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## **TRANSFORMATION OF THE WORLD TRADE ORGANIZATION – FOR BETTER OR WORSE**

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The World Trade Organization was established in 1995 as a result of the GATT Uruguay Round negotiations. Based in Geneva, Switzerland it is providing assistance to its 159 Members in the implementation of current rules and maintaining the conditions for conducting trade negotiations. In addition to the negotiations, the most important activities of the WTO are: dispute settlement, review of trade policy and technical assistance to developing countries. In case of trade dispute, the defending country has no opportunity to avoid the initiation of proceedings (no right of veto). Disputes are settled by panels that usually does not include representatives of the disputants. The whole process of dispute resolution can take up to fifteen months.

The second area of day to day activities is the trade policy review mechanism. Each country is a subject to review and the WTO Secretariat prepares one of the two documents describing the mechanisms of trade policy, which are then discussed in open meetings. The WTO Secretariat is also involved in organizing and providing technical assistance to developing countries. Seminars and workshops for representatives of governments but also for entrepreneurs are organized in Geneva and in various regions of the world.

The WTO is working on the basis of the agreements established by consensus. The current set of rules governing world trade consists of the results of the various rounds of negotiations that took place in the framework of the GATT since 1947. At present, the negotiations are concentrated on Doha Round (DDA – Doha Development Agenda) started in Qatar in 2001.

The most important rules for trade in agricultural products are included in the Agreement on Agriculture and the Agreement on Sanitary and Phytosanitary Measures. These relate to a limitation of market protection (bound duties), reduction of export subsidies and production support and provisions to protect health of humans, animals and plants. The Uruguay Round substantially improved condition for trade and opened agricultural markets, but the system still allows for protection of selected products and support of domestic production. The Doha Round was established to take further reform of agriculture and its main targets are:

- reduction and harmonization of support limits - meaning the greatest reduction for the countries with the highest limits of support (EU, USA and Japan),
- reduction of domestic support, by category and overall,
- review of rules for support from the category of “green box” (support not covered by the limit - include the payment of SPS and SAPS in the EU),
- elimination of all forms of export subsidies,
- reduction and harmonization of tariffs with the possibility for a smaller tariff reductions for a limited number of sensitive products.

The Doha Round has the most ambitious and difficult agenda from all up to date negotiations and involves record breaking number of countries, but these cannot be explanation for its current crisis.

The last serious negotiations took place in 2008 and since then parties are not able to make progress on key issues including agriculture. This is not because of lack of effort; the technical discussion is well advanced and probably covered all important issues. In agriculture, last draft of agreement contains more than 90% of the required rules. What is lacking is the political will to reach the compromise. There is also the change of attitude among different parties. The Doha Round started as a continuation of reform with the strong emphasis on development issues, but very quickly was overwhelmed by concerns relating to the current rules and further potential restrains to the domestic policies. It is evident, that not only successful conclusion, but also progress in negotiation, would require change in current practice.

The last WTO Ministerial Conference, which was held in Geneva in 2011, adopted the political guidelines to enable search for solutions in those areas that are the least controversial. In practice, this means a departure from a fundamental principle - the principle of single undertaking, which required the simultaneous conclusion of the negotiations in all areas.

Probably the last opportunity to save the DDA is the Ministerial Conference of the WTO scheduled in December 2013 on Bali. There is a strong expectation, that Bali Conference will bring agreement in three areas: development issues, trade facilitation and agriculture. However, the level of ambition and coverage of this agreement is not decided yet. On development, proposals contain monitoring mechanism to overlook implementation of special and differential treatment for developing countries and decisions relating to Sanitary and Phytosanitary Agreement and Import Licensing Procedures Agreement. Currently negotiated new Trade Facilitation Agreement covers all procedures linked to imports, exports and transit of goods. It would allow for decrease of costs of transaction, increased transparency, better legal protection and faster custom clearance of goods. But the biggest challenge for successful outcome of Bali Conference is still in the area of agriculture. There are four proposals under consideration: Tariff Rate Quotas administration<sup>1</sup>, public stockholding for food security<sup>2</sup>, export competition<sup>3</sup> and LDC proposal<sup>4</sup>.

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<sup>1</sup> Proposal introduced by group of exporters of agricultural products (G-20): Argentina, Bolivia, Brazil, Chile, China, Cuba, Ecuador, Egypt, Guatemala, India, Indonesia, Mexico, Nigeria, Pakistan, Paraguay, Peru, Philippines, South Africa, Tanzania, Thailand, Uruguay, Venezuela, Zimbabwe.

<sup>2</sup> Proposal introduced by group of developing countries (G-33): Antigua and Barbuda, Barbados, Belize, Benin, Bolivia, Botswana, Côte d'Ivoire, China, Congo, Cuba, Dominica, Dominican Republic, El Salvador, Grenada, Guatemala, Guyana, Haiti, Honduras, India, Indonesia, Jamaica, Kenya, Korea, Republic of Madagascar, Mauritius, Mongolia, Mozambique, Nicaragua, Nigeria, Pakistan, Panama, Peru, Philippines, Saint Kitts and Nevis, Saint Lucia, Saint Vincent and the Grenadines, Senegal, Sri Lanka, Suriname, Tanzania, Trinidad and Tobago, Turkey, Uganda, Venezuela, Bolivarian Republic, Zambia, Zimbabwe.

<sup>3</sup> Proposal introduced by G-20.

<sup>4</sup> Least-developed Countries.

A proposal for a TRQ administration seeks to improve currently low fill rate of TRQ. Provides for a simpler procedure for applying for a quota and the possibility of relocation of unused quotas. The negotiations so far indicate that it is supported by most WTO Members and there is a possibility of its adoption at the conference in Bali.

The goal of the G-33 proposal on public stocks for food security is to increase the possibilities for developing countries to create public stocks from selected national agricultural products purchased at a price that could be higher than the market price. For this purpose, it is proposed to modify the current Agreement on Agriculture, which in fact would remove one of the major constraints to subsidize production. For the moment it is very unlikely that this will be accepted. There is a very strong opposition from developed countries who are concerned that such mechanism will have a negative impact on competition and cause disruption to trade. The possible compromise can be built on the basis of some form of declaration recognizing the problem and adopting work program for post Bali period.

The proposal on exports competition tends to reduce the possibility of subsidization by developed countries to the level in the years 2003-2005 and reduce value of subsidies by 50%. Proposal does not address all issues relating to export competition (state trading, food aid, export credits and guarantees).

LDC proposal requires new regulations for cotton. It calls for elimination of all forms of export subsidies, limits to domestic support linked to production and new market access in developed countries in form of DFQF (Duty Free Quota Free). The demands on cotton are not a new element in the negotiations, however, it seems unlikely that it will find resolution in the near future. This issue is also negotiated bilaterally between USA and Brazil.

Since the launch of the Doha Round all subsequent deadlines for the completion of the negotiations have not been met, but the date of the Ministerial Conference in Bali is of particular importance. Lack of agreement will put the question mark on the perspective of the Doha Round, and will deepen the crisis of multilateral negotiations system.

Since 2001, the WTO organized a public discussion on the selection of the most important topics related to the international trading system. The theme of "Public Forum" in 2012 was the crisis of multilateralism. The discussion concerned the causes of the crisis and possible ways out. The prevailing opinion was that the WTO is functioning properly as an organization monitoring implementation of commitments, forum for resolving disputes and coordinator of technical assistance to developing countries. The main problem is lack of capacity to finalize multilateral negotiations. The reasons for this was sought in the conflict between multilateralism and bilateralism, shift in power in the negotiations and the difficulties to adopt a uniform solution for all. An ambitious Doha Round agenda was to facilitate the achievement of a balanced package, the practice has shown, however, and that the implementation of new commitments goes beyond the capabilities of some most important participants in negotiations.