

# Kent Jones: The Doha Blues: Institutional Crisis and Reform in the WTO

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**Abstract:** This article reviews the book “The Doha Blues : Institutional Crisis and Reform in the WTO” by Kent Jones. Kent Jones, a professor of Economics at Babson College, has produced a timely and informative work when the WTO, now with 153 members, is finding it difficult to reach consensus and conclude the multilateral trade negotiations. In his book, he outlines the institutional reforms that are required in order to make the WTO relevant when many critics are questioning its existence. In this book, he highlights the challenges that WTO faces and the institutional reforms that are required to make the multilateral trade negotiation reach consensus.

**Index Terms:** WTO, Institutional Crisis, Doha Development Round, Institutional reforms.

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Kent Jones, a professor of Economics at Babson College, has produced a timely and informative work when the WTO, now with 153 members, is finding it difficult to reach consensus and conclude the multilateral trade negotiations. In his book, he outlines the institutional reforms that are required in order to make the WTO relevant when many critics are questioning its existence. In his book, *The Doha Blues : Institutional Crisis and Reform in the WTO*, Kent Jones highlights the challenges that WTO faces and the institutional reforms that are required to make the multilateral trade negotiation reach consensus.

An agreement setting up World Trade Organisation (WTO) was signed on 1<sup>st</sup> January 1995. Signed by 124 members, it replaced General Agreement on Trade and Tariffs (GATT) in the Uruguay Round. After the success of Uruguay Round, Doha round was launched in November 2001, which attempted to negotiate on Doha Development Agenda focusing on Developmental issues of Developing countries. Since then agreements amongst members have been highly contentious, making the round still incomplete. The major bone of contention between developed and developing countries has been agricultural subsidies. This impasse has led to countries signing bilateral or regional trade agreements since no multilateral deal has not been agreed upon. According to Kent Jones, as an institution in reaching a major multilateral trade agreement after the Uruguay Round, WTO requires structural and institutional reforms to address the crisis and challenges it is facing in current environment. He proposes for financial support to poorer countries so that they can participate actively in the negotiations and dispute settlements.

Kent Jones recognizes the essential role the WTO plays in the international trade economy. He argues that WTO is a global public good, providing framework for the multilateral trade negotiations and peaceful dispute settlement. WTO derives its demand as an institution from the very fact that: *all countries stand to gain from trade*. This itself is an evidence of its importance as an international institution that no country since its inception in 1947 as GATT and then replaced by WTO, has withdrawn the membership from it. Rather, today the WTO is very close to its goal of Universal Membership with 153 members. After having multiple successful rounds under GATT, WTO is experiencing tensions between its existing institutional framework and the evolving global environment. The global environment comprising of terrorism, climate change, financial recession and crisis, demands structural and institutional changes in the WTO. Kent recognizes some of the issues that are leading to institutional crises of WTO. Some of them are: the rise of Global South, fall in US leadership in global trade liberalization, single undertaking not working in practice, Doha Development round being oversold and developing countries being disappointed with the outcomes of Uruguay round, low hanging fruits of low tariffs already being harvested, increase in membership of WTO to 154 members etc. Jones pushes for incremental changes in the WTO, rather than drastic ones.

According to Jones, institutional friction arising from the “legacy of GATT” is leading to the current impasse in the Doha round. The institutional procedures, structure and framework, inherited from GATT are inadequate to accommodate the current changes of rise of the South and power shift from Quad (US, EU, Japan and Canada) to the developing countries. Despite of success

accomplishments of Uruguay round in issues relating to textiles and clothing and non tariff barriers, developing countries had been disappointed with the outcomes of the round, seeding discord for the Doha round. The disagreements relating to TRIPS, agricultural subsidies have led to this impasse in the Doha round.

Also, the accession of new WTO members under its umbrella has led to increased bargaining power of its existing members. Kent's regression analysis shows that there has been a consistent increase in elapsed time of accession and stricter tariff and WTO rule commitments for new applicants. These factors are leading to opportunity cost of delayed accession in form of lost gains from trade, heavy financial costs on new members and resentment from one sided negotiations. Kent suggests that WTO can improve the accession process by allowing greater flexibility in transition periods, improving aid provision to fund the internal reform process and limiting the demand for WTO plus concessions from the applicants.

The decisional making process in the WTO is a consensus based framework, where consensus means "the absence of dissent" which represents agreement that is weaker than unanimity. Since the membership is so large, arriving at a consensus may be cumbersome therefore WTO decision making process involves small "Green Room" meeting of representatives of select countries, which has come under stress in recent times. Although there exists both positive and negative aspects of following a Green Room based decision making system, Kent recognizes the need for reforms in the decision making framework. Kent argues for representation of issues through coalitions in the Green Room, since there are small and limited seats available in the Green Room representation. These coalitions can be formed through regional representations and "Consultative Board" Proposals. Regional representations, though, offer a practical solution to representation but geographical proximity does not necessarily imply an alignment of trade interests. Kent also proposes for platforms representing the main bargaining positions on specific aspects of the negotiations which allows more transparent communication and converging points of negotiations leading to consensus.

One of the major accomplishments of replacing GATT with WTO was bringing order and legal precision to the settlement of disputes among WTO members. The reform in Dispute settlement unit was done primarily keeping Developing Countries in mind; still representation of Developing countries in dispute settlement is an issue. The power relationships among WTO members and high costs of filing complaints have led to small and poor countries are still discouraged to file a complaint and they often settle the matter out of the court. Kent argues that it is also important to acknowledge the indirect benefits of just being a member of WTO than not being one. The most important benefit of all is the Most Favored Nation (MFN) dividend that small nations get in form of market access when they are not a part of a dispute. Unfair trade practices are also kept in check by being a member of WTO. Still, Kent recognizes the room of improvement of representation of Developing Countries by undertaking measures that can reduce the litigation cost to developing countries. Legal Services provided by international law firms and NGOs can play constructive role in enhancing representation of poor countries. Apart from this, separate "small claims courts" with a minimum thresholds damages, where both sides of disputes are small countries, can also be introduced.

Kent also talks about institutional efficiency and coherence in global trading system. He observes that comparative advantage of institutions is based on both resource and "status" endowments, and that the WTO has comparative advantage in its capacity to sponsor trade liberalization and settle disputes. Other institutions such as IMF, World Bank, UN agencies and other NGOs, have the comparative advantage in sporting trade related activities and trade capacity building. Improved coherence between these international institutions and allocation of tasks as per their comparative advantage would lead to improved efficiency in achieving the goal of trade liberalization and reaching multilateral trade agreements. Kent identifies three areas where improved coherence can play a significant role in the WTO: accession, supporting logistics and negotiated multilateral trade obligations. A systematic program for aid for applicants to comply with entrance obligations, availability of information's and other logistic facilities and funding by some major financial institution such as World Bank for concluding agreements.

Kent concludes by proposing for both domestic and WTO reforms for getting over the Doha Blues and adapting the WTO with the new environment of difficult negotiations. According to him domestic reforms to the member countries include, to:

- 1) Expand adjustment programs, focusing particularly on worker retaining and transitional assistance, especially in slower growth countries;
- 2) Promote new business growth through entrepreneurship
- 3) Mobilize exporter interests in support of trade liberalization; and
- 4) Improve agricultural productivity, particularly in developing countries

WTO reforms include, to:

- 1) Provide more flexibility for new members to phase in WTO obligations;
- 2) Improve the system of WTO deliberations through formal “platform” representation in Green Rooms and mini ministerial;
- 3) Introduce a “small chains” procedure in WTO dispute settlement; and
- 4) Increase the flexibility of the single undertaking

Kent opines that there is need to make WTO more relevant in the current global challenges of terrorism, financial crisis, and climate change and energy crisis. He believes in this era of increasing nationalism and protectionism, a resolute statement by WTO denouncing protectionism is required. WTO can also take up Foreign Direct Investments (FDI) issues more directly in order to win the support of business world. WTO’s relevance also depends on its ability to adapt itself in the current shift in bargaining power to the developing countries. It is also important for WTO to broaden its trade liberalization agenda.

Although Kent has covered all the intuitional dimensions and reforms required extensively, he has failed to take into account a detailed role that non state actors from the civil society can play to bring about external transparency in the institutional matters of the WTO. The NGOs, or other civil society organizations, if engaged properly, can play a decisive role in shifting opinion of state actors and bringing in consensus on difficult policy issues. Also, dialogue with non state actors such as civil society and private players enables the WTO to tap the knowledge and expertise of these groups.

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