Turkey’s choice to become the member of the GATT and later the WTO lay in her fundamental choice to be a part of the West and integrate with the global economy, modernize her economy and improve her external trade relations. Although a founding member of another international organization, primarily regarded as the social club of wealthy nations (OECD), Turkey has the status of a developing country in the WTO system. It is also important to note that Turkey’s EU candidate country status has a crucial effect on its policy options in the WTO. Some of the most important elements of the world economy and trade are at the heart of current discussions/negotiations in the WTO, such as the elimination of trade-distorting domestic agricultural support and export subsidies, transparency in government procurement, technical barriers to trade and other areas. The WTO’s decisions are binding for all of its members and influence the global economy. Thus, it is not an exaggeration to say that the WTO directly impacts our daily lives.

* Mustafa Pulat is Counselor of the Permanent Mission of Turkey to the World Trade Organization (mpulat@mfa.gov.tr). This article reflects solely his personal views.
WTO is not the panacea for existing global economic problems, nor does it lie in the very center of international relations. It is simply a tool to avoid protectionism, which was one of the major causes of World Wars I and II.

The WTO aims to gradually liberalize world markets. To this end it does not dictate decisions upon its members, as all decisions are based upon consensus. In that sense it could be regarded as one of the most democratic international organizations. Big powers have always been influential in the WTO and criticisms of lack of transparency in the decision making process of the WTO, are to a large extent justified. Nevertheless, even the poorest LDCs\(^1\) show great interest in joining the WTO, since there is no other international organization in which smaller players can exercise such great power relative to their size. The WTO dispute settlement mechanism also benefits developing countries. For without it, they would be unable to protect their rights and interests against larger economic powers, an opportunity unimaginable on a bilateral basis. It is these elements, which make the WTO such a valuable forum.

Though the purpose of this article is to shed some light on Turkey’s position in the WTO, it might be more helpful to briefly discuss the WTO from a very general perspective, particularly in the light of the developments concerning the fifth WTO Ministerial Conference held in Cancun, Mexico on 10-14 September 2003.

The WTO Ministerial Conferences have become high profile international events, attracting international public interest every two years, ever since the third Seattle Ministerial Conference, which was marred by mass public protests. The WTO’s fifth Ministerial Conference organized in Cancun on 10-14 September 2003, was plagued by protestors with the same complaints.

Upon the completion of the Uruguay Round of international trade negotiations in 1995, the WTO was established with binding decision-making powers embodied in the Dispute Settlement Mechanism. The Uruguay Round also included intellectual property rights and service industry commerce in the GATT system, as two new areas of significant economic importance.

In the Uruguay Round it was decided that the round would be the last of such negotiations. However, the relative success of a young and empowered WTO with regard to the regulation of global trade and the enthusiasm manifested by non-members to join the WTO, encouraged WTO members to pursue a new round of international negotiations, which was initiated by the WTO’s Doha Ministerial Conference in November 2001. In order to bring the developing countries on board, the round was named “The Doha Development Agenda, (DDA)”, since the developing countries generally felt that the previous rounds of international trade negotiations focused mainly on the interests of developed countries\(^2\).

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1 The latest ones are Cambodia and Nepal, which joined the WTO as its 147th and 148th members during the Cancun Ministerial Conference. They are the first two LDCs to join the WTO since its inception in 1995.

The discussions in the WTO since the conclusion of the Doha Ministerial Conference have demonstrated that the DDA meant different things for different groups of countries. However, it would be fair to say that the goal of DDA was further tariff reduction in manufactured goods, eliminating trade distorting domestic agricultural support and export subsidies, reducing tariffs on agricultural goods, liberalizing trade in services, improving special and differential treatment (S&D) provisions of the WTO and establishing a more flexible interpretation of the Agreement on Trade Related Aspects of Intellectual Property Rights (TRIPS) in order to provide cheaper drugs to combat diseases in developing and undeveloped countries, such as HIV/AIDS and malaria and tuberculosis, which in some cases have reached the level of a public health crisis. The DDA also aimed at negotiating new WTO rules regarding other aspects of the world economy such as the Singapore issues; investment, transparency in government procurement, competition, trade facilitation (streamlining and simplifying of members’ customs procedures etc. that affect the flow of trade), and the environment, among other issues.

The process of DDA negotiations in the WTO proved to be difficult for all members, developed, developing and undeveloped, alike. The deadlines for completing the negotiations were missed, for example finding a solution to the developing countries’ public health problems, submitting initial services trade offers and others. However, a final effort by the members during August and September 2003 enabled the WTO General Council to agree upon a carefully balanced and constructively ambiguous solution for the public health crisis in developing and undeveloped countries.

In the last phase of pre-Cancun negotiations, the United States and the European Union submitted a joint proposal concerning agriculture, the most contentious subject of WTO negotiations. The US/EU proposal did not include elimination of export subsidies and in that sense it was much less ambitious than DDA. Therefore, it was perceived by most developing countries in the WTO, as an effort by these countries to continue to support and subsidize their respective agricultural sectors, thus compromising to fair and free trade in agricultural products, instead of engaging in a more serious negotiation process to gradually reduce and if possible eliminate trade distorting agricultural subsidies and domestic support. The joint effort by the US and EU quickly led to a counter proposal, pioneered by India and Brazil days before the Cancun Ministerial Conference.

The discussions of the WTO’s General Council did not result in a consensus on most parts of the Cancun Ministerial draft text in Geneva, thus negotiations at the level of Ministers in Cancun carried a high risk of failure, which indeed materialized and the Cancun Ministerial Conference resulted in a setback for the WTO.

Developing countries, which need the WTO more than the developed countries, could be more directly affected by this outcome. The WTO’s Director General Supachai Panitchpakdi voiced his concern upon the completion of the Cancun Ministerial Conference and warned that the DDA negotiations need to be put back on track. The

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point made by Director General Supachai reflects the fact that the DDA was initiated mainly for the benefit of developing countries, and the adverse effects of its failure in those areas would be most keenly felt in these countries. This state is based on the following assumptions. Firstly, developed countries possess the political, economic and financial power and tools to weather global economic and financial crisis better than the developing world. Secondly, developed countries hedged their risks concerning the possibility of a significant slow-down in global trade through establishing regional trading blocks (NAFTA, EU and EFTA) and concluding bilateral free trade agreements with their significant trading partners. Thirdly, as a consequence of this global trend, where major regional trade blocks have emerged and compete with each other, developing countries, which may be out of such regional blocks, are facing the risk of being marginalized in the global economy. Despite the setback in Cancun and its deficiencies, the WTO continues to be the only international organization, which can provide the mechanism necessary to assure developing countries that international trade can be free and fair.

The failure of Cancun Ministerial Conference makes the successful completion of the DDA almost unattainable by December 31, 2004, as was initially envisioned. The current situation optimistically dictates that the WTO stay in limbo for a few months. Indeed, the short Cancun Ministerial text, which is a testimony to the conference’s failure, states that a General Council meeting would be convened before mid-December 2003. It is highly unlikely that significant progress can be made at the level of Permanent Representatives in Geneva, especially given the fact that the Ministers were not able to accomplish this during a Ministerial Conference. WTO’s history demonstrates rather clearly the negotiators in Geneva tend to be much less flexible in their negotiations than the Ministers are during Ministerial Conferences.

The failure in Cancun may still be manageable if the WTO system is kept intact and the DDA negotiations are put back on track. However, there are signs that major WTO powers like the US could choose to move ahead with regional and bilateral free trade agreements. US Trade Representative Ambassador Zoellick clearly stated that the US would not wait for the WTO membership to make up its mind on how to proceed with further trade liberalization. The US seems to be prepared to push for this non-WTO track, probably more than before. The EU committed itself to refrain from pursuing bilateral trade agreements until the DDA is completed. However, it still remains to be seen how the EU and in particular individual member states will react to the new situation. There are other major difficulties regarding the successful implementation of the DDA. The presidential elections in the US might undermine US commitment to the DDA. The EU expansion in May 2004 and the change of guard in the EU Commission including Trade Commissioner Lamy and his team might complicate the process. Furthermore, WTO’s Director General Supachai will complete his tenure in the summer

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7 Zoellick, Robert. ‘America will not wait for the won’t do countries’, Financial Times (22.09.2003).
8 Buck, Tobias. ‘EU may Rethink its Multilateral Trade Obligation’, Financial Times (17.09.2003).
of 2005. In the past, the election of WTO Director Generals has proven to be a very difficult and divisive process, including the elections of the previous Director General Mike Moore and Supachai himself. Thus, even if a way out of the current situation could be found and the negotiations are put back on track, they could be interrupted by a possibly difficult and divisive election process regarding who will be the WTO’s next Director General.

So, where does Turkey stand in this picture? Turkey has the status of a developing country in the WTO, commensurate to its level of economic and social development. Turkey’s EU candidate country status, customs union with the EU and OECD membership influence her WTO policies, as well. However, due to her level of development, it would be fair to state that Turkey’s interests concerning some aspects of the WTO negotiations could be regarded as parallel to those of other developing countries.

The WTO could be an important tool in Turkey’s development strategy, which mainly depends on export-led economic growth, particularly if the DDA delivers on market access for manufactured goods. During the pre-Cancun negotiations, WTO membership was divided between developed countries and some developing countries regarding the lowering of tariffs on manufactured goods and the timeframe for this. All concerned parties tried to influence the negotiations towards their own ends by putting forward their own formulas for tariff reduction on manufactured goods. Developed countries aimed to achieve a lower degree of tariff protection in developing countries, obtain better access to those markets and reduce the difference between their average industrial tariffs and those applied by developing countries with a medium level income. On the other hand, developing countries tried to preserve a certain level of tariff protection, both for their uncompetitive infant industries and for customs revenues they are dependent on for public finance.

Since it has a customs union with the EU, one of the WTO’s major powers, Turkey stands to gain from meaningful tariff reduction in manufactured goods. Turkey’s average customs tariffs for manufactured goods are much lower than those of some developing countries with medium level income. This situation is creating a degree of unfair competition with those countries, as Turkey provides significant market access to them, without receiving similar treatment for Turkish manufactured products in their markets. Although the establishment of a customs union provided economic and commercial gains both for Turkey and EU, it nevertheless created a kind of autonomous liberalization on the part of Turkey, where there is no incentive for Turkey’s non-EU trade partners in the WTO to remedy the situation by offering similar concessions. In order to keep Turkish export growth performance sustainable, which is also essential for problem-free debt servicing, it is essential that the WTO negotiations bring about a significant degree of industrial tariff reduction, sooner rather than later.
Agriculture is a thorny subject of discussion in the WTO. The conflict has been mainly between the EU and the Cairns Group of countries\(^9\), which possess competitive large-scale agricultural production capabilities and modern farming technologies. A brief summary of the discussions in the WTO is that the EU, under pressure from France and some other Mediterranean countries, did not sufficiently respond to the demands of its WTO partners, particularly those members of the Cairns Group, for drastic and swift changes in its Common Agricultural Policy. The importance of agriculture for every country in terms of food security, providing employment, environment and etc. need not be emphasized, but the EU’s position on agriculture in the WTO has been an interesting one. The EU agriculture sector is quite small compared to, for example, the EU’s services industry, which provides jobs for a very significant share of the EU’s work force\(^10\). Thus, it could be stated that due to agriculture, the EU’s negotiation position in the WTO has generally been a defensive one, hindering the EU from pushing harder for market openings in other areas of negotiations.

The position of the US regarding agriculture is slightly different than the EU, in terms of the support it provides to its agricultural sector. Nevertheless, US subsidy of agriculture, which has increased of late, inevitably affects the price of agricultural products internationally. The agricultural policies of Japan, Switzerland and South Korea are also the target of the WTO’s main exporters of agricultural products.

Turkey has been trying to restructure her agricultural sector with assistance from the World Bank. The level of Turkey’s support to her agricultural sector cannot be compared to the support provided by developed countries. Thus, elimination of trade-distorting export subsidies, domestic support and market openings by reduction of tariffs in this area would benefit Turkey. Due to her agricultural potential and geographical proximity to the EU market, Turkey is one of the countries, which stands to gain the most from global agricultural trade liberalization, particularly when the South East Anatolian Project becomes fully operational. It is important to mention at this point that some of Turkey’s interests in agriculture are also of a defensive nature. The Turkish agricultural sector is vulnerable to unhindered foreign competition with its current structure, which is made up of mainly small-scale labor-intensive farming. Agriculture still employees approximately 40% of Turkey’s work force, which highlights the necessity of taking care of agriculture in the WTO negotiations, especially since some of Turkey’s concerns in this area are not merely for the preservation of landscape, but of employment and social stability.

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\(^9\) Countries of the Cairns Group are; Argentina, Australia, Bolivia, Brazil, Canada, Chile, Colombia, Costa Rica, Guatemala, Indonesia, Malaysia, New Zealand, Paraguay, Philippines, South Africa, Thailand and Uruguay. The group was established in Cairns, Australia in 1986.

\(^10\) Ana, Franco and Jouhette Sylvain. EU Labor Force Survey 2002/Theme 3-15/2003: 4. Agriculture and services sectors’ share in EU’s work force were 5% and 67.8%, respectively in 2002.
Success in the WTO public health negotiations, an attempt to interpret the TRIPS Agreement in a more flexible manner to provide cheaper drugs to combat diseases in developing and undeveloped countries, was a major breakthrough before the Cancun Ministerial Conference. It increased hopes for completion of DDA on time or perhaps with only a short delay. It not only improved the WTO’s image, but also demonstrated to the citizens of the world that the WTO could constructively deal with matters of high importance for its smaller and poorer members. Although the solution agreed upon is strictly of non-commercial nature, it could lead to the growth of a generic drugs market, so that supply will grow to meet demand. The production of generic drugs for which major Western drug companies have lost interest could benefit from this decision. The WTO decision on TRIPS and public health could create new markets for low-cost generic drug producers, which might have legal experience in dealing with Western pharmaceutical companies concerning intellectual property rights disputes.

As an EU candidate country and a member of the OECD, Turkey could utilize the system established in the WTO as an importer country in cases of national emergency or other circumstances of extreme urgency, in consideration of her special geopolitical situation.

Protection for geographical considerations has become a way of increasing and/or protecting market shares of well-known products such as cheese, wine or champagne. The EU has been effectively utilizing this approach to combat counterfeiting of reputable EU products and to increase and/or protect market shares of such products. TRIPS Agreement’s Article 23 provides geographical protection only to wines and spirits. The extension of this provision to all products is an important element of negotiations for Turkey. The DDA could remedy the imbalance contained in this provision of the TRIPS Agreement, so that all products, not only wines and spirits, could benefit from proper WTO protection. If achieved, this could facilitate exports of certain well-known products from Turkey to developed country markets, where there could be a market niche for such products and avoid abuse of their reputation in WTO member countries, if there is any. The issue is also linked with SME development and integration of those into the global economy, thus it could make the WTO more relevant to small businesses. Unfortunately, discussions on extension in the WTO have become unnecessarily charged. Establishment of negative links between extension and agriculture negotiations has blown extension out of its proper proportion. Hence, many SMEs, which might be producers of reputable and quality products bearing geographical indications both in developed and developing countries, missed an opportunity to benefit from WTO protection against the unfair competition of free riders.

The negotiations regarding services trade has been a relatively smooth process, as liberalization in this area is generally regarded as beneficial by the majority of the WTO membership. The potential gains from services trade liberalization are found to exceed those from goods liberalization by up to a factor of five, according to some studies. Trade in services negotiations are conducted on two tracks; one on market access and the

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11 According to the system all the WTO members are eligible exporter countries.
other on rule making. Market access negotiations created backlash in some developing countries and certain groups in developed countries also reacted to it. The reason for some discomfort in the negotiations is the developed country focus on the market access side of the negotiations; whereas some developing countries expect that WTO services trade rules could be revised so as to include emergency safeguard measures to be utilized in circumstances like the 1998 South East Asian financial crisis. However, due to the complexity of trade in services compared to trade in goods, discussions on safeguard measures have not resulted in significant progress. The other reason for concern in some developed countries is that the WTO process involved particular public services such as health, education, water distribution and others, which created a perception that these services were being opened up unnecessarily and contrary to the interests of the society.

One of the most important aspects of services trade for developing countries, including Turkey, is the movement of service-supplying personnel\textsuperscript{13}, as it is a crucial means of delivery for exporting countries\textsuperscript{14}. Discussions on this particular issue have been difficult, due to its connection to visa and immigration policies of member countries. It remains to be seen whether negotiations on this subject will result in improvement of visa regulations, which particularly affect entry of small and medium-sized Turkish service suppliers in developed country markets.

Market access negotiations regarding services are carried on bilaterally between WTO member countries on the basis of a request-offer exercise. Countries present to each other their interests in particular sectors of services and request relevant market openings. After this exercise reaches a certain level, WTO members start to table their offers. Turkey, as an important supplier and importer of services\textsuperscript{15}, tabled its initial conditional offer before the Cancun Ministerial Conference in August 2003. The offer was prepared in close consultation with all relevant parties, both public and private. The offer updates and improves Turkey’s earlier commitments under the General Agreement on Trade in Services (GATS) submitted during the Uruguay Round. In addition to other important factors such as economic and political stability, which may in fact be more important, the level of GATS commitment of a country can influence foreign investment decisions regarding that country.

Trade in services negotiations are not immune to negative developments in other areas of WTO negotiations; further progress in services negotiations is inevitably linked with progress in other areas.

Despite the importance of the WTO and the current negotiations, it would be fair to say that interest in WTO matters has been marginal in Turkey. There are several key factors

\begin{itemize}
\item \textsuperscript{13} Turkey was the 4\textsuperscript{th} largest recipient of workers’ remittances between 1990-1996. ‘Guide to the GATS’, Kluwer Law International, (2001): 640.
\item \textsuperscript{14} ‘Services Trade Liberalization: Identifying Opportunities and Gains, Key Findings’, OECD Paper (30.06.2003): 22.
\item \textsuperscript{15} According to available services trade data, the WTO Secretariat estimates that Turkey ranks 28\textsuperscript{th} as exporter and 40\textsuperscript{th} as importer of commercial services as of mid-August 2002. In 2001, Turkey was ranked 24\textsuperscript{th} in exports and 38\textsuperscript{th} in imports of service. Turkey’s commercial services exports have decreased by 7 % and imports by 3 % as of mid-August 2002, compared to 2001.
\end{itemize}
Firstly, Turkey’s customs union with the EU has created a sizeable and reliable market for Turkey\textsuperscript{16}. Since currently, roughly half of Turkey’s foreign trade is with the EU, this lack of interest may be regarded as normal. Besides, Turkey’s other important regional trading partners\textsuperscript{17}, the Russian Federation, Ukraine, Azerbaijan, Kazakhstan, Turkmenistan, Uzbekistan, Iraq, Syria, Iran, Saudi Arabia, Algeria, and Libya are not yet members of the WTO, though some of these countries have submitted membership applications. It is in the interest of Turkey that all of her important trading partners become WTO members in the near future, so as to obtain predictable market access in those countries. The diversifying structure of Turkish exports and ensuring that Turkey’s export growth remains sustainable requires Turkey to search for larger and more predictable markets. The WTO might be criticized for all of its shortcomings, but predictability has been one of its most striking aspects.

It is necessary to emphasize that competition in those markets will inevitably increase, once they become WTO members, as they will be more attractive markets not only for Turkey but also for other countries from other regions of the world. Nevertheless, Turkey possesses important advantages when it comes to doing business with these countries, such as geographical proximity and experience. Integration of Turkey’s non-WTO member trading partners into the world economy as members of the WTO will not only serve to improve Turkey’s economic development and security, but also to increase regional economic interdependence.

There are links between Turkey’s EU candidate country status and her position in the WTO, as EU membership will eventually make Turkey accept the existing EU acquis communautaire. Currently, the European Commission is coordinating with all candidate countries concerning the WTO negotiations in Geneva. In the event of EU membership, Turkey’s relations with the WTO would be carried out through the European Commission, as it is for all other EU members. However, it would still be essential to closely follow WTO developments on a national basis, as the negotiation platform for Turkey regarding WTO related matters would shift to EU bodies and the results of discussions and bargaining within these bodies would establish the common EU position in the WTO.

The EU’s FTAs with other countries have become a concern for Turkey, as these FTAs are creating an unfair situation whereby EU’s FTA partners are gaining market access in Turkey through the customs union, but denying similar openings to Turkish exports. It is important that the issue be settled swiftly with more active engagement on the EU side.

After the People’s Republic of China was initiated into the WTO in 2001, the balance of power in the WTO tilted towards developing countries. This became more visible when

\textsuperscript{16} According to Undersecretariat of Customs data for 2002, the EU accounts for 52.75% of Turkey’s exports, and 46.54% of its imports (www.gumruk.gov.tr).

\textsuperscript{17} In 2003, of Turkey’s top 40 export markets other than current EU members; 12 countries are not WTO members. In the same period, of Turkey’s top 40 importing partners, other than current EU members; 8 countries are not WTO members. In January-July 2003, Turkey’s exports to these non-EU non-WTO member countries reached % 11.2 of total exports, imports from these countries have reached % 18.1 of total imports for the same period (Foreign Trade Indicators, www.dtm.gov.tr).
the so-called group of G-21 countries\textsuperscript{18} in the Cancun Ministerial Conference acted in close cooperation against the developed countries. However, this should not be exaggerated. The EU and the US continue to be the two pivotal players in the WTO. In this context, EU membership will assist Turkey in protecting her interests in the WTO.

The setback in the Cancun Ministerial Conference, manifested once again the difficulties of negotiating internationally binding WTO rules and limits of globalization under current political, economic and social circumstances affecting 148 WTO members. The discouraging situation in the immediate aftermath of Cancun Ministerial Conference and negative approach of some of the WTO members to the negotiations might change. After months of soul-searching and stock-taking, the DDA negotiations could be put back on track and might be completed with a delay of several years, as the DDA still offers the best hope for the vast majority of WTO members, including Turkey, which have a stake in moving ahead with gradual trade liberalization to overcome current difficulties concerning global economic slowdown, unemployment and poverty. The DDA is designed to provide this outcome by extending the coverage of WTO rules.

Turkey’s economic reform process and current legislation on economic and commercial issues have been well-advanced to include probably more than what the WTO negotiations will finally deliver, for example on foreign investment, competition and government procurement. This situation should be regarded as normal due to Turkey’s status as an EU candidate country and an OECD member. Turkey’s industrial and agricultural production potential and ability to supply a wide spectrum of advanced services, means Turkey stands to gain from gradual and meaningful trade liberalization as the consequence of the DDA negotiations.

\textsuperscript{18} The G-21 countries are; Argentina, Bolivia, Brazil, Chile, P. R. China, Colombia, Costa Rica, Cuba, Ecuador, Egypt, Guatemala, India, Indonesia, Mexico, Nigeria, Pakistan, Paraguay, Peru, Philippines, South Africa, Thailand, Venezuela.