a difficult and time consuming task, especially for developing countries where technical problems as well as poor infrastructure may be an issue. The domestic support obligations in the Uruguay Agreement on Agriculture aimed to minimize trade-distorting domestic supports and to bring about a shift towards measures which were not distorting production or trade. Under the so called Peace Clause on agricultural subsidies in the agreement, member states committed themselves to not make any complaints to the GATT with reference to farm support as long as these subsidies did not surpass their 1992 levels. Developing countries, on the other hand, were allowed to maintain their trade distorting subsidies as long as the beneficiaries of these subsidies were low income or resource poor producers. In relation to market access provisions, all members who were participating in the negotiations were required to change all non-tariff barriers which affected agricultural imports into bound tariffs which gave the same degree of protection. The tariffs which were implemented as an outcome of this process were then to be reduced over a period of six years for developed countries and ten years for developing countries. Furthermore, all developing countries were excused from the commitment to liberalize trade of an agricultural product as long as the product was regarded a predominant staple in their traditional diet.<sup>16</sup> Overall it may be said to be relatively clear that the GATT placed developing countries under special consideration and thus showed particular concern for these countries. Under the Uruguay Agreement of Agriculture developing countries were given longer time to adjust to the requisites and were even exempt from some of the commitments.

However, the achievements of the commitments of the Uruguay Round were still conceived as being fairly modest. Under the tariffication commitments under the Uruguay Agreement on Agriculture WTO member states have managed to get rid of most non-tariff barriers in agricultural imports and upper bounds for tariff rates have been declared. Tariffs are currently the main means by which members protect their domestic agriculture. However, the impact of converting non-tariff barriers to tariffs has not had a very significant effect on the actual trade flow. The relatively liberal norms for tariffication stated in the agreement on agriculture are a problem. Developing countries have set high bound tariffs. This seems to be in order to leave space for further bargaining and manoeuvring in future tariff negotiations. Another problem is that import monopolies which are government mandated are still in charge of a considerable share of imports in several developing countries. Because of this, the process of working towards a free trade regime has been slowed down. Achievements regarding export subsidies and

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<sup>16</sup> Athukorala. Prema-Chandra, *Agricultural Trade Reforms in the Doha Round: A Developing Country Perspective*, 2004: 883, 884.

domestic support were also rather modest. Developed countries presently spend more than 300 billion dollars on an annual basis supporting their farmers. This amounts to 1.3 % of OECD (Organization for Economic Cooperation and Development) members combined GDP. This subsidizing has resulted in OECD farmers receiving prices which are significantly higher than world prices. Developing countries, on the other hand, cannot afford to support their farmers. This causes inequality between developed and developing countries. Overall, implementing the agricultural reforms agreed upon during the round has involved little liberalization in developing countries and in general world trade has remained heavily distorted by export subsidies, major border controls and a variety of domestic production supports.<sup>17</sup>

However, overall, it can be stated that the Uruguay round was not a total failure with regards to agriculture and developing countries since it managed to create a basis for dealing with the long standing disorder in international agriculture.<sup>18</sup> It is evident that the WTO showed a fair amount of concern regarding agriculture in developing countries during the Uruguay round. Nonetheless, since the achievements resulting from the round were fairly meek it was relatively obvious that another ministerial round was needed in order to increase trade liberalization and hopefully minimize the inequality between developed and developing nations through agricultural trade measures.

Thus, when the Doha round was initiated in 2001, it specified goals for agriculture which were similar to those of the Uruguay round – increasing market access and reducing export subsidies as well as domestic support.<sup>19</sup> There were several old matters relating to agriculture which were expected to complicate the ministerial conference in Doha.<sup>20</sup> However, the agenda for the Doha round displayed clear signs of concern since it placed particular focus upon development and using trade measures to spur development, perhaps showing how the WTO tried to contribute to a more suitable agenda. This is also evident in the fact that the Doha round has made special and differential treatment for developing countries an integral aspect throughout the talks.<sup>21</sup> The Doha round will be discussed in further detail under the following heading.

### 2.1.3 The Doha Round - A Brief Overview

Several subjects and issues are and have been discussed continuously throughout the round. The two documents which constitute the framework for the negotiations are the Doha Declaration and the Decision on Implementation.<sup>22</sup>

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<sup>17</sup> Athukorala Prema-Chandra, *Agricultural Trade Reforms in the Doha Round: A Developing Country Perspective*, 2004: 886, 887, 895.

<sup>18</sup> Athukorala Prema-Chandra, *Agricultural Trade Reforms in the Doha Round: A Developing Country Perspective*, 2004: 886, 888, 895.

<sup>19</sup> Martin, Will & Anderson, Kym., *Agricultural Trade Reform under the Doha Agenda: Some Key Issues*, 2008:1.

<sup>20</sup> De Vylder, Stefan, *The Least Developed Countries and World Trade – Second Edition*, 2007: 193.

<sup>21</sup> Das Dilip K. *The Doha Round of Multilateral Trade Negotiations and Trade in Agriculture*, 2006: 287.

<sup>22</sup> Diego - Fernandez Mateo, *Trade Negotiations Make Strange Bedfellows*, 2008: 430.

These include implementation related issues and concerns, negotiations relating to agriculture, services and TRIPS (Agreement on Trade-Related Aspects of Intellectual Property Rights). Furthermore, negotiations concerning non-agricultural products are held. The relationship between trade and investment and the interaction between trade and competition policy is also discussed. Moreover, talks regarding trade facilitation and transparency in government procurement are held. Discussions with reference to WTO rules such as anti dumping, subsidies and regional trade agreements are also taking place.<sup>23</sup> The Doha round's agricultural negotiations were initiated according to the built - in agenda established by the 1994 Uruguay Round Agreement on Agriculture.<sup>24</sup> The Agreement on Agriculture has three "pillars" which are negotiated- domestic support, market access and export subsidies. In the WTO, subsidies are generally referred to as "boxes". There are three types of boxes – green, amber and red boxes. The Agreement on Agriculture has no red box. The amber box contains all domestic support measures which distort production and trade. All domestic support measures fall into this category apart from the ones in the blue and green boxes. The blue box can basically be classified as being the amber box with certain conditions. These conditions are designed to reduce distortion. Support measures which would normally be placed in the amber box are placed in the blue box if the measure also requires farmers to limit production. For subsidies to be placed in the green box they must not distort trade. Furthermore, the subsidies need to be government funded and are not allowed to involve price support.<sup>25</sup> Agriculture was and still is the key issue for the developing countries. When the ministerial conference was initiated the developing countries committed themselves to the negotiations, which were aimed at improving market access and major reduction of trade-distorting domestic subsidies.<sup>26</sup>

## 2.2 International Policies

According to Haas et al, agendas need to be converted into policies or measures for collective application. The action has to be significant in order to stem environmental threats. The pace and form of action is important. How long did it take for countries to convert the specific agenda to significant measures for environmental protection? Did the international organization simply make normative pronouncements specifying what should be done or did it develop monitoring programs, fund scientific research or build domestic administrative capability? Did the organization establish detailed regulatory standards?<sup>27</sup> Instead of examining environmental protection I will examine agricultural trade issues.

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<sup>23</sup> Storey, Mark, *Capacity building on WTO and Environmental Protection* Storey, 2006:75.

<sup>24</sup> Constantini et al, *Bargaining Coalitions in the WTO agricultural Negotiations*, 2007: 865.

<sup>25</sup> World Trade Organization's homepage: [http://www.wto.org/english/tratop\\_e/agric\\_e/agboxes\\_e.htm](http://www.wto.org/english/tratop_e/agric_e/agboxes_e.htm)

<sup>26</sup> De Vylder Stefan, *The Least Developed Countries and World Trade – Second Edition*, 2007: 195.

<sup>27</sup> Haas et al, *Institutions for the Earth: Sources of Effective International Environmental Protection*, 1993: 13.

Important issues for the developing countries in general have been increased market access for agricultural exports and reductions of all trade distorting OECD countries' agricultural subsidies.<sup>28</sup> A more general and also rather complex "dilemma" is that developing countries should have the possibility to pursue agricultural policies which are supportive of their development goals as well as poverty alleviation.<sup>29</sup> This of course relates to the issue of reducing the inequality between developed and developing countries. However, once again, it can be stated that it is not the particular issues which are of interest but the WTO's efficiency to deal with and recognize the issues. The question of international policies will be answered with reference to the "second C" in the Haas et al theoretical model – the contractual environment. International problems cannot be resolved effectively if there is no open contractual environment where the effected actors can easily negotiate.<sup>30</sup>

### 2.2.1 It's a Question of Time

The WTO may be viewed as being rather inefficient when it comes to policy implementation. The deadlines set for 2003 for the modalities (reduction targets) and draft commitments were missed. The ministerial conference in Cancun held in 2003 ended in disorder and limited progress was made during the ministerial conference in Hong Kong in 2005. From July 2006 the talks were suspended and then reassumed in early 2007, which then resulted in draft modalities in July of the same year.<sup>31</sup> Between Doha and Cancun the trade talks stagnated for a total of 22 months. Key deadlines were missed and all tough political decisions were put on hold. The stagnation was not simply caused by an overloaded agenda but by the fact that the participating countries refused to compromise. On the other hand, previous round talks have also been rather time consuming and they have all taken longer to finish than what was initially planned. The Uruguay round took 8 years when it was originally planned to be completed in three years.<sup>32</sup> A final date for adopting and implementing the results of the Doha round has not yet been set.<sup>33</sup>

Moreover, there are issues pertaining to the WTO's general structure which may be seen as slowing down the Doha round negotiation process and some developing countries have called for a reformation of the WTO in order to make participation less complex. These problems can be seen as what Haas et al term a lack of contractual environment, since agreements are not being reached partially due to structural dilemmas. One problem relates to the so called consensus principle which is used when voting on decisions in the organization. Consensus is achieved if no member present is opposed to the decision being voted on. The

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<sup>28</sup> De Vylder, Stefan, *The Least Developed Countries and World Trade – Second Edition*, 2007: 187.

<sup>29</sup> Das Dilip. K. *The Doha Round of Multilateral Trade Negotiations and Trade in Agriculture*, 2006: 279.

<sup>30</sup> Haas et al. *Institutions for the Earth: Sources of Effective International Environmental Protection*, 1993:19.

<sup>31</sup> Martin Will & Anderson Kym. *Agricultural Trade Reform under the Doha Agenda: Some Key Issues*, 2008: 1, 2.

<sup>32</sup> The Economist, *Special Report: The WTO Under Fire- The Doha Round*, September 20<sup>th</sup> 2003:30.

<sup>33</sup> World Trade Organization's homepage: [http://www.wto.org/english/tratop\\_e/dda\\_e/work\\_organ\\_i\\_e.htm](http://www.wto.org/english/tratop_e/dda_e/work_organ_i_e.htm)

consensus principle makes the voting procedure time consuming and the accession of member states can be seen as slowing down the process even more since more and more members have to vote on different agreements.<sup>34</sup> Currently the WTO membership amounts to 151 states. Perhaps fewer members would make decision making easier, though, this might cause the organization to become less representative and more discriminatory towards countries with insufficient economic resources.

## 2.2.2 Forms of Action and Signs of an Effective Contractual Environment

Judging from the Doha round it appears that the WTO in general has made normative pronouncements and attempted to establish specific regulatory standards while the organization does not appear to have developed monitoring programs, fund scientific research or build domestic administrative capability. However, if the Doha round was to be completed the organization *would* perhaps develop monitoring programs, fund scientific research and build domestic administrative capability. The difficulty with analyzing the success of the Doha round is that it has not yet been completed. Therefore, one can merely look at how successful it has been so far. First and foremost one can ask if the contractual environment has involved similar or differing interests.<sup>35</sup> What points of agreement relating to agricultural trade have been reached during the round? Being able to reach agreements perhaps shows signs of an open contractual environment since the effected actors actually manage to concur upon matters. Points of agreement have been made regarding what the focus of the negotiations should be. For example, after the Cancun ministerial meeting in 2003 the WTO members agreed that the focal point of the future negotiations should be on the most trade- distorting amber box domestic support measures. A framework deal which was based on this emerged in July 2004.<sup>36</sup> One major point of agreement has also been on the use of so called formula approaches for negotiating improvements regarding market access, domestic support and export subsidies. In relation to market access the members have agreed that a banded formula should be used under which cuts in higher tariffs are larger than cuts in lower ones should be used. Bands can be described as being thresholds which are used to categorize different tariffs on a percentage scale.<sup>37</sup> The cost of a tariff increases with the square of its rate. This reduces higher tariffs more than lower tariffs and hence generates greater economic gains than if a similar sized proportional cut to all

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<sup>34</sup> Schott, Jeffrey J. – Watal, Jayashree, *Decision - Making in the WTO*, 2000  
<http://www.iie.com/publications/pb/pb.cfm?ResearchID=63>

<sup>35</sup> Haas et al, *Institutions for the Earth: Sources of Effective International Environmental Protection*, 1993:257.

<sup>36</sup> Das Dilip K. *The Doha Round of Multilateral Trade Negotiations and Trade in Agriculture*, 2006:278.

<sup>37</sup> Third World Network's homepage: <http://www.twinside.org.sg/title2/twninfo255.htm>, *TWN info on WTO and Trade Issues* September 20<sup>th</sup> 2005.

tariffs had been utilized.<sup>38</sup> Implementing this banded formula could therefore help to spur economic growth and development in developing countries. Otherwise, there have been more points of contention than points of agreement leading to little progress and few major breakthroughs.

Major sources of contention among the parties could be caused by a lack of an open contractual environment where it is difficult to reach agreements. From the initiation of the round several countries disowned major parts of the Doha agenda. The European Union claimed to never have promised to get rid of export subsidies and several poor countries denied that they ever signed up for talks pertaining to new rules.<sup>39</sup> Judging by this it appears that the Doha round was off to a poor start. Presently, market access is one issue which is being heavily negotiated with reference to agricultural trade and is a cause of major contention between the parties. Even though the members have agreed that a banded formula under which cuts in higher tariffs are larger than cuts in lower ones should be used there has still been disagreements concerning the depth of tariff cuts in the bands for the formula.<sup>40</sup> Three different proposals have been made by the EU, the G20 group of developing countries and the USA. The EU suggests small cuts within each band as well as higher band boundaries. The G20 group advocates slightly lower boundaries for the tariff bands and higher cuts in each band. The USA's proposal is the most aggressive one, with lower boundaries for the bands and higher cuts within each band. It is difficult to evaluate whether these formulas would be effective once implemented but comparisons with the Uruguay round results show for example that the proposed G20 formula would result in a cut of nearly 52% in EU bound dutiable tariffs, which is almost 1.5 times the target set in the Uruguay round. The reduction in the average tariff on all tariff lines is even higher at 62%.<sup>41</sup> Judging by the above, tariff reductions are an exceedingly complex task where the different members apparently have difficulties reaching an agreement. The interests of the different members and of the various coalitions of members seem to be merely too divergent. The industrialized countries appear to be worried that a tariff cut which is too large will have negative consequences upon their national economies.

Next, strong cooperation among and between members may also be seen as being a sign of an open contractual environment. The creation and participation of coalitions is perchance easier through the openness that comes about in an effective contractual environment. Developing countries have been participating to a great extent throughout the Doha round and the G20 group of developing countries can be seen as a largely offensive coalition when it comes to trade liberalization. This is evident in the G20's proposal for the banded formula for market access, which was discussed above.<sup>42</sup> The G20 was formed just prior to

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<sup>38</sup> Martin Will & Anderson Kym. *Agricultural Trade Reform under the Doha Agenda: Some Key Issues*, 2008: 2, 4.

<sup>39</sup> The Economist. *Special Report: The WTO Under Fire – The Doha Round*, September 20<sup>th</sup> 2003:30.

<sup>40</sup> Third World Network's homepage: <http://www.twinside.org.sg/title2/twninfo255.htm>. *TWN info on WTO and Trade Issues* September 20<sup>th</sup> 2005.

<sup>41</sup> Martin Will & Anderson Kym, *Agricultural Trade Reform under the Doha Agenda: Some Key Issues*, 2008:6.

<sup>42</sup> Bouët et al. *More or Less Ambition in the Doha Round Winners and Losers from Trade liberalization from a Development Perspective*, 2007:1254.



the initiation of the Cancun ministerial meeting in 2003 and was established in order to put pressure on the EU and US to reduce their import tariffs, export subsidies and domestic support. In fact, many developing countries are and have been showing strong signs of cooperation and are seemingly acting as a united front. The most extensive and thus impressive coalition is arguably the G90, where the African Union, The Least Developed Countries (LDCs) and the African, Caribbean and Pacific (ACP) countries are members. The G33 is a group which consists mainly of net food importing developing countries who are concerned with the prospect of early liberalization on a national level. The so called Cairns group is another coalition which has played a central role in the Doha round. It was created prior to the Uruguay round talks in order to exert pressure on agricultural trade liberalization. Its members are both developed and developing nations and are seemingly very different. However, they all lack the resources to compete in domestic support and export subsidies with larger resource rich countries.<sup>43</sup> An informal group called the G8 consisting of eight countries was established in 2007. The group's original members consisted of the USA, EU, Brazil, India, Australia, Japan, Argentina and Canada and was fairly recently expanded to include China, South Africa, Indonesia, Jamaica and the Dominican Republic. The group contains an aggregation of developed and developing countries, this suggests there is relatively strong cooperation between the north and south. However, many of the developing nations in the group have showed signs of strong economic growth and are quite successful when it comes to trade (e.g. China, India), perhaps indicating that they are not "typical" developing countries. Many developing states have expressed concern over the group since they view it as a re-emergence of the so called G4 (consisting of the EU, USA, Brazil and India) but in a different arrangement. The creation of the G8 group has also somewhat detracted the negotiations from the multilateral process.<sup>44</sup>

With reference to specific regulatory standards, the WTO appears to have attempted to set relatively detailed standards relating to the elimination of export subsidies, domestic support limits and on the use of tiered formulas for reducing domestic support and tariffs.<sup>45</sup> This is evident in the WTO's latest revised draft modalities for agriculture from February 2008. Modalities are numerical targets and formulas.<sup>46</sup> For example, standards have been discussed for an overall reduction of domestic support. This is noticeable in the so called banded/tiered reduction formula. Overall trades distorting domestic supports (base OTDS) are for example reduced according to their size. The greater the base OTDS is, the more it shall be reduced. For the EU, this would entail a reduction of 75% or 85%

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<sup>43</sup> Constantini et al, *Bargaining Coalitions in the WTO agricultural Negotiations*, 2007: 886-887.

<sup>44</sup> Permanent Mission of the Republic of Kenya to the United Nations Office in Geneva's homepage: [http://www.kenyamission-un.ch/downloads/UPDATE\\_WTO\\_NEGOTIATIONS.pdf](http://www.kenyamission-un.ch/downloads/UPDATE_WTO_NEGOTIATIONS.pdf) *Update on the Current Status of WTO Negotiations*, November 2007.

<sup>45</sup> International Food & Agricultural Trade Policy Council's homepage: [http://www.agritrade.org/events/V1\\_2008\\_Agritrade\\_Forum.pdf](http://www.agritrade.org/events/V1_2008_Agritrade_Forum.pdf) *Draft Agriculture Modalities: Trade and Development Implications*, April 2008.

<sup>46</sup> Constantini et al, *Bargaining Coalitions in the WTO agricultural Negotiations*, 2007:865.

(the absolute final reduction targets have yet to be agreed upon), for USA and Japan a cut of 66% or 73% and for the remaining members' OTDS the cut would be 25%. Market access would in general be cut according to a certain formula which requires steeper cuts on higher tariffs. For developed countries the cuts would lie in a range between 48-52% for tariffs below 20% to 66-73% for tariffs above 75%. The range for developing countries is 32-34% for tariffs below 30% to 44-48% for tariffs above 30%. In terms of export competition the drafts state that export subsidies should be eliminated by the end of 2013 and that half of this elimination should have taken place by the end of 2010.<sup>47</sup> The problem with evaluating the success of these draft modalities is of course that they are merely drafts and perhaps this can be said to imply that the WTO are simply making normative pronouncements of what future agricultural trade should look like. In contrast, the fact that the WTO has in fact drafted a set of modalities can be seen as a sign that the organization is making an effort to reach an agreement and is working towards concluding the round.

Haas et al insinuate that the contractual environment can be enhanced by holding regular committee and subcommittee meetings and sponsoring diplomatic conferences. Doing this provides a forum where nations can raise their views and concerns.<sup>48</sup> The negotiations relating to agriculture have been carried out within two main processes – the room E format and the Transparency Open Ended Special Sessions of the Committee on Agriculture (COass). In the room E negotiations about 36 selected delegations participate and discuss all issues relating to agriculture.<sup>49</sup> The different coalitions of the Doha round talks are all represented in the Room E talks, this in order to ensure that the talks are all-encompassing and transparent.<sup>50</sup> These negotiations have been held on a continuous basis for the past 9 months. In the COass talks the entire WTO membership is involved. During the sessions the chairman of the agricultural negotiations updates members on the results of the room E meetings.<sup>51</sup> It is a good sign for a contractual environment that the negotiations are taking place on a continuous basis but simultaneously reaching an agreement is hindered by the organization's requirement of consensus. Room E negotiations are perhaps fairly efficient since relatively few delegations participate but since the COass discussions involve the whole WTO membership this efficiency is perhaps lost.

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<sup>47</sup> World Trade Organization's homepage, [http://www.wto.org/english/tratop\\_e/agric\\_e/ag\\_modals\\_feb08\\_e.htm](http://www.wto.org/english/tratop_e/agric_e/ag_modals_feb08_e.htm) *Unofficial Guide to the 8 February 2008' revised draft modalities'*, March 2008

<sup>48</sup> Haas et al, *Institutions for the Earth: Sources of Effective International Environmental Protection*, 1993: 243

<sup>49</sup> Permanent Mission of the Republic of Kenya to the United Nations Office in Geneva's homepage: [http://www.kenyamission-un.ch/downloads/UPDATE\\_WTO\\_NEGOTIATIONS.pdf](http://www.kenyamission-un.ch/downloads/UPDATE_WTO_NEGOTIATIONS.pdf) *Update on the Current Status of WTO Negotiations*, November 2007.

<sup>50</sup> World Trade Organization's homepage, [http://www.wto.org/english/tratop\\_e/agric\\_e/ag\\_modals\\_feb08\\_e.htm](http://www.wto.org/english/tratop_e/agric_e/ag_modals_feb08_e.htm) *Unofficial Guide to the 8 February 2008' revised draft modalities'*, March 2008

<sup>51</sup> Permanent Mission of the Republic of Kenya to the United Nations Office in Geneva's homepage: [http://www.kenyamission-un.ch/downloads/UPDATE\\_WTO\\_NEGOTIATIONS.pdf](http://www.kenyamission-un.ch/downloads/UPDATE_WTO_NEGOTIATIONS.pdf) *Update on the Current Status of WTO Negotiations*, November 2007.

### 2.2.3 Possible Outcomes of a Concluded Doha Round

Since the round has not yet been completed one can ask what the possible outcomes of the round could be and perhaps try to evaluate its prospective success. Could a completed Doha round help diminish the differences between developed and developing countries? According to the World Bank, a successful round could lead to global income being raised by over 500 billion USD on an annual basis by the year 2015. Over 60% of the gains would go to developing countries, helping 144 million people out of poverty. These gains would firstly come from freer trade among the poor countries but the reduction of rich country subsidies as well as more open markets in the developed world could help alleviate poverty.<sup>52</sup> However, more recent studies conducted by the World Bank suggest that the estimated gains of a prospective Doha agreement are smaller for developing countries than developed countries. This is partly due to the fact that Doha focuses more on eliminating export subsidies and on cutting domestic subsidies rather than on reducing tariffs in both the north and south.

There are several possible scenarios of what a concluded Doha agreement could look like. One possible agreement is one which focuses on further reforms, especially on agricultural products important to the poorest countries such as cotton. The efficiency and impact of such an agreement is dependent on the degree to which applied tariffs are lower than their upper bound rates established at the WTO. Presently, applied rates are in general below bound rates, requiring bigger cuts in bound rates if the applied rates are to be decreased. Furthermore, the impact of a possible Doha round agreement is dependent on the level of developed country subsidy reduction for key export crops, like cotton. 89% of the global welfare costs of cotton trade policies are accounted for by domestic support programs, therefore, a reduction of these subsidies could have important effects on developing countries, particularly the cotton producing ones in sub Saharan Africa.<sup>53</sup> The draft modalities from February 2008 state that domestic support for cotton would be cut by more than for the rest of the agricultural sector.<sup>54</sup> So, if these modalities in fact were implemented, the effect could be positive. The impact of an agreement is however also reliant on the special and differential treatment for developing countries. Under the ongoing Doha round of trade negotiations developing countries have to make smaller cuts in protection than developed countries. However, reforms concerning agriculture in developed countries will most likely have a larger impact on reducing poverty than reforms in developing countries (since developing countries are dependent on markets in developed countries). Reforms made in developed countries have the potential to reduce poverty consistently over a large range of developing countries. If poverty in fact is the main problem which needs to be resolved through trade liberalization then a successful Doha round might be the answer.

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<sup>52</sup> The Economist, *Special Report: The WTO Under Fire- The Doha Round*, September 20<sup>th</sup> 2003: 30.

<sup>53</sup> *World Development Report 2008: Agriculture and Development* 2007:110, 111.

<sup>54</sup> World Trade Organization's homepage, [http://www.wto.org/english/tratop\\_e/agric\\_e/ag\\_modals\\_feb08\\_e.htm](http://www.wto.org/english/tratop_e/agric_e/ag_modals_feb08_e.htm)  
*Unofficial Guide to the 8 February 2008' revised draft modalities'*, March 2008

The World Bank has also speculated over plausible scenarios in the absence of a Doha round trade agreement. If the round was labelled a failure, developing countries would need to use bilateral and regional agreements in order to advance reforms. However, the worst outcome of a Doha round failure would be if member states took a step back and became overly protective. This would cause developing countries to lose past efficiency gains and impacts on poverty reduction.<sup>55</sup>

However, these are mere speculations and it is difficult to know with absolute certainty what a concluded Doha round would entail and to predict its impact. Nonetheless, the WTO would not be holding the Doha round talks without hope for a positive outcome.

## 2.3 Domestic Policies

Haas et al claim that an effective organization should be able to contribute to national policy responses which manage sources of environmental degradation.<sup>56</sup> In this case, focus will once again be on agricultural trade issues instead of environmental degradation. When it comes to domestic policies, the efficiency of an organization does not merely depend on the organization itself but also on if states have the political and administrative *capacity* to make necessary adjustments on a domestic level for implementing international norms, principles or rules (the third C). According to Haas et al, there are ultimately four different types of national policy efforts. Some states avoid international obligations by simply not signing treaty commitments. Another group of countries accepts commitments but does not live up to them. Yet another group of states accepts the commitments and lives up to them. The final group goes even further than the commitments actually require. An effective institution aims to make countries to choose this final path. Countries which fall into the first two categories are labelled as laggards, while members of the second two groups are considered leaders.<sup>57</sup> Which groups of countries can be seen as laggards and which as leaders with regards to agriculture in the ongoing Doha round? Since the round has yet to be completed this part of the analysis will examine if there has been any evidence so far for national support in laggard and leader countries for the prospective agricultural international policy agreements of the Doha round.

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<sup>55</sup> *World Development report 2008: Agriculture and Development*, 2007: 110, 111.

<sup>56</sup> Haas et al, *Institutions for the Earth: Sources of Effective International Environmental Protection* 1993: 8.

<sup>57</sup> Haas et al, *Institutions for the Earth: Sources of Effective International Environmental Protection*, 1993:8, 16, 20.

### 2.3.1 Laggards and Leaders

What coalitions of countries have been seemingly less positive towards the agricultural negotiations of the Doha round? The main laggards can perhaps be said to be the EU and the USA. Right from the initiation of the round the EU appeared negative towards the agenda, claiming to not ever have promised to eliminate their export subsidies and in June 2003 the EU presented disappointing and weak reforms of their Common Agricultural Policy (CAP). France is one of the countries in the EU which has continuously blocked or diluted the reforms of the CAP and played a significant role in the formulation of the CAP reform in June 2003. It was hoped that these CAP reforms would be able to provide an impetus to the agricultural negotiations in the Doha round. Eliminating domestic support measures in the EU could lead to major gains in the French economy, for example in the short term annual gains could amount to between € 2.6 to 4.1 billion. In spite of this France has continued to oppose market access reforms under the Doha round.<sup>58</sup> Presently France is stressing the need for so called “community preference” which is merely another term for blocking food imports from outside the European community. France has been implying that food imports (from within the EU) satisfy the union’s environmental, hygiene or animal welfare rules. This gives the country plenty of room to rig markets.<sup>59</sup> The elimination of export subsidies is also being slowed down due to EU opposition despite the fact that the EU, as well as the USA, Japan and Brazil actually agreed in 2004 to the complete elimination of export subsidies by 2013. The necessity of EU export subsidies on agriculture is questionable since the union has large scale agricultural surpluses. The products which have been or currently are traded with export subsidies e.g. dairy products, beef, sugars etc are of particular importance to the developing countries.<sup>60</sup> Perhaps this is because many developing countries have a competitive advantage in these products. Agricultural subsidies are in general combined with tariff protection and exports subsidies. Because of this, they can have adverse consequences. Due to the fact that subsidies are accompanied by trade barriers such as import tariffs they have a tendency to cause reductions of imports from certain developing countries. Therefore preferential access to the European market can be said to be essential to these countries.<sup>61</sup> The EU however, claims to already be very open to agricultural trade with the developing world, since it provides tariff free and quota free access to the Least Developed Countries through the so called Everything But Arms system.<sup>62</sup>

The USA may also be viewed a laggard in the Doha round negotiations on agriculture since it has refused to make substantial cuts in farm subsidies partially

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<sup>58</sup> Das Dilip K. *The Doha Round of Multilateral Trade Negotiations and Trade in Agriculture*, 2006: 267, 268.

The Economist. *Special Report: The WTO Under Fire – The Doha Round*, September 20<sup>th</sup> 2003:30

<sup>59</sup> The Economist, *Farm Subsidies, The Right Time to Chop*, May the 1<sup>st</sup> 2008

The Economist, *Special Report: The WTO under Fire – The Doha Round*, September 20<sup>th</sup> 2003:30.

<sup>60</sup> Das Dilip K *The Doha Round of Multilateral Trade Negotiations and Trade in Agriculture* 2006: 279.

Euractive’s homepage: <http://www.euractiv.com/en/trade/wto-doha-development-round/article-157082> August 2006

<sup>61</sup> Reforming = “Reforming Agricultural and Trade Support”, 2007: 124.

<sup>62</sup> Euractive’s homepage: <http://www.euractiv.com/en/trade/wto-doha-development-round/article-157082> August 2006

due to the hassle of having to face down American farmers.<sup>63</sup> The USA's current farm policy is disappointing. Farmers of certain crops such as maize or wheat can avoid risk simply due to the American government system which uses subsidized insurance, loans and payments. The effects which the American price distorting payments have on foreign farmers and the trade negotiations are detrimental.<sup>64</sup>

The problem with the USA and the EU being possible laggards is that they appear to have the capacity (due to an abundance of economic resources) to actually move the negotiations forward. These actors appear to be in no rush to reach an agreement and sometimes give the impression that they believe the Doha talks can be put on a hold since an agreement will emerge in due course.<sup>65</sup> On the other hand, if the EU and the USA are not pushing the negotiations forward it is hard to see that the round will ever be completed.

In contrast, developing countries seem to be leaders in this context. Perhaps this is because they seemingly have much to gain if the negotiations pertaining to agriculture are concluded. The developing nations have taken an aggressive stance for the most part of the negotiations. For example, they demanded the elimination of export subsidies without prejudging the outcome in the Doha Ministerial Declaration and then went on to ensure this commitment in 2004 and then set a date for when this elimination should take place (2013). This has only been possible through a large amount of cooperation between developing countries with high ambition. These countries include Brazil and Argentina. Furthermore, they have received backing from other important developing countries such as Mexico and India.<sup>66</sup> It remains to be seen which countries will be leaders and laggards when and if the Doha round is concluded, but one can speculate that developing countries will make significant efforts to work towards a free trade regime since they most likely have a lot to gain from more liberalized trade. Hopefully such a regime will lead to an increase of agricultural trade from developing countries to developed countries which in turn may help to stimulate economic growth and development.

There are however several possible domestic problems which may turn countries from being leaders pre Doha round to laggards post Doha round and hence make the implementation of domestic policies difficult. Despite the fact that a successful Doha round would most likely be beneficial to developing countries and their agricultural trade there are several costs for these countries. Perhaps this indicates a lack of capacity in developing countries. If the Doha round were to be concluded, developing countries would have to implement the set requirements. Furthermore, increased administration and compliance systems would also be necessary post Doha. In general, complementary policies are essential in order to increase physical and human capital owned by the poorer population. Complementary policies are also needed to build infrastructure and services (such as communication) in order to ensure that markets operate competitively. These

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<sup>63</sup> The Economist. *Leaders: Slouching Towards Disaster. Trade Talks*. July 8<sup>th</sup> 2006:12.

<sup>64</sup> The Economist, *The Farm Bill - Long Time in Germination*, March 27<sup>th</sup> 2008.

<sup>65</sup> The Economist. *Leaders: Slouching Towards Disaster. Trade Talks*. July 8<sup>th</sup> 2006:12.

<sup>66</sup> Diego-Fernandez, Matteo, *Trade Negotiations Make Strange Bedfellows* 2008: 432.

costs could become a financial burden for countries which have limited resources.<sup>67</sup> This makes the capacity of developing countries questionable. On the other hand, important progress is being made on the identification of trade facilitation needs and priorities of individual member states. The WTO secretariat has initiated a process of helping member states identify needs and priorities at a national level.<sup>68</sup> Hopefully, the WTO will continue this process upon conclusion of the Doha round and help the developing countries maintain their proposed status as leaders.

## 2.4 The Organization's Structural Quandaries

Even though the WTO was found to be fairly efficient at dealing with agricultural trade related issues in developing countries with reference to the “three Cs”, there are certain dilemmas pertaining to the WTO's structure which could perhaps be hindering to a successful Doha round outcome. One problem is the consensus principle which as discussed previously can slow down the organization's negotiation process. Reforming the WTO could perhaps improve the efficiency of the WTO, creating a more structured and less complex organization with a better and more open contractual environment, where the member states show a greater amount of commitment towards the organization. However, the requirement for consensus makes it next to impossible to reform the WTO.<sup>69</sup>

Another issue concerning the sheer size of the organization is perhaps that the multilateral negotiation process upon which it is based has become somewhat lost since its members are forming more and more coalitions with each other. During the Doha round there have been signs that this is occurring and that the multilateral process is perhaps becoming more bilateral and regional. In 2006 there were more than 250 bilateral and regional trade deals and more and more are being negotiated. If the talks collapse, there is a risk that regionalism will replace multilateralism as global trade's organizing principle.<sup>70</sup>

Furthermore, if one assumed that the Doha round did come to an end and agricultural trade related issues in developing countries were diminished, there still might be (future) setbacks regarding the process of overseeing the implementation of the round's final requirements. Assume a member state broke a rule which was decided upon during the Doha round, then another member would have the possibility to issue a complaint to the organization's Dispute Settlement Body (DSB). The DSB is currently the only body which has the authority to

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<sup>67</sup> Storey, Mark, *Capacity building on WTO and Environmental Protection*, 2006: 73.

Diaz Bonilla et al, *WTO, agriculture and developing countries. A survey of Issues* 2002: 35.

<sup>68</sup> Permanent Mission of the Republic of Kenya to the United Nations Office in Geneva's homepage:

[http://www.kenyamission-un.ch/downloads/UPDATE\\_WTO\\_NEGOTIATIONS.pdf](http://www.kenyamission-un.ch/downloads/UPDATE_WTO_NEGOTIATIONS.pdf) *Update on the Current Status of WTO Negotiations*, November 2007.

<sup>69</sup> The Economist, *Special Report: The WTO Under Fire – The Doha Round*, September 20<sup>th</sup> 2003: pg 30.

<sup>70</sup> The Economist, *Leaders: Slouching Towards Disaster: Trade Talks*, July 8<sup>th</sup> 2006: 12.

establish panels in order to consider a case and to accept or reject the findings of the panel or results of an appeal. In addition the DSB has the authority to permit retaliation when a member state does not comply with a ruling. However, by July 2005 a mere 130 of nearly 332 cases had managed to reach the full panel process. The remaining cases had either been notified as being settled out of court or are still in a drawn out consultation stage, some since 1995.<sup>71</sup> Moreover, it should be noted that not all of these 130 cases were referring to agricultural disputes. This fact indicates that the DSB is used even more rarely when dealing with agricultural predicaments. If the structure of the WTO were reformed, perhaps the different requirements of the Haas et al model could be fulfilled by the organization to a greater extent.

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<sup>71</sup> World Trade Organization's homepage: [http://www.wto.org/english/thewto\\_e/whatis\\_e/tif\\_e/displ\\_e.htm](http://www.wto.org/english/thewto_e/whatis_e/tif_e/displ_e.htm)



### 3 Conclusion

So, does the WTO possess the efficiency to deal with agricultural issues in developing countries and if so, is this evident in the ongoing Doha round talks? The answer is yes, to some degree. However, there appears to be a long way left to go before the organization can be viewed as being completely efficient at dealing with these agricultural quandaries.

The WTO can be said to fulfil some of the criteria pertaining to the three Cs in the Haas, Keohane and Levy model as stated in their 1993 book "*Institutions for the earth - Sources of Effective International Environmental Protection*". With reference to the first C - concern and the WTO's success at setting significant and relevant agendas the organization has displayed some constraints but also some relatively strong signs of concern and hence efficiency. Prior to the establishment of the WTO the GATT showed little concern for agricultural issues and these issues were for the most part even excluded from the GATT negotiations. However, in the Uruguay round a special agreement concerning agriculture was created. This agreement aimed to reduce subsidy levels, minimize trade-distorting domestic supports and change non-tariff barriers relating to agricultural imports to bound tariffs. Furthermore, developing countries were placed under special consideration with regards to implementation. However the outcome of the round was fairly disappointing, perhaps showing insufficient concern for the issues at hand. Much remained to be done, and the necessity of yet another ministerial round was arguably evident. Nonetheless, the mere fact that the organization recognized the need for another ministerial round perhaps illustrates the WTO's concern for the issues. Furthermore, it was decided that the Doha round would place particular focus on development, possibly illustrating the organization's concern for developing countries to an even greater extent. Many developing countries are dependent upon agriculture since they tend to have a comparative advantage in such products. Therefore development in these countries is often correlated to agricultural trade and the fact that the WTO chose to focus upon development expresses the organization's concern for dealing with agricultural trade dilemmas in developing countries.

The requirement of a contractual environment, the second C in the Haas et al model, has also been fulfilled by the organization in the Doha round talks to some degree. Signs of efficiency are evident in the points of agreement relating to agriculture throughout the talks and in that different coalitions have been formed. This can be said to imply a willingness to cooperate. However, there have also been several points of contention between the members and the negotiations have taken far more time than initially intended. The round has yet to be completed, and this can be interpreted as being caused by the organization's lack of efficiency and perhaps to some extent also a lack of willpower amongst the members. A

successful Doha round could cause the current economic inequality between developed and developing countries to be reduced, therefore one can state that if the Doha round were to be concluded, the efficiency of the organization to deal with agricultural issues in developing countries would increase substantially.

Haas et al also declare that states must have the administrative and political capacity to make necessary adjustments on a domestic level for implementing the international policies which the organization has agreed upon. Capacity is thus the third C. In the Doha Round there have been leaders, those who are seemingly more positive towards finding solutions to agricultural problems in developing countries, – and laggards, those who are more negative. Leaders can be said to be developing countries at large, which will most likely benefit from a concluded round, while the EU and the USA appear to have characteristics of laggards. If the EU and the USA are not overly concerned with pushing the talks forward and eventually concluding the negotiations, the WTO's chance to increase its effectiveness may be lost since it seems that much of the WTO's work is dependent upon the actions of its strongest members. Of course, it remains to be seen which countries or coalitions of countries will be leaders or laggards if the round is concluded, and if the organization then somehow will try to aid countries in the implementation of the prospective agreements. One can also state that there are certain problems relating to the organization's structure which may be reducing the WTO's efficiency. The organization is large and inclusive with its 151 members and therefore it is hard to reach consensus which in turn slows down the process of reaching agreements.

Overall it can be stated that the WTO is a relatively efficient organization which appears to show a fair amount of concern and general willpower to deal with agricultural issues in developing countries, however, there is a long way to go before it can be considered completely efficient. Before one can even judge the organization's efficiency in this context, it is perhaps important that the Doha round is actually concluded. It will be interesting to see if this will ever be the case and if the outcome will be successful or not.

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