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FUTURE OF DOHA ROUND

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From the Director's Desk



K.T. Chacko

In 2001, a new Round of WTO negotiation was launched with much fanfare in Doha, the capital of Qatar. It was dubbed as a Development Round where needs and concerns of developing countries were to be placed at the core of the negotiation.

Even though a series of meetings were held since then and several deadlines to complete the Round were set the desired outcome has eluded. The main reason for the failure to complete the Round is the wide divide between the developed and developing countries on the core issues of market access for agriculture and industrial goods. It is quite clear that the development aspect of the Round has receded to the background. Now the main focus of negotiations of the developed countries is to secure greater market access for their products, and at the same time, to continue to protect their own markets behind the cover of subsidies and non-tariff barriers.

The current global financial crisis and the significant slowdown in the world trade give an added urgency to conclude the Doha negotiations. World trade volume is expected to witness a negative growth of - 9.7% in 2009. Unfortunately, the reaction to the crisis seems to be to usher in a new round of competitive protectionism, particularly in the developed countries.

The world trading system is not only facing the challenge of global slowdown and protectionism but is also staring at the ever expanding phenomena of Regional Trade Agreements with the concomitant ever growing 'spaghetti bowl' of complex preferential rules of origin. With close to 400 RTAs in operation and many more in the pipeline, RTAs threaten to undermine the core WTO principle of non-discrimination.

In this background, it is important that all the players in the WTO and, particularly the developed countries, rethink their entrenched positions and attempt to conclude the Doha Round at the earliest. For this, it is important the developmental agenda of the Round is given the primacy that it deserves and developing countries are accorded enough flexibility to preserve their development policy space. At the same time, developing countries also need a greater stimulus for trade by opening new markets for their goods and services. The sooner this balance is reached and the Doha Round is concluded, the better it would be for the world trading system as a whole. Otherwise, there is a danger that the other forces may overtake WTO and it may no longer remain the prime mover of the world trading system that it is today.

The Doha Round Comes a Full Circle

Parthapratim Pal* and Mitali Das Gupta**

Impact of the global financial crisis still looms large on the world economy. WTO predicts a dismal picture for growth of world trade in the near future. Though frantic efforts are being made at multilateral level to ease its impact, immediate recovery is not in sight. Doha development round received little attention in recently concluded WTO meetings. Its future will depend on how fast both developed and developing countries address the core issues of Doha Round. This paper makes an attempt to analyze the issues in detail and suggest what WTO may do to push the Doha Round.

The Backdrop

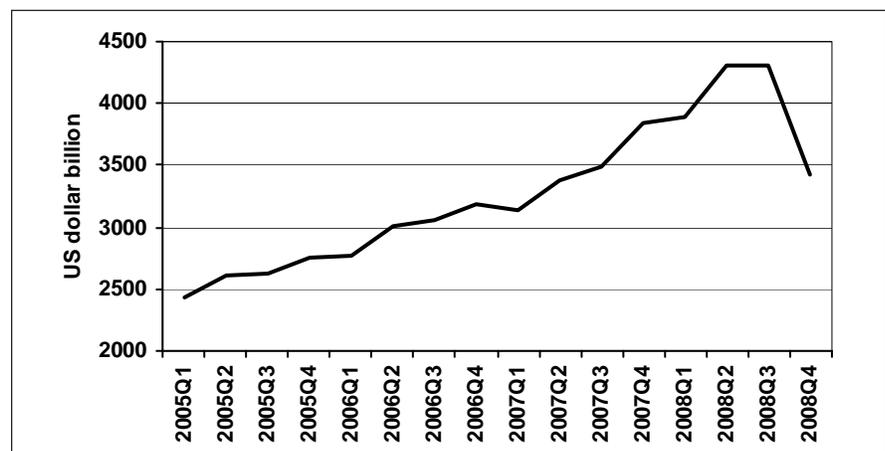
THE unprecedented economic crisis that has affected the entire world is having its impact on the Doha Round of trade talks as well. As it is quite well known, the world is experiencing probably the biggest economic downturn since the great depression¹. Especially the developed countries have been hit quite badly. Statistics released by WTO show that world trade grew only by 2 per cent in 2008 but both Europe and North America had negative import growths in that year.² To make matters worse, quarterly data released by WTO show a sharp decline in global trade since the third quarter of 2008 (Figure 1). Latest reports from multilateral

organizations like the International Monetary Fund, World Bank and the International Labour Organization (ILO) point out that the global economic crisis will result in a larger-than-expected negative shock to global growth in 2009.³

Problems Faced by Countries: Trade Finance

Slowing down of the global economy and its impact on trade through demand contraction has created major problems for exporting nations. From the supply side, exporters from developing countries have also been hit by increased unavailability and uncertainty regarding trade finance. The market for trade finance has

Figure 1
QUARTERLY WORLD MERCHANDISE EXPORT DEVELOPMENTS, 2005-09
(2005Q1=100, in current US dollars)



Source: WTO Trade Statistics, available at: http://www.wto.org/english/res_e/statis_e/quarterly_world_exp_e.xls

* Faculty, Economics in Indian Institute of Management-Calcutta, Kolkata.

** Associate Fellow, The Energy and Resources Institute, New Delhi.

deteriorated since the financial crisis. Lack of liquidity to finance trade credits and a general decline of “risk appetite” by the financial institutions are said to be the two most important reasons for this decline in the availability of trade finance. In order to have more information on this the IMF along with the Bankers’ Association for Finance and Trade (BAFT) carried out a survey on emerging markets, and developing country banks about current trade financing conditions compared to a year ago and expectations about 2009 (Dorsey, 2009). The survey results have supported the conclusions. About 90 per cent of the banks reported increased prices of both short and medium term lending facilities in which the goods being traded serve as collateral. Banks have also reported tighter guidelines for a number of specific countries, including Argentina, the Baltic countries, Bolivia, Ecuador, Hungary, Iceland, Korea, Pakistan, Russia, Turkey, Ukraine, the UAE, Venezuela, and Vietnam. Thomas Dorsey, the IMF’s division chief for strategy, policy and review, writes in the March edition of the Fund’s *Finance & Development* magazine: “The pressure of increased cost of funds to banks has outweighed the dampening price effect of sharply less restrictive monetary policies in many nations, especially the United States and other advanced economies”. The possible consequences will be a collapse of international trade and increased risk perceptions particularly on low-profit-margin in the global supply chain of manufactured products since importers may not

be able to afford more expensive letters of credit.

WTO Director-General Pascal Lamy convened the WTO Expert Group for Trade Finance twice in 2008, aiming to find short-term solutions by mobilizing government-backed export credit agencies and regional development banks. There have been several ongoing efforts to revitalize the situation. For instance, regional development banks and the IFC have enhanced their trade facilitation programmes; export credit agencies have stepped in with programmes for short-term lending of working capital and credit guarantees aimed at small and medium enterprises; the central banks in some countries (like Brazil, India, Korea, Indonesia) have been supplying dollars to local banks and importers through repurchase agreements. Despite such measures, there is little doubt that the trade finance market will experience difficult times at least in the first half of 2009.

Increased Protectionism

Developing countries are also facing the threat of increased protectionism from developed countries. This is happening because of two broad reasons. *First*, some countries are trying to ensure that the limited domestic demand does not leak out to the external market. The idea is to divert the entire domestic demand to one’s own market so that the economy can be reinflated. *Secondly*, to come out of the crisis, many countries have opted for huge fiscal stimulus packages to boost their domestic

demand.⁴ Some of these countries are putting protectionist clauses in their stimulus packages to make sure that the multiplier effects of these measures are not exported abroad. For example, the US stimulus package comes with a “buy American” clause which requires any project funded with stimulus money to use only US-made steel, iron and manufactured goods. In the services sector, there are proposals to end tax breaks for firms which outsource jobs.⁵

Other countries are not too far behind. In spite of the pledge by G-20 countries to “promote global trade and investment and reject protectionism”,⁶ a recent World Bank report has indicated that 17 of the G-20 countries have imposed new restrictions (Gamberoni and Newfarmer, 2009). This study reveals that since the beginning of the financial crisis, countries have proposed and/or implemented roughly 78 trade measures. Of these, increasing tariffs comprise about half of these actions. Among the other forms of protectionist measures, there is increased use of traditional measures like domestic and export subsidies and anti-dumping duties.⁷ Increasingly, provisions of such subsidies are being linked to protectionist requirements like the subsidized companies will have to preserve domestic employment, even at the cost of shutting down more efficient plants abroad in developing countries. Mattoo and Subramanian (2009) highlight that countries are also using other protectionist measures including undervalued exchange rates, environmentally motivated trade

restrictions, resource nationalism (restraints on exports of food during the period of commodity crisis), and financial nationalism, whereby financial resources are directed to national firms.⁸

This rise in protectionist sentiment almost gives a sense of *déjà-vu* as during the great depression of 1930 countries adopted measures which Joan Robinson famously described as “beggar my neighbour” policies. Countries adopted broadly three sets of protectionist policies during this period. There were competitive devaluation of currencies aimed at promoting exports, increased trade barriers⁹ and a proliferation of preferential trade arrangements. This led to a massive implosion of world trade between 1929 and 1933 (profoundly illustrated by the ‘Kindleberger Spiral’¹⁰). It will be a big challenge for the multilateral organizations, including the WTO, to ensure that history does not repeat itself. Specially for the WTO, the sudden and massive contraction of trade and the resultant protectionist wave bring a new set of challenges to the table which can alter the negotiating dynamics significantly.

Changing Negotiating Positions of Some Key Countries

The impact of this is already showing on the changing negotiating positions of some major players in the WTO. The new US trade team under the presidency of Barack Obama and under the leadership of the US trade representative (USTR) Ronald Kirk presently seems to be less proactive on multilateral

trade liberalizations. Not surprisingly, the US has already raised some issues with the progress of negotiations and has proposed a “new approach” for the negotiations. There are broadly three things which are notable about the new US position. *Firstly*, there is a feeling in India that the US is trying to portray that in the current round of negotiations it has given too much in the negotiations and received too little. Therefore, it is likely that the US will be hardening its position on key issues like agricultural subsidies, sectoral issues in Non Agricultural Market Access (NAMA) and so on.

Secondly, it also appears from the speeches of the new US Trade Representative Ronald Kirk that the US is trying to push the “advanced developing countries” for further opening up of their markets. He says: “What we believe can be helpful in bringing the Doha Round to a conclusion is to provide an opportunity for meaningful market access for all of the countries involved, including the developed and the, what we define as the advanced developing countries. And considering that we for the most part have opened our markets for some of the least developed countries, their next frontiers aren’t going to be in the United States because they already have access. Where they can have an opportunity to have additional market access is places like India and China and Brazil and South Africa.”¹¹

This is a clear indication that the US will be trying to pressurize the bigger developing countries

even more to open up their market access. This new classification of “advanced developing countries” may also be a clever ploy for further dividing the developing countries into different sub-groups. This may alienate these bigger developing countries from the smaller developing countries and least developed countries (LDCs) and may create some dissent in their ranks.

Thirdly, after eight years of negotiations in the Doha Round, the US is proposing a change in the negotiating approach. US trade officials suggested the idea of “jumping over” negotiations on modalities for agriculture and industrial goods and proceeding directly to the scheduling stage. Reports indicate that initially the US proposed that countries schedule their tariff cuts in areas where gaps continue to exist in the modalities, and then engage in bilateral or small group negotiations on those points afterwards. This approach was naturally opposed by many countries in the WTO who feared that this will allow countries to maintain high trade barriers in areas and sectors where there had been no agreement or consensus in the Doha Round. After facing significant resistance from countries, the US changed its position somewhat and suggested that scheduling could take place at the same time as continued negotiations on modalities. Pascal Lamy seems to be considering this twin track approach with some seriousness. He says:

“I am well aware that for some of you, the modalities

approach is sacrosanct. It is an approach that makes clear to all what is on the table through the formula cuts in tariffs and the specific flexibilities that would be agreed. But others believe that while the modalities spell out the defensive elements of the agreement, through flexibilities, these flexibilities in themselves make it difficult to ascertain what new market access opportunities may emerge. If governments could indicate what products would be accorded more flexible treatment in the scheduling stage, whether on sensitive products, on special products, on Duty-Free-Quota-Free or on NAMA flexibilities, some countries believe it would lend greater clarity to the process. My own sense is that there is scope to work on these two areas along two simultaneous tracks. One would see technical engagement in the negotiating groups move to a higher gear to cover a number of technical issues as mentioned previously. Simultaneously, Members would start some sort of "outcome testing", through bilateral or plurilateral discussions, where they would provide each other with greater clarity on the use of flexibilities and through it, on the value of the deal."

But in the world of the WTO, *nothing is agreed until everything is agreed*. Therefore, when the negotiations start again, it is unlikely to be a resumption of the dialogue carrying forward from where it stopped. Rather, it is expected that all the *quid pro quos* will be re-examined and new equations will be formed. Therefore, unless there is a sudden change in the dynamics

of the negotiations, it appears that the Doha Round is easily going to go on for some more time.

Commodity Price Volatility and Developing Countries

One major area which the developing countries may like to point out is the fact that the movements in commodity prices in the last few years show that the policy measures available to developing countries may not be adequate to tackle movements of international commodity prices. The safeguard options like "Special Products" and "Special Safeguard Mechanisms", which the developing countries are negotiating for in the Doha Round of trade talks, are essentially geared to protect them from the negative effects of declining commodity prices. In the modalities text, there are no substantive policy measures available to developing countries to tackle the problem of increasing food prices.

It is notable that it was widely expected during the Uruguay Round of trade talks that after the implementation of WTO Agreement on Agriculture (AoA) in 1995, food prices would increase and some measures were suggested in the Uruguay Round AoA to help Net Food Importing Developing Countries (NFIDCs). However, after 1995, contrary to the expectations, commodity prices declined and the measures suggested by the AoA became largely irrelevant in that context. And as the provisions to protect developing countries from declining and volatile international commodity prices were inadequate and

cumbersome, import surges have occurred more frequently in the post-1994 period with only a few exceptions. A study by FAO shows that the percentage occurrence of import surges is higher in the post-1994 period for all commodities with the only exception of wheat, rice, maize and palm oil.¹⁴

Given these experiences, in this round developing countries may argue for more policy space and ask for more policy options to deal with different price regimes. This is particularly important because of three broad reasons. *Firstly*, the projections are uncertain about medium to long term trend of commodity price movements. FAO tends to suggest that in spite of the recent decline in commodity prices, in the medium to long run, commodity prices are likely to move up. However, since July 2008 international commodity prices have declined sharply. *Secondly*, it appears that with increased speculation in commodity prices, traditional demand and supply factors may play a smaller role in determining international commodity prices. This will make projecting commodity prices more difficult. More importantly, this factor adds another distortive element to international agricultural trade which already face major market distortions from the huge amount of subsidies given to the sector in developed countries. *Thirdly*, agricultural trade in some major grains are controlled by a few international conglomerates and they possess enough market power to influence international and domestic prices.

The presence of so many distortive factors indicate that any initiative to make agricultural trade more 'market-oriented' will only reduce the policy space available to national governments to manage food and livelihood security of millions of people. Unless the underlying distortions in agricultural trade are taken care of, this will create a situation where the governments will not have the flexibility to deal with any unexpected situation that can arise out of either real demand-supply imbalances or due to increased speculative activities in agricultural commodities. This will increase the vulnerability of food and livelihood security of millions of poor people in developing countries.

The experiences with international commodities and financial recession suggest that developing countries should ask for a menu of policies to be available to them to deal with different price regimes. This should include both safeguard mechanisms to protect a country from uncertainties associated with international trade and increased policy autonomy to the governments to subsidize and invest to help agriculture in developing countries. The current framework does not allow enough policy options to developing countries to deal with the vagaries of increasingly uncertain international commodity price movements and it may also restrict some governments to ensure food and livelihood for its people. The provisions of SP and SSM are just too limited to deal with different and uncertain scenarios.

To tackle these problems, a number of policy alternatives are being tried. One possible option, which many countries are presently considering is targeting self-sufficiency in food production. Self-sufficiency or food-sovereignty has been declared as a strategic response by several countries, including China, Indonesia, Malaysia, the Philippines and Senegal (FAO 2009). India has followed a policy of food self-reliance for a number of years.

For smaller countries including the net food importing developing and least developed countries attaining self-sufficiency in food production might not be possible. But even for these countries, it is important to protect domestic food markets against both artificially low prices in the form of dumping and artificially high prices driven by speculation and volatility in global markets (Rosset 2008). The policy response is coming from a few different directions. For example, there are talks by FAO and WFP (World Food Programme) about establishment of 'Regional Food Reserve Systems' including food stocks for more vulnerable economies. *Secondly*, some of these smaller countries are taking steps towards improving regional food security through regional cooperation in order to reduce dependence on imports outside the region. However, the most radical thinking is coming from some of the richer countries that are not self-sufficient in food. FAO (2009) points out that there has been an incipient trend to "outsource" food production. The

report mentions: "In recent years and particularly over the last few months, countries such as China, Japan, Kuwait, Saudi Arabia and South Korea and other cash-rich nations have been buying or leasing huge quantities of foreign land for the production of food for domestic consumption. Their big corporations engaged in acquiring land in foreign countries are using their technical and financial power to increase the production of food, fodder and biofuel crops."¹²

The broad objective of such acquisitions can be interpreted as a way to secure a stable supply of food at a reasonable cost by bypassing the need to procure it from the volatile international commodities market. Most of these acquisitions are being done in relatively land abundant countries. However, there might be some inherent risk in such type of recourse extraction. While on one hand it can lead to investment and employment generation in the target country, but on the other hand, it may simply recreate the colonial problem of resource extraction.

One strong message that is coming out of these policy measures is that the WTO has not been effective enough in addressing the needs of developing countries during this food and fuel crisis. Given the distortion that is already there in the international commodities market, the attempt of the WTO to "establish a fair and market-oriented trading system" in world agricultural markets has not worked. Instead the commodities market has become even more distorted. Until the

WTO is able to reduce the level of distortion in this market, it will probably be more appropriate for the WTO to focus more on price stabilization.

Conclusions

It is not very surprising that the Doha Round is taking so long to get concluded. In the earlier rounds of multilateral trade talks, negotiations were essentially done by a few developed countries and most developing countries had little or no role in these negotiations. In the Doha Round, the number of active players in negotiations has increased significantly (Table 1). Dani Rodrik,¹⁵ Professor of International Political Economy at the John F. Kennedy School of Government, Harvard University, points out that in the

Doha Round there are 153 countries, of which Rodrik reckons probably 60 or 70 are actively involved in the negotiations. And as the WTO works on a “consensus” based approach, every member has a potential veto power.¹⁶ Therefore, it is not completely unexpected that this round of trade negotiation is dragging on for so long.

Moreover, the present economic recession has complicated the scenario even more. Countries are now more focussed to restore their domestic economy and prevent job losses. Right now turning the attention back to further trade liberalization may not be the first priority for many countries. As discussed above, the rise of protectionist sentiments across

the world makes it difficult for the WTO to push forward the agenda of further trade liberalization. Also, two of the major players in the Doha Round of trade talks, viz. the US and India have recently appointed new trade leaders. It will be important to see whether and how these changes are going to affect the negotiation pattern in the WTO. It is notable that the US and India were major players in the stalemate that stalled the WTO talks last July.

WTO has recently announced that it will hold its seventh ministerial conference in Geneva later this year (November). However, the summit will not focus on the Doha Round trade talks but it will focus on “the organization’s regular work”.¹⁶ This clearly indicates that the

TABLE 1
GATT AND WTO TRADE ROUNDS

<i>Name</i>	<i>Year (duration)</i>	<i>Participating countries</i>	<i>Subjects covered</i>	<i>Achievements</i>
Geneva	1947 (7 months)	23	Tariffs	Signing of GATT, 45,000 tariff concessions affecting \$10 billion of trade
Annecy	1949 (5 months)	13	Tariffs	Countries exchanged some 5,000 tariff concessions
Torquay	1950 (8 months)	38	Tariffs	Countries exchanged some 8,700 tariff concessions, cutting the 1948 tariff levels by 25%
Geneva II	1956 (5 months)	26	Tariffs, admission of Japan	\$2.5 billion in tariff reductions
Dillon	1960 (11 months)	26	Tariffs	Tariff concessions worth \$4.9 billion of world trade
Kennedy	1964 (3 years)	62	Tariffs, Anti-dumping	Tariff concessions worth \$40 billion of world trade
Tokyo	1973 (6 years)	102	Tariffs, non-tariff measures, framework agreements	Tariff reductions worth more than \$300 billion dollars achieved
Uruguay	1986(8 years)	123	Tariffs, non-tariff measures, rules, services, intellectual property, dispute settlement, textiles, agriculture, creation of WTO, etc	The round led to the creation of WTO, and extended the range of trade negotiations, leading to major reductions in tariffs (about 40%) and agricultural subsidies, an agreement to allow full access for textiles and clothing from developing countries, and an extension of intellectual property rights.
Doha	2001(??)	153	Tariffs, non-tariff measures, agriculture, labor standards, environment, competition, investment, transparency, patents, etc.	The round is not yet concluded.

WTO may also have doubts whether this is the best time to push the trade talks. However, a ministerial is an important WTO event and it will give an indication of whether and how the round is likely to be concluded. In this ministerial, one can expect some adjustments of negotiating positions of different countries. These will be influenced by the recent economic events like the commodity price changes and the financial crisis. Change in leadership in some of the major players in the WTO negotiations may also affect the tone and approach of some of the negotiators. Overall, the forthcoming ministerial of the WTO may give an indication whether and how the round is likely to be concluded. Immediate focus of the WTO should be to ensure that the global trade revives and countries do not impose retaliatory protectionist measures to block each other out. A revival of global trade will be the best catalyst for the successful conclusion of the Doha Round.

NOTES

- ¹ Pascal Lamy, incidentally thinks that this is "the first global crisis in the history of mankind".
- ² WTO data show that imports by Europe and North America contracted by 1 and 2.5 per cent respectively in 2008
- ³ *World Economic Outlook*, April 2009 by IMF, *Global Economic Prospects 2009*, World Bank and *Global Employment Trends*, May 2009 Update by ILO.
- ⁴ For example, a report by IMF indicates that the headline amount

of the US fiscal stimulus package is about \$787 billion.

- ⁵ In a recent speech the US President has said that the US tax system is such "that says you should pay lower taxes if you create a job in Bangalore, India, than if you create one in Buffalo, New York."
- ⁶ <http://www.g20.org/Documents/final-communique.pdf>
- ⁷ WTO Secretariat is also reporting increase in anti-dumping duties (see here: http://www.wto.org/english/news_e/pres09_e/pr556_e.htm)
- ⁸ See <http://www.globaltradealert.org/> for more information on protectionist measures taken by countries.
- ⁹ One example of such policies was the infamous Smoot Hawley Tariff Act which pushed US tariff rates to historically high levels.
- ¹⁰ See Charles P. Kindleberger, *The World in Depression*, rev. and enl. ed., Berkeley: University of California Press, 1986.
- ¹¹ <http://www.ustr.gov/about-us/press-office/press-releases/2009/may/transcript-press-briefing-headquarters-world-trade-org>
- ¹² FAO (2009), *Country responses to the food security crisis: Nature and preliminary implications of the policies pursued*, FAO Initiative on Soaring Food Prices, FAO. (http://www.fao.org/fileadmin/user_upload/ISFP/pdf_for_site_Country_Response_to_the_Food_Security.pdf)
- ¹³ Dani Rodrik, (2008), "Don't Cry for Doha" (http://rodrik.typepad.com/dani_rodriks_weblog/2008/07/dont-cry-for-doha.html)
- ¹⁴ Nigris, Maurizio de (2005), *Defining and Quantifying the Extent of Import Surges: Data and*

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¹⁵ Though WTO has the provision of a "one-country one vote" system in its constitution, so far voting has not been used in WTO.

¹⁶ <http://ictsd.net/i/news/bridges-weekly/47831/>

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The Future of Doha Round

*Nitya Nanda**

The Doha Round of negotiations at the WTO cover a wide range of issues. Even after eight years of intense negotiations, the member countries are yet to converge on any of them. A large number of members are not enthusiastic about the Round which, now almost everybody agrees, is unlikely to bring any significant benefits. The changing global context over the last few years which saw unprecedented rise in commodity prices, as well as the recent economic crisis that triggered bailout and stimulus packages with questionable WTO-compatibility in a number of countries, has reduced the political support for further trade liberalization. The agenda of the Round is also not adequately loaded to deal with non-tariff measures that are becoming more prominent, as well as issues like foreign exchange management and environmental protectionism that have received greater attention in recent times. The prospects seem rather dim.

* Fellow, Centre for Global Agreements, Legislation and Trade (GALT), The Energy and Resources Institute (TERI). The author wishes to thank Pranav Kumar and Nidhi Srivastava for useful comments and suggestions, while taking the full responsibility of the remaining errors and omissions, if any. Views are personal.

Introduction

As the highly anticipated Ministerial gathering in December 2008 could not take place, the future of the Doha Round has come under a question-mark once again. It was of course not unexpected. This is not the first time that such an impasse has been witnessed since the launch of the Doha Round. A mini-Ministerial meeting that took place between 21 and 29 July 2008 in Geneva could provide some encouragement but in totality could not gear up the negotiation process to arrive at any conclusive agreement. Looking at the past record of WTO's negotiations it was not a surprise.

Several deadlines have passed since trade ministers of member countries of the World Trade Organization (WTO) met at Doha, Qatar and designed the ambitious agenda of trade liberalization in 2001. This is also not new. Even during the Uruguay Round, it took eight years to reach the agreement. But Doha Round is already in its eighth year of negotiations but no agreement is in sight.

The Doha Ministerial Declaration offered a clear negotiating mandate for the following main areas under the Doha Work Programme: Agriculture, Market Access for Non-Agricultural products (Non-

Agricultural Market Access or NAMA), services, trade and environment, WTO rules, TRIPS, Implementation Issues and Dispute Settlement. The Declaration also agreed to proceed on the so-called Singapore issues, namely trade and investment, trade and competition policy, trade facilitation and transparency in government procurement.

However, after the failed ministerial meeting in Cancun in 2003, WTO members agreed on a revised agenda called the July Package in which three of the Singapore issues were dropped from the agenda. Now, only trade facilitation is included in the Doha Round of negotiations. The agenda adopted also dealt with other areas and issues like public health, debt and finance, technical assistance and capacity-building, and technology transfer, etc. that had a development focus. Hence it came to be known as the Doha Development Agenda (DDA). The agenda was also committed to providing special attention to Least Developed Countries (LDCs). It aimed to ensure duty-free, quota-free market access for products originating from LDCs. It also committed to support diversification of LDCs' production and export base. At the Hong Kong Ministerial meeting some of these issues were fine-tuned with more clarifications on the modalities of negotiations. The agenda included

issue of Aid for Trade, though this does not require any negotiations.

It is thus quite understandable that the Doha Round has become quite complex as it includes so many issues with diverse interests of countries. Moreover, compared to the earlier rounds when developing countries played only minor role, of late some developing countries like Brazil, China, India and South Africa are playing very important roles. More importantly, when countries like India find major stake even in issues like services and IPR, the modalities of negotiations become much more complex.

Issues and Stakes

Under the DDA, substantial cuts in agricultural subsidies as well as reduction in tariffs were envisaged. In NAMA, tariffs on industrial goods were to be reduced or eliminated. Tariff peaks, high tariffs, and tariff escalation were to be reduced or eliminated. The same applied to non-tariff barriers, particularly in products of export interest to developing countries. Similarly, in services, further liberalization was envisaged on a wide range of sectors and on the cross-border provisioning of services and movement of natural persons.

WTO rules cover contingency protection, standards and issues such as anti-dumping, subsidies and countervailing measures and safeguard measures. They are permitted by the WTO rules to check alleged unfair trade practices by foreign competitors. However, the experience with these rules shows that there has been increasingly arbitrary use of the measures by developed

countries. Hence, the objective of this component of the DDA is to improve and clarify WTO provisions governing anti-dumping, subsidies and countervailing measures.

In the area of TRIPS, the most important issue is how to enable countries without pharmaceutical manufacturing capacity to take advantage of the compulsory licensing provision in the case of a public emergency, as a compulsory licence is issued only to domestic companies. Other items on the agenda are: extension in coverage of geographical indications for goods other than wines and spirits, clarification of the relationship between TRIPS and the Convention on Biological Diversity (CBD), appropriate mechanisms for the protection of traditional knowledge and folklore.

During implementation of the Uruguay Round Agreement, it was realized that though there were several S&DT (Special and Differential Treatment) provisions to protect and promote developing countries' interests, they were not being implemented. They were, by and large, best-endeavour clauses and there were no concrete mechanisms to implement them. Developing countries had complained about a number of items under the various WTO agreements, which eventually came to be referred to as 'implementation issues'. At the Seattle Ministerial, developing countries pushed unsuccessfully for an agreement on these issues. The matter was raised once again in Doha and culminated in the signing of a separate declaration on 'Implementation-related Issues and Concerns'.

It was also believed that the dispute settlement arrangement of the WTO has a lot of room for improvement, particularly making it more accessible to poor countries, the Doha work programme in this area was to clarify and improve the DSU. The work programme on trade facilitation is meant to expedite the movement, release and clearance of goods, including goods in transit. This is attempted to be ensured by simplification and harmonization of customs and related rules and procedures, and enhanced technical assistance and capacity-building in this area.

Under trade and environment, along side examining the relationship between existing WTO rules and specific trade obligations set out in the existing Multilateral Environmental Agreements (MEAs) and the issue of granting observer status at the WTO to multilateral environment bodies, reduction or elimination of tariff and non-tariff barriers to environmental goods and services may be carried out.

The work programme on trade, debt and finance was intended to examine the relationship between these three areas. It was to recommend steps to be taken within the WTO mandate to enhance the capacity of the multilateral trading system to solve the problem of external indebtedness of developing and LDCs. Similarly, the work programme on trade and technology transfer was to work out steps to increase flows of technology to developing countries.

The so-called Doha Development Agenda (WTO 2001) includes three types of issues. The issues of the *first type* aimed to address the existing anomalies, or to mitigate the “side effects” caused by the existing WTO agreements which were essentially to address the concerns of developing countries. These include TRIPS and Public Health, the implementation issues, the work programmes on issues like special and differential treatment (S&DT), small economies, LDCs, trade, debt and finance, trade and transfer of technology, etc. The *second type* of issues on the agenda includes liberalization or reforms in agriculture, services, non-agricultural products, WTO Rules (Anti-dumping and Subsidies), TRIPS (geographical indication) and Dispute Settlement, etc. The outcome of these could be mutually beneficial if they were negotiated properly. The *third type* included the Singapore issues (only trade facilitation as per the July Package) and environment, which would broaden the agenda of the WTO and developing countries have generally been opposed to these (Nanda 2008a).

The Fault Lines

Though the DDA includes several issues, the discussions so far at the WTO concentrated mainly on agriculture and NAMA and occasional spurts of activities on services. In recent months the issue of WTO rules has also received some attention. Not only that the other issues have received much less attention, the so-called development issues have more or less relegated to the background. In any case, there

is not even any concrete proposals on issues like trade, debt and finance, trade and technology transfer that can really help the developing countries. Nevertheless, also on agriculture and NAMA, there has not been much of progress in terms of developing consensus. These are the two areas in which draft framework or modalities have been in place for quite some time. WTO rules is the only other area in which draft framework has been prepared only recently.

Among the three pillars of agriculture, countries have more or less converged on export subsidies, but problems remain on both domestic subsidies as well as tariff cuts. A contentious issue related to tariff cuts has been the issue of designating special products that could be exempted from deep cuts in tariffs. Developed countries want a narrow range but most developing countries including India want more flexibility though there are significant divergences even among the developing countries.

India had been at loggerheads with the US on the issue. India has been rather defensive not only in agriculture but also on industrial tariffs. But politically it would be much more difficult to accept liberalization of agriculture. India does not expect to become a major exporter of agricultural goods as its agriculture has not been doing too well. In fact with its population growing, it is going to become a major importer of agricultural goods and unlikely to maintain high tariff in the long run. But enough flexibility in terms of special products and

special safeguard measures would have made the deal politically easier to accept.

The failure of the mini-Ministerial in July 2008 is largely attributed to the differences between India and the US on this issue. Such differences have now narrowed down, but the discontent over sensitive products is still a major issue. Countries like Canada and Japan want higher flexibility on this, while the major exporters believe that that will seriously curtail their market access gains from the Doha Round. Latin American countries want further and deeper liberalization for bananas, sugar and other tropical products, but the African, Caribbean and Pacific (ACP) countries oppose such a move so as to prevent their preference erosion. Cotton subsidy is another area that can pose serious difficulties.

On NAMA, most developing countries feel that the proposed tariff cuts are too deep and disproportionate to what developing countries are willing to offer in agriculture particularly in domestic subsidies. There is also divergence of opinion on flexibilities in tariff cuts for developing countries. While, some developing countries are demanding more flexibilities than what have been proposed, the US and EU have demanded even less flexibilities than proposed. Another contentious issue is the sectoral approach in which some select goods are to be traded with zero or nominal tariffs. This is voluntary but the developed countries want that at least the major developing countries participate which they oppose.

Two important provisions in the Doha Mandate on NAMA are less than full reciprocity (LTFR) for developing countries in their tariff reduction commitments *vis-a-vis* the developed countries and protection of development interests of the developing countries. These are also provided for in Article XXVIII bis of the General Agreement on Tariffs and Trade (GATT 1947). However, what have been proposed in the successive texts are complete violation of these provisions. As noted before, the maximum tariff of a country would be less than the coefficient "a". But the values of coefficient suggested for developed countries are above the average bound tariff levels whereas the values of coefficients suggested for developing countries are far below their average bound tariff levels. This essentially means developed countries are getting LTFR *vis-a-vis* the developing countries – a complete reversal of the mandate (Nanda 2008b)!

It is now well established that all developed countries of today except Hong Kong, have provided some degree of protection to their industries in the course of their development. However, developing countries will not have this option and their development prospects will be seriously jeopardized (Chang 2005). The proposed anti-concentration mechanism will further erode their ability to promote a particular industry. This is also a violation of the agreed mandate.

The draft text on rules also created its share of controversies. Though reactions on fisheries

subsidy have been milder, there has been no fundamental change in the position of countries. However, on anti-dumping countries remain as divided as before. While the US wants "zeroing" - a practice that treats all non-dumped sales to have a dumping margin of zero rather than negative, thereby preventing non-dumped sales to offset dumped sales, leading to higher estimated dumping margin - to be accepted, many others including Brazil and China want it to be outrightly banned. Another issue of discord is anti-circumvention where the US and EU are keen to ensure that countries do not bypass anti-dumping orders by exporting through third countries. China, a major target of anti-dumping measures, does not have any such provision.

As for the services negotiations, the draft framework is yet to come but it is unlikely to be less controversial. In any case, except India, most developing countries have been rather reluctant on the issue. Even India's demands are unlikely to receive much of importance. Developed countries have been quite keen that developing countries further liberalize their service sectors including the financial sectors. It is quite natural that after seeing the US experience in recent months, developing countries would be reluctant to further open up the financial sectors. Negotiations on services liberalization were launched even before the Doha Round and became a part of the Round later on.

The decision to amend TRIPS has long been adopted. However,

no progress has been made in other areas like geographical indications or the issue of the relationship between TRIPS and the Convention on Biological Diversity. Some members' demand for the inclusion in the TRIPS a mandatory requirement for the disclosure of origin of biological resources and/or associated traditional knowledge in patent applications has made the issue even more difficult.

On trade and environment, some developed countries have been quite active but mainly in the area of liberalization of environmental goods and services and have already come out with long lists of such goods and services including a list of the so-called climate friendly products. But many developing countries have consistently expressed concern about using a list of environmental goods slated for expedited liberalization, noting that many products on their lists are primarily of export interest to industrialized countries. The issue of "dual use", the fact that many goods that developed countries want included on an environmental goods list also have non-environmental uses - has been another sore point. In the context of climate change debate, developing countries have demanded better conditions for transfer of technology and it has often been argued that TRIPS may also be amended appropriately. But this is not in the DDA. Another issue that often comes up along with the climate change debate is border tax adjustment by which countries imposing carbon tax can impose some duty on products coming from countries that do not have

a carbon tax regime. The issue here is whether such a measure would be WTO-compatible. It is possible to discuss the issue within the existing Doha agenda but it has not yet been discussed in sufficient measure.

The Changing Global Context

At a broader level, globalization in general and trade liberalization in particular has lost much of its significance. Today opposition to unbridled liberalization is coming not only from the violent anarchists, trade unionists, or idealistic youth, but also from mainstream economists. It is not that these intellectuals are against globalization *per se*, but what they emphasize is that there are pitfalls and the global community has not been particularly successful in managing them. When an economist of repute like Dr. Paul Samuelson claims that globalization is not always good, people are forced to rethink. One interesting thing about the mini-Ministerial that took place in Geneva in July is that the NGO protestors were conspicuous by their absence. Probably, they felt as the mainstream intellectuals have already taken up their cause, they need not worry much.

Even the ardent supporters of globalization recognize that to make globalization work, there has to be institutions both at the national as well as global levels. But that is not an easy thing to do. The present global economic crisis is not what economists would call part of business cycles quite normal in a capitalist economy. It is the fallout of negligent, irresponsible or may

be even criminal behaviour of the US government, regulators and business players. At most some European regulators may also be held responsible to some extent. Yet the whole world is not experiencing progress. There have been massive bailouts in the US but one is yet to see fixing responsibilities or efforts to make systemic changes to prevent such crisis. One would surely be worried of the impacts of the so-called globalization particularly when it is led by the US.

Several countries have declared bailout or stimulus packages to deal with the present crisis. But there have been questions about the WTO-compatibility of such measures. Such measures have been taken mainly in developed countries but some developed countries have also joined the bandwagon. This has raised another issue. If those bailouts and stimulus packages were essential to deal with the recessionary conditions, and if they are not WTO-compatible, then is it the case that the WTO rules are too restrictive? Do we need such WTO rules at all? It was only the developing world that often expressed concerns of loss of national policy space due to global rules. Now the issue seems to have acquired a truly global dimension.

The recent months have seen unprecedented changes in agricultural trade. Whereas in general prices of agricultural goods have been low for which developing countries blamed the developed countries, currently, prices are extremely high and countries are finding it difficult to deal with food price inflation.

Food deficit countries are finding it difficult to import foodgrains as some countries even put ban on exports. This has brought the issue of food security into focus. Hence, no country would be willing to compromise on food security. This means that the developed countries would be reluctant to reduce subsidies drastically and the developing countries will be reluctant to reduce tariffs with fear that it may endanger their food security.

Political support for trade liberalization has been declining all over the world. Developed world, though did quite well in post-Uruguay Round period, they have been going through rough times now. Business groups in the US and the EU, so active during the Uruguay Round, particularly on issues like services trade and intellectual property rights, have not been similarly enthusiastic about the Doha Round as they do not see much benefit from the tariff cuts on manufacturing goods as they are already quite low. This might also be because they are not very optimistic about the conclusion of the Doha Round.

Among the developing countries, only a few like China and India could manage a good show of economic growth in the post-WTO era. Nevertheless, it is questionable, how far of this growth occurred due to trade liberalization or other policy reforms. In fact, China's entry at the WTO happened much after. Most developing countries could not grow enough in the post-WTO period. It is however no secret that the overall welfare gains projected during the time

of Uruguay Round of negotiations never came to be true. Similar studies at the launch of the Doha Round projected substantial welfare gains. But many later studies came out with progressively declining projections of welfare gains.

The goods that most developing countries export face severe competition in the global market particularly in the developed world. But the major part of the competition comes from other developing countries and not from the developed countries as such. Given this, tariff reduction in the developed world is unlikely to benefit the developing countries. This is the reason why often developing countries found preferential trade agreements more attractive. Developed countries, for obvious reasons are more interested in bilateral deals as they find more power to exercise. Nevertheless, the gains from such deals are likely to be short-lived as developed countries are taking the developing countries one by one which eventually erodes any preferential benefits.

“Abandon” is Just a “Dirty” Word

As noted before, nobody now expects substantial gains from the conclusion of the Doha Round. There is not much to be gained in terms of greater market access through reduction of subsidies particularly in developed country markets. Moreover, the existing framework is not good enough to deal with new and emerging trade barriers. Tariffs are no longer the preferred protectionist tools as countries are leaning

towards non-tariff measures particularly in the developed world. Developed countries are of course more apt in using such measures compared to their developing counterparts. Developing countries of course find it difficult to raise technical standards as that will mean raising the standards for the domestic manufacturers as well to comply with their national treatment obligation at the WTO (Nanda 2008a).

According to a recent World Bank Study, some 78 trade measures have been proposed or implemented in recent months that can be termed protectionists. But an overwhelming majority of these have been non-tariff measures. Some developing countries have raised their tariff levels but not always their MFN tariff levels. Developed countries mostly operate at their bound tariff levels and hence they were not able to raise their tariffs. But very few developing countries have increased tariffs on a broad range of products except probably Ecuador which raised tariffs on 940 products. India has increased tariffs but only on some steel products despite the fact that its exports have suffered hugely and its imports continue to grow. It is also among the very few countries that still maintains a growth rate in excess of six per cent and hence is helping other countries. Mexico increased tariffs on some products but only for the US exporters which in fact in retaliation to US cancellation of a pilot programme that allowed a limited number of Mexican trucks to deliver cargo to the US. While some of these measures may have questionable

WTO-compatibility, most of them will pass through as WTO-compatible. Moreover, the ongoing Doha Round will also have no bearing on most of these measures (Gamberoni and Newfarmer 2009).

As a matter of fact, several developing countries were never convinced about the need for a new trade round in the first place, and only agreed to the launch of talks in Doha in 2001 only on the promise that the “development round” would help rebalance the WTO trade rules that they felt were tilted against them. But now developing countries hardly see any possibility of such a promise being fulfilled. The EU’s interest in the Doha Round talks also diminished as issues such as rules governing foreign investment, competition policy and government procurement had to be removed from the trade negotiations agenda in the face of strong opposition from developing countries. The Doha Round seems to be not in the priority of Obama administration in the US which is still grappling with the economic crisis.

Yet nobody has so far explicitly favoured the Round to be abandoned. Probably countries think that so much effort has already gone into the process and hence something should come out of it. It is probably also an issue that near-exclusive focus on the Doha Round has created a situation where people attach the credibility of the WTO as an institution with the success of the Doha Round. However, this need not be the case. The WTO has other activities as well and the failure of the Doha Round should not be seen

as the end of the WTO. Recently of course the issue has been highlighted by the WTO Director General Pascal Lamy as he suggested stepping up work in monitoring trade measures taken in the wake of the financial crisis. Enforcement of the existing trade rules is a major function of the WTO which will continue to be there irrespective of what happens to the Doha Round. WTO can also do a lot of things including capacity building of developing and least developed countries, trade finance and Aid for Trade as well as giving effects to the so-called best-endeavour clauses for which no Round is required.

There has also been a suggestion that since the Doha Round is unlikely to bring any significant benefits, if a new Round has to be justified then it must bring some other important issues onto the negotiating table (Mattoo and Subramaniam 2008). One is of course the issue of management of exchange rate which is often considered a protectionist tool. While China has been criticized for its perceived undervalued currency, the Governor of China's Central Bank Mr. Zhou Xiaochuan has suggested replacing the dollar as the world's reserve currency by the IMF's Special Drawing Rights (ICTSD 2009). It is understandable that accepting US dollar as the global currency has its problems as the only way this arrangement can provide the required liquidity to the world is through maintaining a huge trade deficit by the US. This puts the entire system under stress. It is also well known now that one of the factors behind today's crisis is the huge trade deficit of the US. Another issue that might need greater attention is the link

between trade and environment. It is quite possible that after the Copenhagen Summit on Climate Change in December 2009, the global community will have to re-look at the issue of trade and environment and the Doha Round Agenda on this may not be adequate.

Conclusion

While some progress has been made in the area of agricultural negotiations, WTO members are far away from a deal on it. There are several other stumbling blocks even in the area of agriculture. It is true that agriculture has always been the most contentious issue and indeed in the Uruguay Round, the success in reaching a deal on agriculture led to the successful completion of the entire round, but the situation is far more complex now. Moreover, in the WTO circle, it is often said, "nothing is agreed until everything is agreed." There are several such problems in NAMA and WTO rules. Most other areas have not yet been adequately discussed. If the WTO members have taken such a long time to come only this far, one can easily understand the difficulties on road ahead in the Doha Round.

But what is more important is that traditionally the multilateral trade liberalization agenda has been set by the developed world. The developing countries reluctantly moved along. The result has been a skewed liberalization. But the developing countries are much more confident now and are unwilling to carry forward the agenda set by the developed world. Given this, conclusion of the Doha Round seems to be extremely difficult. However, that should not be a cause for great concern. In any

case, the Doha Round is not expected to bring substantial gains, particularly to developing countries. It is also not adequately loaded to deal with emerging trade barriers. The fallouts of the Doha Round not succeeding are also exaggerated as the WTO has many other things to do rather than just focusing on the Doha Round negotiations.

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India, US to Talk WTO Deadlock

INDIA and the US will hold bilateral talks soon in an attempt to narrow their differences on the ongoing Doha round of the WTO. Commerce and Industry Minister Shri Anand Sharma has said that he and US trade representative Ron Kirk wanted to discuss issues which "came in the way" of the multilateral trade talks last year.

Speaking to ET, the minister said that he had a telephonic conversation with Mr Kirk on Monday and both have agreed to meet in Bali later recently during the Cairns group meeting where they will exchange views on matter of shared interests including the multilateral trading regime and the issues which came in the way in the smooth progress of the Doha Round of WTO talks.

"It (the WTO) is important. We remain committed to it. At the same time, the issues which had come in the way will have to be discussed and adequately addressed. I am looking forward to my meeting with Ron Kirk," Shri Sharma said.

The Doha Round of talks reached a stalemate last July in Geneva following disagreement between India and the US over issues including special protection to be given to poor farmers against a surge in agricultural imports and making "sectoral" negotiations for eliminating tariffs on select industrial sectors mandatory.

The minister added that he was also eager to meet his counterparts from other countries which share India's concerns including Brazilian Foreign Minister Celso Amorim and the trade minister from South Africa.

Shri Sharma said that India was willing to move forward on the basis of the drafts circulated by the WTO groups on agriculture and NAMA (non-

agriculture market access) last year. "These may be useful base documents for further negotiations. We are positively inclined towards carrying forward the talks," he said.

However, on a more cautious note, the minister added that it was a subject which would be discussed further by the empowered group of ministers (eGoM) on WTO.

(The Economic Times, 3 June 2009)

WTO for Ministerial Meet in November

THE WTO has called a ministerial meeting in November, the first in four years. However, the global body has downplayed the event as a regular meeting on 'the multilateral trading system and the current global economic environment'.

Though ministerial talks are to be held once in two years, WTO specified that the forthcoming meeting would not be a session on Doha Development Round negotiations. The previous ministerial meeting was in December 2005 in Hong Kong. The nearly eight-year-old Doha Round talks are stuck due to persisting differences between the developed and developing WTO member countries on the liberalization of trade in agriculture and industrial goods.

While the developing countries want the rich nations to drastically reduce their multi-billion dollar 'trade distorting' subsidies, the developed countries in turn want developing nations to cut their tariffs on a host of products. Developing countries, including India, also wanted to impose special safeguard duties to protect their poor farmers from a surge in farm imports, which the rich nations did not agree to.

India had mentioned recently that the WTO is gearing up to hold a full-fledged Ministerial meeting by January-February 2010 to take forward the seven-year-old Doha Round of negotiations. Commerce Secretary, Shri G.K. Pillai had said while technical discussions would continue at the WTO, the US is expected to complete its internal review by September 2009. One of the main factors influencing a breakthrough in the Doha Round of talks would be when the US would recover from the economic crisis.

Meanwhile, during June-October 2009, there would be informal ministerial consultations during the Asia-Pacific Economic Cooperation meeting, Cairns Group (a coalition of 19 agricultural exporting countries) meeting in Bali (Indonesia) from 7-9 June, Organization for Economic Cooperation and Development (OECD) meeting towards the end of June in Paris and finally at the G8 summit of major economic powers in July. The WTO would then hold a mini-ministerial meeting in November 2009 at Geneva to do stocktaking and follow it up with a ministerial meeting in January-February 2010, Shri Pillai said.

Besides, India has rejected a new "US-backed attempt" to bypass the current method of talks and get countries to directly bring to the table specific commitments on tariff and subsidy cuts. India said this new attempt was a tactic deployed by the developed nations to get more market access in developing countries without giving anything in return. New Delhi also said such attempts by developed countries will be met with so much opposition from poor and developing nations that it will delay the talks by another 5 years.

Shri Pillai said, "they (the US and other developed countries) want to raise new issues and delay the talks by another 5 years. India would counter such attempts by asking for disciplining of green box subsidies." Though green box subsidies are generally considered 'non-trade distorting', there have been allegations that developed countries are shifting their farm domestic support to green box.

Adding issues like labour, environment will only cause further delay, he said. The US was going for a new approach as the new administration feels that they have given too much in the negotiations and received too little, Shri Pillai said.

India had also said the ongoing global financial crisis might force many countries to withdraw the offers they made at the services negotiations on liberalization of the financial services sector.

(The Financial Express, 29 May 2009)

The Doha Endgame and the Future of the WTO

ON December 12, the WTO's Doha negotiations collapsed. More accurately, trade negotiators from the member states finally acknowledged what had been evident for months - the substantive divisions on central issues were too deep and the political will too puny to bridge the gaps. In recent weeks, there have been frantic calls for quick action to restart the negotiating process. That would be a mistake.

The credibility of world leaders - and the credibility of the fora through which they express themselves, such as the G-7, the newly upgraded G-20, APEC, the World Bank, and the IMF - has already been severely debased by a succession of toothless and increasingly vacuous demands that the negotiators settle their differences and wrap up the Round. Beyond this, the stature of the WTO itself has suffered incalculable collateral damage by seven years of fruitless, arcane negotiations, and more recently by the petty bickering and blame-games of national trade ministers. And recent in-depth analysis by Paul Blustein (2008) of the Brookings Institution on the breakdown in Geneva, first last July and then again in December, demonstrates that negotiators were still far apart on a number of issues - not tantalizingly within reach of an agreement after a few more adjustments and compromises.

Conclude a "Small" Doha Deal and Plot a Survival Course

It is time to step back and build political support for a limited, scaled-down conclusion to the Doha Round and then plot a course for the long-term survival of the multilateral system and the WTO.

Bringing the current round to a conclusion before moving to potentially more radical reforms of the WTO is defensible on both substantive and

political grounds. While one cannot be certain of the exact details of what was on the table in December, an economic analysis by Antoine Bouet and David Laborde of the International Food Policy Research Institute of the July 2008 proposals estimated small, but positive gains – an increase of world trade by more than \$300 billion per annum and real income gain of \$59 billion.

Hidden within these small numbers, however, were significant constraints or elimination of important trade distortions, such as the elimination of agricultural export subsidies, the reduction of most US domestic agricultural subsidies, reduction of agricultural tariffs in rich countries by about 50 per cent (admittedly with important loopholes), the mandate of a 10 per cent cap on developed country tariffs, and the establishment of a 20 per cent cap (again with some loopholes) on most developing-country tariffs.

Of equal, if not greater, import, is that a limited agreement would deter backsliding towards protection as the rapidly cascading global financial and economic crisis tempts nations to raise tariffs from their current levels to their (much higher) legal limits. Bouet and Laborde estimate that such a course could decrease world trade by \$0.7 to \$1.8 trillion annually.

Why We Can't Dump Doha and Start Brand-New Negotiations

There are dissenters who argue against an effort to revive Doha and are pressing to bypass the current negotiations and move directly to a new round of global Bretton Woods talks that would introduce sweeping new authority for the WTO. In their recent essay in *Foreign Affairs*, trade economists Aaditya Mattoo and Arvind Subramanian espouse this cause. Positing the "limited relevance" of the Doha agenda with "little of consequence" on the table, the two economists recommend a vastly expanded negotiating remit (in some instances in conjunction with other international institutions), including food security, energy and climate change, competition policy, new currency and financial regulations, and supervision of sovereign wealth funds.

There are two huge problems with proceeding in this manner. *First*, WTO members are fiercely

protective of their rights, and many would rebel against a wholesale revision of the 2001 Doha ministerial decisions regarding the substantive agenda. *Second*, the issues championed by Mattoo and Subramanian are exceedingly complex, could take years to sort out. Further, a move to short-circuit the negotiating process would be taken as a direct, coercive attack on the policy space of the developing world – this is particularly true of the larger countries such as China, India, Brazil, and South Africa. Attempting to move directly to a "more ambitious agenda" thus would likely backfire and deepen the already deep divisions in Geneva.

Drastic Action is Need to Revive WTO Fortunes

But it is also true that drastic action is needed in the immediate future to revive the fortunes of the WTO and the multilateral system. To that end, Director-General Pascal Lamy should move to suspend formal negotiations for one year, until 1 January 2010. Such a timetable would match political realities. *First*, the incoming Obama administration will have its hands full in the immediate future with the economic crisis and recession. Planning and pushing through a huge stimulus package, reforming health care, shoring up the US housing system, and constructing a new energy policy – to name just a few big-ticket items – will tax its human and intellectual resources to the maximum. In addition, though the Democratic Party platform endorses a successful conclusion of the Doha Round, President Obama will still face a difficult time constructing a coalition to support a Doha package. In the last few weeks, powerful trade associations from the US agricultural and manufacturing sectors have signalled adamant opposition to the compromises on the table in Geneva, and these concerns were strongly echoed by congressional leaders of both parties.

Further, over the course of the next year, two other key WTO actors, the EU and India, will get new governments (India through national elections, and the EU with the arrival of a new European Commission). In the interim, India, particularly, will not be in a position to agree to politically difficult compromises; and the EU will be in a holding pattern.

Engage the WTO in Halting Crisis-linked Protectionism

Suspension of the formal negotiations over the next twelve months would not preclude important incremental actions to attempt to head off a wave of protection in the interim and enhance the chances for the ultimate success of the Doha Round.

1. With Lamy's leadership, WTO trade ministers should formally agree to a "stand still" pact, by which all member states would pledge not to introduce new protectionist measures (increased tariff rates, a surge of safeguard actions, investment restrictions) in coming months. WTO members could agree to a new system of surveillance that would track and report all new national trade restrictions. Of course, there would be no legal recourse to new protectionist measures, but "naming and shaming" would act as an important deterrent.
2. As recommended by development specialist Kimberly Elliot, rich countries could unilaterally implement their Doha commitment for "duty free, quota free" treatment for the exports of the poorest countries.
3. As suggested by two leading international trade economists, Richard Baldwin and Simon Evenett, developed countries should move forward on aid and technical support for trade facilitation (upgrading and cutting red tape at border crossings) for developing countries, even to the point of establishing a provisional fund to support such efforts.

The US is the Linchpin Player: Is Obama a Multilateralist or Protectionist?

In all of this, whatever its own multiple economic problems, the US remains the "indispensable nation" and guarantor of the global trading system.

As a candidate, Senator Obama was equivocal on trade issues. Yet a constant theme of his campaign was the necessity for the US to eschew unilateralism and reassert its support for global teamwork. Thus it will be important for President Obama early on to enlist the soaring rhetoric that will define his presidency in the cause of the multilateral trading system embodied in the WTO.

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(<http://www.voxeu.org>, 19 January 2009)

The Future of the WTO Doha Round

ON 12 December the Director-General of the WTO, Pascal Lamy, announced that he would not convene a ministerial meeting in December to conclude the Doha Round of multilateral trade negotiations. The announcement comes after efforts to build consensus for a comprehensive agreement were held hostage to a handful of controversial trade issues, as well as changing political leadership in key WTO countries.

While a trade deal would immediately bolster confidence in the world economy, any further agreements are contingent upon whether, in 2009, WTO members have the political will to conclude the Doha Round.

Waiting for Free Trade

The risk of delaying progress in the WTO is twofold: *First*, countries will increasingly look to bilateral and regional free trade arrangements to more quickly reap the benefits of lower trade barriers. *Second*, the pressure to implement protectionist measures in response to the current economic downturn will be immense. Free trade agreements can help reduce trade restrictions

globally by demonstrating solutions to difficult trade problems. However, they can also discriminate against countries not party to the agreements and their differing rules can add to the cost of trade. FTAs are not a perfect substitute for multilateral trade liberalization, and WTO members need to ensure that concluding the Doha Round takes priority over FTA negotiations.

Delaying a comprehensive trade pact also reduces countries' discipline in keeping a rein on protectionist measures implemented to prop up domestic companies. Moreover, without the new market access a multilateral deal would bring more difficulty for firms that are struggling domestically to export instead. When all sales opportunities dry up, companies go out of business, jobs are lost, and the chance for economic recovery is postponed.

Ultimately, however, the costs of delaying a multilateral deal pale in comparison to the cost of the trade round failing completely. Because each failure reduces confidence in the WTO's ability to deliver open markets, the Ministerial meeting should be postponed until the chance for success is better. Multilateral trade and investment liberalization is crucial to not only help the global economy recover but also to reduce poverty and increase growth. The world cannot afford to let the Doha Round fall by the wayside.

Resolving the Issues

The two biggest problems impeding progress in the Doha Round are: (1) continued disagreement over the special safeguard mechanism, used to protect domestic farmers in developing countries from agricultural import surges; and (2) voluntary sector-specific agreements to make deep cuts in manufacturing tariffs.

The collapse of global trade negotiations in July this year largely resulted from India's demand that developing countries be allowed to apply high, temporary tariffs to stem imports above a threshold level that could harm local producers. Had the US not protested, developing countries would have been able to impose duties in excess of current bound rates on imports that rise merely as a consequence of seasonal shifts in demand. Not only does this tactic undermine freer trade, but it also reverses progress made earlier under the Uruguay

Round and in the accession agreements of newer members. Using prohibitive tariffs to protect marginal farmers is not unusual; however, it is done at the expense of consumers who then will often have to rely on government subsidies to pay higher prices for food. Developing countries should address social concerns with non-trade-distorting income support mechanisms that better target recipients without harming other segments of the populace.

In an effort to reduce manufacturing tariffs, the US and other developed nations are looking to sectoral agreements to open markets in important advanced developing countries. These voluntary deals in specific industries (including chemicals, electronics, and industrial machinery) would result in major tariff reductions in China, Brazil, India, Argentina, South Africa, and other major developing country markets. At issue is whether by participating in sector-specific negotiations, developing countries are then committed to the industry-specific agreements before knowing all the details. Thus, while it would be beneficial for all countries for these tariffs to be cut, the nature of negotiations prevents countries from "losing" tariffs before they know what concessions they gain elsewhere. As the pressure to conclude an agreement increases, or headway is made in other parts of the talks, countries should gain greater flexibility on sectorals.

The Sooner, the Better

In a 2 December letter to the Bush Administration, ranking US Congressmen made it clear that the current text of the agreement showed too little ambition on the part of key advanced developing countries to earn the Hill's support. The letter recommended that, rather than rushing into an agreement Congress would not approve, time be taken to overcome the impasse in WTO negotiations. Fortunately, while the issues are difficult, relative to the scope and depth of the comprehensive agreement, they are few in number.

With the new year comes new leadership in the US, India, and Europe and, therefore, the chance for new momentum to complete the Doha Round with an agreement that substantially opens global markets to trade. The sooner an agreement in the WTO can be reached, the faster the world can move

on from today's economic downturn, and the quicker the benefits of more open markets can accrue to developed and developing countries alike.

(www.heritage.org , 22 December 2008)

Doha Round Worth Fighting For

IN my view a failed Ministerial is not a failed Round. I am not aware that any of the negotiators have indicated that the Round has failed, and it is important as talks move forward to remain committed to sound agricultural policy, both in international trade and on a domestic level.

Regarding agricultural trade policy, I strongly believe that a multilateral approach is the best. Bilateral agreements cannot substitute for a multilateral system. Standards and dispute settlement are just two examples of issues that must be addressed on a multilateral level.

Domestically, good agricultural policy should not depend on the WTO negotiations. The EU has shown that developing a modern agricultural policy is possible without first having a completed WTO Round. While former Agriculture Commissioner Fischler used the WTO to sell the new policy to the farmers, the origin of the new policy was domestic and related to the attitude of the general public towards agriculture and the costs of the old policy.

It may be necessary to rethink the global food trade system and agriculture trade agreements in the light of recent external factors, including rising food prices, new biofuel policies, and fear of globalization. The Doha Round began before these developments occurred, therefore they are not part of the negotiations. However, rethinking the system could well take 5 years or more, given the slow progress in the Doha Round.

Negotiations certainly have not moved quickly, but the fact that much has already 'provisionally' been agreed upon should not be neglected. The agreement "on the table" – areas where consensus has already been reached – is a step forward for trade liberalization compared to the Uruguay Round. Even in the failed Ministerial much progress was made, unfortunately without being formalized in a final outcome. All that has been agreed upon in the Doha Round thus far should not be lost but consolidated. All efforts should be directed

towards finishing this Round, even if it takes a few more years. There is too much to lose and much to gain.

Jan-Maarten Vrij is the Director of the Nederlandse Zuivel Organisatie (Dutch Dairy Association) and a Member Affiliate of the International Food & Agricultural Trade Policy Council (IPC).

A joint initiative of The German Marshall Fund of the United States (GMF) and the International Food & Agriculture Trade Policy Council (IPC), this blog collaboration aims to provide insight on concluding the Doha Round and pursuing trade liberalization in the future.

(www.agritrade.org, 10 September 2008)

Doha Round: Why It Was Destined to Fail

THE recently concluded Doha Round of trade negotiations that were held under the auspices of the WTO collapsed yet again, and possibly for the final time. WTO Director-General Pascal Lamy, announced on 30 July, with great sadness, that the world had allowed a great opportunity to.... "slip through its fingers."

The trade talks that have been limping along for the last seven years, were initiated amidst great hope and fanfare in Doha, Qatar in November 2001. They were expected to bring about a more open world trade order, in terms of lowering trade barriers, tariffs and facilitating the freer flow of goods, services and personnel. The WTO-designed model of free flow of trade amongst its members, however, has not delivered its promises of increased economic prosperity, and in fact the economic, political, social and environmental situation has worsened in most developing and in some developed countries.

The recently concluded negotiations were seeking to obtain greater cuts in tariffs and agricultural subsidies and agree on the modalities to achieve these reductions. Traditionally, WTO negotiations are very complex procedures, as the guiding principles have to be transparency, flexibility and consensus and mainly the realization that no one formula can fit the requirements and needs of all member states. It is the consensus that has chiefly eluded these talks.

Doha Round 2008 sent several important messages by its collapse. It signaled that

governments of most developing countries are unwilling to agree to terms that are unacceptable to their people and sacrifice their concerns for the greater good of free trade. There is a strong commitment to put the concerns of small farmers first, and a refusal to compromise policy space by agreeing to measures that can jeopardise their livelihoods and economic security. The major stumbling block was agricultural subsidies. The message was clear, the OECD countries can no longer force their heavily subsidized agricultural products on emerging economies in Asia and Latin America.

The resounding “NO” also heralds a new world order politically, where American hegemony is seen to be on a decline. Emerging economies like India and China, which are identified as the main dissenters at the Doha Round, are positioning themselves in asserting their rights to defend their economic independence by protecting their agricultural sectors, especially since the acceptance of the proposals would have sounded a death-knell for the small food producers and indigenous agricultural micro-economies.

The US and the EU can no longer dictate the direction these economies will take, or regulate their momentum and expansion.

An unequal playing field is created by subsidies offered to their agricultural sector by developed countries, and the livelihood of millions of poor farmers and agricultural workers in the less developed regions of the world, face extinction.

The attention has focussed largely on the extent of market access that can be garnered by the developed countries for their exports, without much consideration for their weaker importing partners to gain equal access for their own exports.

On the one hand, these subsidies allow for cheap agricultural products to flood markets in developing regions, severely affecting local production; and on the other, highly subsidized commodities, like cotton, rice, etc. flood the markets and force down prices, threatening the livelihood of millions of small growers and farmers.

A case in point is African cotton which competes with heavily subsidized American cotton, on the world markets. ...“Since almost all the cotton

produced by West African farmers is exported onto the world market, it competes directly with subsidized US cotton crippling the livelihoods of poor African farmers. Millions of cotton farmers risk losing their main source of livelihood with the issue of subsidy to farmers by the American government now in abeyance. Removing subsidies to a large number of American farmers would result in a higher world price of cotton. Oxfam America estimates 8 to 20 per cent increase in household incomes by farmers if the world price of cotton were to increase by 6 to 14 per cent....”. (*Business Daily*, Nairobi, 8 August 2008)

By removing these subsidies, the price of cotton would rise, and the lives of millions of poor farmers in Africa, would greatly improve.

The Doha Round originally had rather different objectives and focus.

The negotiations held the promise of ushering in a new era of open and free flowing trade, in which smaller, less developed economies would stand to gain access to new and expanded markets. It also hoped to convince the US and the EU to re-examine their excessively protectionist farm subsidies, which had skewed the world markets for agricultural goods.

Liberalization of agriculture and trade across-the-board, without considerations or adjustments for small-scale producers, can have life threatening effects and can be instrumental in dramatically raising poverty levels in developing countries. Most developing countries saw these negotiations merely as a means for huge, agro-based corporations like Monsanto, etc. to establish a large, permanent presence in developing countries, crippling their own small-scale agro-businesses and imposing their policies and products on the local markets and gaining control on food supply mechanisms.

The US and EU are seen by the developing world as the major culprits in the failure of these talks as their focus shifted away from the original development based agenda to one that was self-serving and revolving around expanding their export base at the cost of the developing world. Officially, however, the blame was placed on countries like India, China and Brazil to cause first the stalemate and eventually the collapse of the talks by their dissension.

Mritiunjoy Mohanthy, assistant professor of economics, Indian Institute of Management (IIM), Calcutta explores the reasons that led India to voice its resounding "No". He explains, in his recent article, *WTO flop show - why it was right to say no: "India was "looking at protecting the livelihood of farmers"[i]. But for once there might be substance to rhetoric. For a while when it looked as if there was a reasonable probability that a deal might be done, it was clearly going to be at the expense of policy space in agriculture. India's farmers, the G-33 and developing countries with a defensive interest in agriculture must have heaved a huge sigh of relief...."* (rediff.com 30 July 2008).

He goes on to explain that developing countries are becoming vocal in their reluctance to sacrifice policy space available to them to address issues of protection of livelihoods and reduction of poverty at the altar of globalization and world trade. His argument is that marginal and small farmers and farm workers in developing countries like India, are already leading very precarious lives, the balance between survival and annihilation is fragile and delicate. They are very vulnerable to natural and political calamities and upheavals as there are few safety nets available to them.

It is therefore unrealistic to then expect these groups to effectively compete in world markets, where their goods are pitted against those produced by large units enjoying heavy subsidies by the world's most strong economies.

The issue he sees at the heart of the problem is not the question of agricultural modernization, but it is the way developing countries are being asked to implement it. That is the crux and it was inevitable that the dissenting voices quashed the negotiations to the chagrin of the OECD members. The modernization strategy suggested, was at the expense of small and marginalized farmers. He concludes that " it is important to remember that 95 per cent of the world small and marginal farmers live in poor, developing countries and that 75 per cent of the world's poor survive on agriculture. For developing countries therefore the key to both food security and livelihood security is the ability to protect small and marginal farmers from unfair competition and the policy space within which develop an agricultural policy centered on small-farmers and

the maximization of employment growth. Therefore, once again, China, India and developing countries with defensive interests in agriculture held firm and, despite the threats and blandishments and the nature of other deals that might be cut, said clearly that policy space in agriculture is not tradable. It was right to say no. "

One may assume from that with the failure of the Doha Round, the future of trade talks is doomed, and a great opportunity is lost for true globalization of world trade.

This doomsday scenario is not shared by all. Many sincerely believe that in fact within the ashes of its failure, lie a future path for more vigorous and fruitful multilateral negotiations and discussions, based on a more egalitarian and broad-based framework. In all practical sense it will be "business as usual" for many and the process of trying to reach new understandings and concessions will continue amongst trading partners both large and small.

In view of the present food crisis, it is imperative for developing countries to ensure food security and protection of their policy space on issues concerning protection of small farmers.

By its failure, the Doha Round provides an opportunity to the developing countries to formulate stronger trade and agricultural policies that allow them more muscle and clout. It will give the US and the EU an opportunity to re-examine their existing policies of high farm subsidies and encourage a re-evaluation of negotiating tools if they are to expand their markets. New challenges have been thrown up by the demise of the Round. The gauntlet has been flung down by the developing world and it awaits to see what adjustments and compromises are to be made by its stronger trading partners.

It is clear that the old way of doing business by partial coercion and dictation, now stand repudiated. The newly emerging forces like India, China and Brazil, that are driving the economic engines of Asia and Latin America, are unwilling to complacently accept the status quo and are forging ahead to take a leadership role in international politics and trade. There is an emergence of political and economic readjustment and realignment.

The WTO will continue to function as a multilateral trade facilitator, and if it wishes to remain effective and viable, it will have to rethink its future role in tackling and managing the diverse requirements of its members. Its negotiating process needs to be more inclusive and transparent, encouraging greater debate and open discussion versus the present mode of closed-door negotiations. A greater level of democratic debate and discussion will ensure that every stage of the negotiations allow the weaker, more vulnerable participating countries to safeguard their interests and ensure that their concerns are addressed and not sidelined.

Trade is always a means of achieving economic development, never an end in itself.

It must serve a greater purpose of lifting communities out of poverty instead of increasing it. If the world community wishes to achieve a truly global world trading market, adjustments have to be made to include the concerns of all the participants, both developed and developing countries.

(www.alternatives.ca, 3 September 2008)

The Collapse of the Doha Talks and the Future of the World Trade Organization

THE WTO established in 1995, is the only formalized worldwide organization that deals with trade amongst nations. It is comprised of 153 member governments, as of July 2008. While in the past, conferences and negotiations have been successful in creating new pathways for beneficial trade for both developed and developing nations, the Doha conference has not yielded a comprehensive trade agreement. This news analysis will take a deeper look into the facts and opinions relating to the collapse of these talks, and what it means for the future of world trade and globalization.

The Doha conference, or the Fourth Ministerial Conference in Doha, Qatar, first convened in November 2001. Having missed both its deadlines in 2005 and 2006 for progress, it is clear that the negotiations and implementation of expected trade rules are amiss. The most recent round of negotiations between the developed and developing nations occurred from 23-29 July 2008, but broke when the member governments failed to reach a suitable compromise on agricultural imports.

The Doha Development Agenda and its Role in Recent Negotiations

The Doha Development Agenda is the main trade agenda since the Doha conference in 2001. It is primarily focussed on opening markets worldwide but particularly in the agricultural and manufacturing sectors. It also is heavily interested in more intellectual property laws and regulations in order to make trade fair for developing nations. Most recently, trade negotiations broke down because of agricultural import disagreements, which is an important concern for developing nations which base a large part of their economies on agriculture.

Continuous Collapse of Negotiations, 2003-2008

The Cancun round of discussions in 2003 fell apart because of stubbornness and an unwillingness to negotiate, as well as the drastic difference in opinions between developed and developing nations across the board. The United States, along with the European Union, had much different conceptualizations of and approaches to issues than the developing nations (headed by India, Brazil, China, and South Africa). The member nations did not reach a consensus because of these differences, especially over the "Singapore issues" (e.g. negotiations on investment, competition policies, government transparency, and trade facilitation) as well as agriculture.¹

The year 2004 saw some movement forward, producing the Framework Agreement which held the broad overview of the Doha Round and its agenda. It set deadlines for negotiation and implementation which later flopped. The Paris talks in 2005 renewed the protests and disagreements, with the developed and developing countries splitting on issues of livestock (for consumption) and agriculture.²

Geneva (2006) and Potsdam (2007) talks reached a deadlock as nations failed to reach agreements about farming, subsidies, and import taxes, especially on the issue of how to cut farming subsidies in developed countries.

Perhaps the greatest sign of failure of these talks is the 2008 Geneva talks, in which the United States and the developing countries came to a complete impasse. After five years of negotiations with little progress, the future is dim for the Doha round of

negotiations. During the 2008 discussions, the United States wanted to prevent trade barriers while India and China wanted to raise them, resulting in a dearth of negotiations. Additionally, there has been no agreement on what the trading terms are for banana-exporting nations or cotton-producing countries.

Because they cannot even compromise on the primary issues, the member nations did not address any of the region-specific problems. The major issues for the 2008 talks include:³

- Domestic producers' concern of reducing protection for their respective industries
- Banana crop concerns, with Latin America wanting greater access to Europe but facing opposition from Africa, the Caribbean, and the Pacific
- Developing countries' worries that "they are being asked to allow too much access for manufactured goods to their markets"

The 2008 Geneva talks, according to BBC World News, are extremely important economically and historically because they represent a shift away from the trade liberalization process that has been the impetus for globalization since World War II. It also displayed the actions of developing powerhouses India, China, and Brazil to counterbalance the strength of the United States and the European Union.⁴

After the World Trade Organization

It is unlikely that current trade negotiations will proceed in the future as they have now. After the collapse of the 2008 Geneva talks, there has been a great deal of finger-pointing and clamour to blame others for the impasse. With agriculture as an important focus for both developed and developing nations, it will be hard to determine the outcome, if one is at all possible.

Some use the Doha Round as an example of how poorly the WTO has done in gathering member nations together for collaboration and compromise. These individuals believe that the WTO actually impedes global trade, and that it has failed on a number of levels; instead, they argue that the aim should be "facilitating trade between willing countries."⁵ They emphasize the failures of the WTO to ameliorate trade conditions for farmers worldwide and to uphold democratic governance of nations.

Others yet do not incriminate the WTO for failures, but the media – particularly Western media – for failing to display the facts and figures related to the Doha Round. Anup Shah asserts that if democratic governance and fair trade is the aim, then failing to show citizens trade issues is nearly undemocratic.⁶

Since talks are not to resume again until 2009, the next major factor that will influence the scope and reach of the WTO, as well as the success of the Doha Round, will be the outcome of the US election in November 2008. Depending on the newly elected president, the collaboration could result differently than it has in the past five years; Republican John McCain is running on a platform of strict free trade with lower subsidies and trade barriers, while Democrat candidate Barack Obama seeks to protect American producers. The outcome of the Doha Round does not look positive at this point, but it will largely depend on elected officials and the shifting balance between the emerging powerhouse nations (India, Brazil, and China) and the established ones with a stronghold (the United States and the European Union). While India is attempting to get the negotiation process up to par for next year's talks, it looks unlikely that either side will concede enough to reach any deadlines or goals that have been set previously.

NOTES

¹ "Understand the WTO – The Doha agenda." World Trade Organization. <http://www.wto.org/english/thewto_e/whatis_e/tif_e/doha1_e.htm>.

² "Q&A: World trade in crisis." BBC World News. 4 May 2005 <<http://news.bbc.co.uk/2/hi/business/4512367.stm>>.

³ "The Doha round of WTO talks." *The Guardian*. 21 July 2008 <<http://www.guardian.co.uk/business/2008/jul/21/globaleconomy.wto?gusrc=rss&feed=worldnews>>.

⁴ "Trade talks' failure ends Doha dreams." BBC World News. 29 July 2008 <<http://news.bbc.co.uk/2/hi/business/7532168.stm>>.

⁵ "Why the WTO Doha Round Talks Have Collapsed – and a Path Forward." *Common Dreams*. 14 August 2006 <<http://www.commondreams.org/views06/0814-33.htm>>.

⁶ "WTO Doha 'Development' Trade Round Collapse, 2006." *Global Issues*. 26 July 2006 <<http://www.globalissues.org/article/663/wto-doha-development-trade-round-collapse-2006>>.

(www.globalization101.org, 25 August 2008)

G-77 Plus China Ministerial Meeting Highlights Doha Round Talk, Subprime Crisis

THE Group of 77 (G-77) plus China ministerial meeting, held in Ghana's capital of Accra put much emphasis on impasse of Doha Round talk and recent spreading of subprime financial and credit crisis, as learnt from the ministerial declaration of the meeting.

"We are particularly concerned that the Doha Round negotiations in the WTO so far have not met the expectations of developing countries. All WTO members should uphold and reiterate their commitment for the WTO to promote an open, equitable, rule-based, predictable and non-discriminatory and development-friendly regime.

(www.highbeam.com, 20 April 2008)

Failure of Doha Round to Impact India: Study

INDIA will lose out in services sector in case the WTO's Doha Round of trade negotiations fails, according to a paper brought out by Finance Ministry.

The country could be a major beneficiary from greater market access in services unlike other developing nations, said the working paper authored by H.A.C. Prasad, Senior Economic Advisor in the Ministry.

India is Asia's third largest economy with a size of nearly one trillion dollars. Services contribute about 61 per cent of GDP and the sector is growing at double-digit rates.

The paper, titled "Strategy for India's Services Sector: Broad Contours", said a clear plan for services highlighting the potential gains for India in terms of growth, employment and exports can possibly give a new direction to the country's strategy in WTO negotiations.

"Our future strategies should depend on our assessment of the export potential in the near and medium term in different services, the likely increase in market access in different services as a result of WTO negotiations which can benefit India and the likely impact on India's growth," it said.

The paper pointed out that future negotiations would need realistic strategic alliances which can fetch good dividends.

Citing an example, it said while India and Brazil have become very close coalition partners, the economic interests of the two are not necessarily the same.

"We have to be more forthcoming in future negotiations and set our own agenda and make others to react instead of we reacting as has been the case till now," said the paper, which is the first such document brought out by the Department of Economic Affairs.

This reversal of roles would depend on intensive study of different issues based on India's export potential, besides its trade, growth and development strategies, the paper said.

On market access for services, the paper said there are actual visible and invisible trade barriers as well as trade barriers which continue to exist under the WTO bindings of different countries.

In the case of IT, software, and business services related to IT, there are many new restrictions as some US states are passing laws to limit business outsourcing.

"The New Jersey law is one such example. This phenomenon has not only spread to other states of US, but also to the federal level. This along with restrictions on H1B visas are the new market access barriers in US for these services," the paper said.

These restrictions deny non-US competitors market access to a very sizable pool of US business and trade, while providing protection for domestic economies. In the civil aviation sector, the huge subsidies to aircraft in both US and EU act as indirect market access barriers, the paper said.

The paper also pointed towards such trade barriers in legal, communication, business services, financial services, transport and travel, audio-visual and port services.

Pointing out that India has a large staff in its mission at Geneva and also in the WTO wing of the Commerce Ministry, the paper said there is a need for direct involvement of trade specialists in this team during negotiations.

(The Financial Express, 21 November 2007)

The Future of WTO's Doha Round: From the Suspension of the Negotiations to Possible Scenarios and Their Implications for Development

THE negotiations of the Doha Development Agenda (DDA) are facing their most difficult phase after having been suspended *de facto* across the board on 27 July. Their current status can be characterized as interplay between entrenched positions of key trading nations on the one side and the pressure to resume negotiations (mainly from developing countries) on the other, combined with an overall lack of leadership. It remains rather unclear when the negotiations of the DDA will be resumed and what the implications of the final outcome are for developing countries.

What has Happened since July 2006?

"Time for reflection" and "silent diplomacy"

After the suspension of the Round, Pascal Lamy, Director-General of the WTO, announced a "time for reflection" to allow each constituency to consider what is at stake and to review its negotiation position. This "time-out" was necessary since the negotiations were stuck between formulae and numbers, and stakeholders seemed to have lost sight of the broader picture of the Round. Various civil society groups took advantage and urged to start thinking more creatively on how to achieve the development aspects of the Round. Although no official meeting of the WTO negotiating bodies has taken place since then, various meetings of key players occurred, such as the G-20 High Level Meeting on 9 September in Rio de Janeiro, Brazil; the Cairns Group Ministerial Meeting from 20-22 September in Cairns, Australia; the IMF/World Bank annual meetings from 13-20 September in Singapore; and regional group meetings. Besides, a number of bilateral meetings among major trading nations took place to try to bridge their differences a process that Mr. Lamy referred to as "silent diplomacy". Despite all these efforts, members remain very much entrenched in their positions.

Time for a "Geneva Consensus"

The major challenge of a "Development" Round is to contribute to the goal that trade works better for development. In this regard, three problems emerge: *First*, there is no panacea, i.e. each of the 149 WTO members has to find a somehow different strategy. *Second*, conducive multilateral rules are important but must be complemented by supportive national and/or regional measures. *Third*, trade opportunities and adjustment costs arising from a successful completion of the Round are distributed unequally among WTO members. Thus, Mr. Lamy called for a "Geneva consensus", arguing that the adjustment costs and imbalances of winners and losers of trade liberalization must be addressed properly.

Some Progress in WTO's Aid for Trade Initiative

The Aid for Trade Initiative was added as a latecomer to the DDA at the Hong Kong Ministerial Conference in 2005 to assist developing countries in benefiting from the multilateral trading system, e.g. by building supply-side capacity and trade related infrastructure. In February 2006, a Task Force was established to work on how to operationalize Aid for Trade. The WTO General Council endorsed these recommendations at its meeting in October and made clear that Aid for Trade was not part of the "single undertaking" and could be continued to be discussed formally. Although the initiative gains strong support among all WTO members, there remain more questions than answers: Apart from the general question why WTO should engage itself in this activity, it is still unclear how much additional funds will be pledged, which criteria should be used for its distribution and - most important - how to implement it effectively. While Aid for Trade is no substitute for a successful outcome of the DDA, it might be an important step towards greater coherence between international organizations in trade policy.

Resumed Debate on "Policy Space"

UNCTAD's *Trade and Development Report 2006* highlights the concept of policy space by mentioning that developing countries should not be refused the flexibility, which today's developed countries applied before to pursue their development strategies. Many countries used instruments of an

active industrial policy, such as high tariff protection and export subsidies, which are already limited by WTO regulations and are to be restricted even further according to the proposal in the DDA negotiation area of Non-Agricultural Market Access (NAMA). The critical question is how to influence the right policy mix by reducing “bad policy space” and allowing enough “good policy space” under the multilateral framework.

Possible Scenarios of the Doha Round and their Implications for Development

Scenario 1: The Round will be concluded in 2007 by a bottom-up approach: Possible but difficult

This scenario requires that WTO members get back to the negotiating table soon and conclude a DDA framework agreement until the end of March 2007. This agreement must include modalities in the areas of agriculture and NAMA, final offers in services and an agreed text in trade facilitation and rules. The March deadline arises from the political timetable in the US, since US Congress will have to decide on the prolongation of the “Trade Promotion Authority” (TPA) and the “Farm Bill” by this time. While the now Democrat-dominated Congress indicated some willingness to renew the TPA if labour and environmental provisions are included, the future of the Farm Bill is more uncertain. Since it regulates the US domestic farm support program, its reform is necessary to allow the US more flexibility in the agricultural negotiations. In contrast to the Republicans, Democrats are traditionally less dominated by farm lobby groups and will probably be more skeptical about the program, given its high burden for the US budget. The development impact of this scenario would be rather modest, although not negligible. While agricultural export subsidies would be reduced until 2013 (in the case of cotton even earlier, combined with a reduction of domestic support), overall trade-distorting regulations would not be removed drastically and the level of real subsidy spending in developed countries not be reduced significantly. In NAMA, moderate cuts in tariffs, tariff peaks and escalation would correct some of the imbalances and offer few developing countries more possibilities for increasing their exports, whereas other developing countries would face negative effects. While progress could be achieved in trade facilitation, this seems unlikely

in areas, such as services or rules, except from the reduction of fisheries subsidies.

Scenario 2: The Round will be concluded in 2007 by a “Lamy text”: Unrealistic but possible

Along the lines of the “Dunkel text”, it is speculated that Mr. Lamy could come up with a similar text, offering a minimal consensus. This would require an active interpretation of his role as “facilitator” and “catalyst” as well as strong leadership. Mr. Lamy already came forward with a proposal, trying to facilitate a solution at the June 2006 “Mini-Ministerial”. This, however, was rejected by both developing and developed countries. Thus, it seems unlikely that such a text, produced by a top-down approach would gain the final approval of all WTO members. Nevertheless, it might be a useful instrument to facilitate the first scenario.

Scenario 3: The Round remains stalemated for some years: Realistic but undesirable

If the first scenario does not deliver, the Round will be stalemated at least until the US presidential elections in 2008. It will reduce pressure from governments, and offers that are already on the table might be watered down or disappear completely. The French election in 2007 will influence the level of flexibility of the EC especially in the area of agriculture. This scenario gives countries time to follow a holistic approach and could lead to the resumption of the “Singapore issues” or even financial topics. It is unclear if development concerns would be taken more seriously by then.

Conclusion

In a globalized world, a fair, rules-based multilateral trading system is more crucial than ever. Mr. Lamy described the current system in his speech at the European Parliament on 17 October: “It is as if economic decolonization had had to wait 50 years after political decolonization”. To achieve the former, a radical change of the mercantilist negotiation logic, combined with strong leadership is critical, but still missing among the major players.

Friedrich-Ebert-Foundation, Geneva Office, Steffen Grammling, Program Officer (Trade and Development), fes.geneva@econophone.ch, 14 November 2006.

(www.library.fes.de, 14 November 2006)

The Suspension of the Doha Round and the Future of the WTO: Two Views

MODERATOR George Perkovich introduced Sandra Polaski and Arvind Panagariya and invited each of them to comment on the cause of the collapse of the Doha Round, the prospects for continued negotiations, the impact of the impasse on the WTO and policy recommendations that could lead to a successful conclusion of the Round.

Speaker Remarks

Mr. Panagariya opened his comments with a quick overview of the main actors in the negotiations and their primary objectives. He described the United States as having prioritized expanded agricultural market access. The EU has tried to link agricultural subsidy and tariff reductions to cross-sector reciprocal improvements in market access for manufactured goods and services. Developing countries have sought the elimination of agricultural subsidies and industrial tariffs while tending to their own defensive interests in agriculture.

Noting India's positive experience, Mr. Panagariya argued that developing countries should approach liberalization with less trepidation. However, he did identify some problems created by agricultural liberalization for poor countries. Developing countries that are net food importers will suffer from an increase in agricultural prices. Also, reductions in overall tariff levels will erode the preference margins currently enjoyed by many poor countries.

However, Mr. Panagariya characterized these obstacles as surmountable and suggested that aid for trade policies could help developing countries capitalize on liberalization as a growth opportunity. In describing the benefits of multilateral liberalization, Mr. Panagariya pointed out that small, poor countries have the most to lose if the WTO stumbles as the primary body governing international trade. Representation in the WTO is not proportional to a country's economic size, giving developing countries the same voting power as developed countries. Alternatives to the WTO, such as bilateral or regional trade agreements do not offer this benefit.

Mr. Panagariya asserted that the US alone has the power to restart the stalled talks. He described the US as the historical engine of the multilateral trade system and expressed confidence that if the US were to return to the negotiating table with an offer of concessions that the EU and developing countries would follow suit. By way of policy recommendations, Mr. Panagariya proposed longer tariff phase-out periods, of up to 25 years, which would allow developing countries to avoid acute adjustment shocks.

Ms. Polaski took a generally positive view of the WTO's prospects for remaining a relevant body. Since it is unlikely that the US will negotiate a free trade agreement (FTA) with any major trading partner, such as the EU, China or India, the WTO will retain its role as rule setter between the world's major trade powers. Furthermore, even without any major new trade agreements, the WTO will continue to provide expanding economic opportunities for member countries. Russia and Vietnam are pursuing accession which will open both countries' economies to WTO member states; China's ongoing implementation of accession agreements will also create new market opportunities for WTO members.

In addition, both rich and poor countries have an interest in preserving the dispute settlement mechanism of the WTO, which offers members a rules-based forum for challenging allegedly unfair trade practices. By sanctioning curtailed access to their markets in the event of a favorable ruling, the dispute settlement mechanism gives large, rich countries, in particular, real leverage in enforcing trade rules.

Many have wondered if the collapse of the talks will lead to a proliferation of regional and bilateral trade agreements. Ms. Polaski described the threat to the WTO from these agreements as minimal. From the US perspective, the approaching expiration of the president's fast track authority will undermine the government's ability to negotiate bilateral deals. In East Asia, regional integration has been proceeding rapidly independent of developments in the WTO. However, because regional integration in East Asia is mainly concerned with facilitating integrated production in the region for exports to other parts of the world, it requires WTO-regulated access to those markets. The

European Union has pursued regional and bilateral FTAs and will continue to do so. However, the difficulties it faces in negotiating a new set of trade deals with African, Caribbean and Pacific (ACP) countries and other potential trade partners indicate that the EU will not abandon multilateral trade negotiations.

On the issue of the potential gains from a Doha deal, Ms. Polaski noted the growing consensus that the gains from a Doha deal are likely to be small. The Carnegie model predicts the gains from a plausible liberalization scenario to be about \$43 billion, similar to the level found through other modelling exercises. While most developing countries will benefit from manufacturing liberalization, agricultural liberalization will have more varied effects on such countries. Argentina, Brazil and parts of ASEAN record modest income gains from agricultural liberalization in the model, while others such as China, India and many African countries experience losses. Even more alarming is the model's finding that the poorest countries and regions in the world register overall income losses under all plausible liberalization scenarios.

Why will agricultural liberalization reduce incomes in much of the developing world? Ms. Polaski agreed with Mr. Panagariya that net food importing status and preference erosion will hurt many poor countries. She added that the small-scale, low-productivity structure of agricultural production in many poor countries leaves farmers vulnerable to competition from cheaper imports while promising little in terms of increased exports. For countries in which the agricultural sector accounts for the majority of employment the defensive interests are profound. By way of contrast, agriculture represents less than 2 per cent of both employment and output in the US. Yet the US has insisted on taking a highly defensive approach to supporting its own farming sector through continued domestic subsidies while taking a highly offensive approach in pursuing greater market access in developing countries.

In looking forward, Ms. Polaski reminded the audience of a number of important dates that could mark shifts in the political landscapes of key countries. Brazil and France will both hold presidential elections between now and April of next year. In the US, Congressional elections will

take place this November and fast-track authority will expire next June. Significant swings in political power could shift the direction of the talks, should they resume.

Ms. Polaski concluded by pointing out that the Round collapsed in Cancun in 2003 because the focus had shifted away from the development objectives laid out when the Round was launched. Only by refocusing the talks on development priorities through the July 2004 Framework Agreement were negotiators brought back to the table. Ms. Polaski argued that political factors such as the upcoming congressional elections in the US have once again derailed negotiations by encouraging mercantilist negotiating tactics. Unfortunately, this approach ignores the benefits to the US and other developed countries associated with growth in the developing world. Ms. Polaski quoted the chief US agricultural negotiator as saying, "US farmers have a lot at stake in the economic growth of other countries. Most of the world would spend more on food if they had more money."

In order to get the Round back on track, Ms. Polaski proposed that the US reduce its aggressive protection of US farmers and strict demands of increased market access to poor countries. Granting developing countries flexibility through special products and a special safeguard mechanism would leave in place the policy space that poor countries currently possess to respond to the volatility and other imperfections of global agricultural markets. On the issue of non-agricultural market access (NAMA), Ms. Polaski contended that rich countries should open their markets well in advance of poor countries so that the latter can increase employment, incomes and productivity before opening their own markets to import competition. She also emphasized the need to expand duty-free quota-free (DFQF) treatment to all exports from least developed (LDC) countries and other preferential treatment to countries just above the LDC threshold.

Discussion Session

Mr. Panagariya questioned the credibility of computable generalized equilibrium (CGE) models, pointing out that there is too much uncertainty in the world to accurately predict the gains from trade. Entrepreneurship, innovation and the diffusion of

technology all affect economic growth in profound ways but develop in unpredictable patterns. The evidence that should resonate most loudly, according to Mr. Panagariya, is the correlation between economic growth and liberalization seen in most successful countries. On the issue of what should be done to help marginalized poor farmers, Mr. Panagariya emphasized that the long-term goal of development should be creating employment opportunities outside of agriculture. He questioned whether focusing on stabilizing farm incomes would create incentives for migration to more productive occupations.

In response to Mr. Panagariya's presentation, Ms. Polaski cautioned that even if the current impasse is resolved, the most pointed and difficult disagreements of the Round are yet to come. Disagreements between rich and poor countries will loom large in comparison to the disagreements between the US and the EU that have blocked progress up until this point.

The first question from the audience addressed the role that liberalization of services, which is currently not modelled, will play in amplifying opportunities for growth in developing countries. Ms. Polaski pointed out the difficulties in modelling service liberalization, including data limitations and the fact that negotiations do not take place in the same across-the-board framework used for agricultural and manufacturing liberalization. The "request and offer" approach to services makes it more like multiple bilateral deals, which are hard to predict or model.

In addition, despite the fact that the service sector accounts for many jobs in developing countries, they are disproportionately in the informal sector. Liberalization of the formal services sector is not likely to significantly affect overall service sector employment. Ms. Polaski cited the example of India, where despite the rapid growth of the services sector, only 1 million formal jobs have been created while the labour force numbers 430 million. Mr. Panagariya responded that measuring employment in the service sector would underestimate its contribution to economic growth; as industries such as communications or transportation develop, they make additional economic activity more affordable and competitive.

Mr. Perkovich asked what sequence of liberalization should be adopted to ensure that farmers are "pulled" to cities by the lure of more productive jobs rather than "pushed" there by the destruction of farming jobs. Mr. Panagariya replied that political opposition to liberalization is so entrenched in many developing countries that only dramatic liberalization of agriculture can catalyze modernization.

Ms. Polaski and Mr. Panagariya exchanged differing opinions on the matter with Mr. Panagariya arguing that migrants create their own opportunities once in cities and Ms. Polaski arguing that if the opportunities are not created first, urbanization simply moves rural poverty to the cities. She described Mexico as an example of a country that did not create sufficient urban job opportunities; the result has been increased migration to the US. She warned that without a wealthy neighbour as a migration safety valve, other countries could experience civil unrest and instability if urban opportunities are not created fast enough to keep pace with lost rural opportunities. Ms. Polaski used the example of China to illustrate that even with an explosion of economic growth and strong urban employment growth, it is difficult to absorb large surges of rural migrants, as evidenced by the Chinese government's attempts to moderate rural-urban migration.

On the topic of US agricultural reform, Ms. Polaski criticized the practice of tying reform, such as lowering domestic subsidies, to increased market access abroad. Instead, she urged the government to take advantage of the upcoming new Farm Bill to tackle agricultural reform on its own merits. The final comment from the audience argued that gradual liberalization of the agricultural sector coupled with special and differential treatment of least developed countries will perpetuate poverty by keeping the rural poor in place. In response, Mr. Panagariya, Mr. Perkovich and Ms. Polaski discussed the importance of rural development policy in addressing agricultural poverty. They concurred that trade is but one tool of development that must be complemented by sound national policies. Ms. Polaski noted that "shock therapy" – forcing the poor to compete through radical liberalization policies – does not have a successful track record.

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Why the WTO Doha Round Talks have Collapsed

THE collapse of the WTO Doha Round talks on 24 July 2006, should come as no surprise. A decade into the WTO experiment, it is clear that the WTO model of corporate globalization has not delivered the promised benefits of increased economic prosperity, while economic, social, and environmental conditions have worsened in many rich and poor countries alike. Because of this failed record, opposition has grown worldwide to the WTO model of globalization which as been driven by a narrow slice of corporate elites to suit their interests. The collapse of the Doha Round WTO expansion talks offers an extraordinary opportunity for a fundamental re-think of the direction of the global economy.

To date, most press coverage of the Doha Round collapse has focussed on the blame game – which countries' failure to make specific agricultural concessions is to blame. But the under-recognized, but extremely important story is that the underlying cause of the breakdown is the growing rejection of the WTO, and more broadly of the corporate-led globalization model, by many people worldwide based on this model's effects on their lives.

Since the Doha Round's 2001 launch, every deadline on issues from service sector liberalization to industrial tariffs has passed. In 2004 half of the original Doha agenda – adding new foreign investor rights and limits on countries' competition and procurement policies – was simply jettisoned after the Cancun WTO summit imploded. At issue throughout has been major differences regarding the WTO's proper objectives and direction. Effectively, popular opposition is now a significant counterforce pressuring many WTO member nations to reject the agenda pushed by the world's largest multinational corporations, which traditionally have used the WTO Secretariat and negotiators of the world's most powerful countries to write the rules of the global economy in favour of expanding their profit margins.

The Doha Round was dubbed a "Development Round." However, the actual texts reveal an agenda aimed at expanding the scope of the existing WTO regime. Yet, after a decade of damaging results, many people in the 149 WTO signatory nations have

made clear their opposition to more of the same. This was before the World Bank dramatically revised downward its projections of Doha Round gains and revealed that a long list of poor countries would be net losers under the likely outcome. While US and European editorials declared the Doha Round collapse as disaster for the poor, social movements and NGOs representing the populations of poor countries cheered.

A Decade of WTO Results has Undermined Support for WTO Expansion

Instead of promised gains, during the WTO decade, economic conditions for the majority have deteriorated. The number and percentage of people living on less than \$1 a day in Sub-Saharan Africa and the Middle East have increased while the percentage living on less than \$2 a day has increased in these regions, as well as in Latin America and the Caribbean.

Growth and the rate of poverty reduction have slowed in most parts of the world since implementation of the WTO's policy package – a model imposed a decade earlier on many developing countries by the International Monetary Fund and World Bank. In Africa, per capita income – which is an economy's total output divided by its population – grew around 40 per cent from 1960 to 1980 – but actually shrank more than 10 per cent from 1980 to 1998. In Latin America, from 1960 to 1980, average per capita income grew by 82 per cent – that's over 4 per cent per year per person. However, during the era in which governments in the region began implementing policies of corporate globalization, from 1980 to 2000, income per person grew only 9 per cent – less than one half of one per cent per person per year. Now its down to 5 per cent.

There is growing consensus that the clear failure of the model – often called "neoliberalism" – to deliver economic growth or better standards of living for most is translating into electoral victories for leaders who have made rejection of this agenda a staple of their platforms. Nowhere is this more evident than in Bolivia, Argentina and Venezuela whose economies all have been decimated under previous neoliberal governments. After adopting alternative domestic economic policies, Argentina and Venezuela now boast the highest economic

growth and fastest poverty reduction in the region. Likewise, Bolivia's new president Evo Morales was elected on a platform of opposition to flawed trade deals after previous neoliberal governments' policies resulted in a lower per capita GDP today in Bolivia than 27 years ago. Even Costa Rica, Peru, and Mexico, traditionally neoliberal strongholds, have experienced presidential elections almost entirely dominated by debate over trade liberalization.

The number of people living in poverty has also increased in South Asia, while growth rates and the rate of reduction in poverty have slowed in most parts of the world – especially when one excludes China, where huge reductions in poverty have been accomplished, but not by following WTO-approved policies (China became a WTO member only in 2001). Indeed, the economic policies that China employed to obtain its dramatic growth and poverty reduction are a veritable smorgasbord of WTO violations: high tariffs to keep out imports and significant subsidies and government intervention to promote exports; an absence of intellectual property protection; government-owned, operated and subsidized energy, transportation and manufacturing sectors; tightly regulated foreign investment with numerous performance requirements regarding domestic content and technology transfer; government-controlled finance and banking systems subsidizing billions in non-performing debt; and government-controlled, subsidized and protected agriculture. Many of these same policies are those employed by the now-wealthy countries during their period of development.

It's not as if the *status quo* is working for most people in the rich countries either. During the WTO era, the US trade deficit has risen to historic levels – from \$130 billion (in today's dollars) in 1994 (the year before the WTO came into effect) to more than \$717 billion in 2005. The US trade deficit is approaching 6 per cent of national income – a figure widely agreed to be unsustainable, putting the United States and global economy at risk. Soaring US imports during the WTO decade have contributed to the loss of nearly one in six US manufacturing jobs. US real median wages have scarcely risen above their 1970 level, while productivity has soared 82 per cent over the same

period, resulting in declining or stagnant standards of living for the nearly 70 per cent of the US population that does not have a college degree.

Although trade and the failure of corporate globalization will be important issues in many 2006 US congressional races, the bottom-up public pressure that has altered trade politics in many nations has not risen to a level in the United States that translates into significantly altered negotiating positions. Thus, while a majority of the US public is losing under the Bush administration's trade agenda, the US WTO position continues to be that of the narrow commercial interests that have bankrolled the administration's campaigns and those of the Republican majority in Congress. That's why efforts of the newly launched Citizens' Trade Campaign Political Action Committee (CTC PAC - www.citizenstrade.org/political-action.php) to hold elected officials accountable for their trade votes on recent bilateral and regional agreements with Oman and Central America are crucial to changing the future of US trade policy, and hence the future prosperity and well-being of workers and farmers in the United States and globally.

Meager Projected Doha Round Gains for a Few and Net Losses for Many

The Doha Round was dubbed a "Development Round." However, the actual texts reveal an agenda aimed at expanding the scope of the existing WTO regime. Given the record of the WTO decade, proponents of the Doha Round agenda sought to change the debate away from the WTO's performance and onto prospective future gains. While initial projections by the World Bank were \$832 billion, more recent World Bank studies based on revised analysis found extremely limited possible gains from a "Doha Round" overall. The most likely Doha scenario the World Bank reviewed would yield benefits of only \$54 billion to the world by 2015, with developing countries receiving a meager 16 per cent of those gains. These projections amount to a miniscule 0.14 per cent of projected developing country GDP by that year, or about 0.23 per cent of world GDP. Put another way, it is a little less than one cent per person per day to the developing world, or about four cents per person per day to the world as a whole.

Worse, the new research revealed that under the “likely” Doha scenario, the Middle East, Bangladesh, much of Africa and (notably) Mexico would actually face net losses. These studies also showed that the alleged gains that are projected to accrue to Brazil and India would be largely concentrated in those countries’ agribusiness and manufacturing industries respectively, while subsistence farmers – a much, much larger percentage of those populations – would see tiny gains or net losses.

There are several key problems with the studies, however, in that they project gains from agriculture and goods liberalization without taking into account many costs of Doha implementation. First of all, the economic models used in the studies “assume full employment.” That means they capture alleged savings on consumer food prices as gains, but fail to show a loss if millions of subsistence farmers, who represent nearly half of the developing world, lose their livelihoods. In addition, they fail to include the increased costs that consumers worldwide pay for medicines due to pharmaceutical monopolies, which some economists estimate outweigh the projected gains, even for the few developing country “winners.” And finally, the models fail to adequately take into account the loss in tariff revenue for developing countries, which the United Nations Conference on Trade and Development estimated would be 2 to 4 times the projected gains for developing countries from the Doha WTO expansion. These flaws have rarely been mentioned in media reports touting alleged “gains” for the poor.

The World Bank findings are key to understanding the current political dynamic because many countries only reluctantly entered into WTO expansion talks at Doha in 2001 after being promised a “development” round aimed at rectifying imbalances left over from the original “Uruguay Round” multilateral negotiations that hatched the WTO. Indeed, at the 2001 Doha WTO Ministerial, where the talks that have just collapsed were started, a group of 100 developing nations had tabled an alternative agenda for negotiations, called the Implementation Agenda, which consisted of specific fixes needed to existing WTO terms. The Implementation Agenda was the developing countries’ counter-initiative after they had rejected

the “Millennium Round” WTO expansion agenda at the 1999 Seattle WTO summit. So while the media still refers, without attribution, to the negotiations as a mechanism to help the poor, in fact those pushing WTO expansion merely used the false promise of poverty reduction to get the talks launched, while pursuing policies geared to fatten corporate profit margins.

The Failed Model of Corporate Globalization and its Alternatives

Underlying the continuing faltering of the WTO negotiations and those of other agreements based on the same model of corporate globalization is not a battle between “protectionism” and “free trade.” Rather, the current globalization model implemented by the WTO is being challenged increasingly by large numbers of elected officials, economists and civil society analysts, joining workers, farmers, and environmentalists worldwide, because the set of policies embodied in the model have proved to be harmful across the globe to all but a corporate elite representing the management of the largest of grain trading, pharmaceutical, banking and other multinationals. As we live in a world where 24,000 people die every day of hunger and poverty-related diseases, wages are stagnant yet corporate profits soar, we need to identify the causes of all of this damage – and how to fix the situation.

Historically, trade agreements have dealt with lowering tariffs on goods. The United States and European nations relied heavily on tariffs to protect infant industries from foreign competition. But trade agreements no longer just deal with trade in goods. A cornerstone of the expansion of the corporate globalization agenda also encompasses services. The liberalization of services involves allowing foreign investors the right to own and operate services within other WTO signatory countries’ territories – including essential services like education, health care, electricity provision and water distribution – for profit. It also involves deregulating service industries such as telecommunications, insurance, transportation – even banking, such as Argentina did before its IMF-induced economic collapse in 2001.

Little-known negotiations in the current Doha Round would also strictly limit national, state and

local authority to set service sector professional licensing, technical standards and qualification requirements. The United States has even offered to commit higher education to WTO disciplines. But privatization and de-regulation of essential services worldwide have decreased access for the poor and have eroded hard-won democratic consumer protections.

Meanwhile, the WTO's agriculture trade rules have been a disaster all around. According to the UN Food and Agriculture Organization, "progress [towards reducing hunger] has slowed significantly in Asia and stalled completely worldwide" in the last 15 years. It was the goal of the world's handful of multinational grain trading giants, including a former Cargill executive who as a US trade official drafted the WTO farm rules which forced the world to treat food like any other commodity. This system has failed with horrific results and must be replaced.

The livelihoods of billions of subsistence farmers have been pitted against the profits of corporate agribusiness and grain trading companies with success measured as greater volume of food moving around in trade, not in decreasing hunger. The Indian government has confirmed that at least 100,000 farmers who have lost their livelihoods to this scandalous system have committed suicide in the WTO decade. Meanwhile, for the first time in generations the United States is headed for net food-importer status (imports outpaced exports in April 2006) even as we are the world's largest agriculture exporter (often of the same foods we import) US farmers' incomes have tanked, while profits of corporate agribusiness giants have soared.

Another pillar of the WTO model is the massive expansion of corporate patent monopolies. The WTO's Trade Related Aspects of Intellectual Property Rights agreement (TRIPS), which sets 20-year worldwide monopoly marketing rights on drugs and seed varieties, is the single greatest protectionism agreement in the world. Forcing governments worldwide to provide monopoly protection for every seed variety or medicine that big pharma and agribusiness patent has meant vastly increasing prices for consumers in rich and poor countries alike – and many cut off of these life sustaining goods.

Instead of having to adhere to new restrictions on trade that protect corporate profits, countries must be free to prioritize other values and goals, particularly regarding the saving of millions of lives by getting access to low-cost life-saving drugs. For example, African nations facing the HIV-AIDS epidemic must be free to decide that access to essential medicines takes priority over US pharmaceutical profits, even if those corporations are one of the largest lobbies on trade in the United States.

The Way Forward: Saving Global Trade from the WTO

Taken together, the evidence points conclusively to a global shift away from the neo-liberal corporate globalization model embodied by the WTO based on people's experience of the model's failure. With the Doha Round's collapse, the story to be written is about viable alternatives to the WTO - as well as to the bilateral or regional trade agreements based on the same failed model.

Instead of pinning blame on specific countries, the focus of energy should be on how the world's governments can develop a multilateral trade system that preserves the benefits of trade for growth and development, while pruning away the many anti-democratic constraints on domestic policy-making contained in the existing WTO rules. These rules are designed to create a world that operates as one single homogenized global market rather than setting terms of trade between separate nations with distinct priorities.

The critics of corporate globalization are for international trade between different, unique countries or regions when it is mutually beneficial. To strike this balance between promoting trade while respecting the laws and values of different countries, some existing international rules and institutions need to be cut back, while others need to be bolstered.

Currently, the WTO trumps all other international agreements. The WTO must be scaled back so that the human rights, environmental, labour and other multilaterally agreed public interest standards already enshrined in various international treaties can serve as a floor of conduct for corporations seeking the benefits of global trade rules. For instance, the International Labour

Organization provides core labour standards; there are more than 200 multilateral environmental treaties covering toxics, air pollution, biodiversity and waste dumping; and the World Health Organization and the UN Charter on Human Rights provide many standards on access to medicine and food security.

Two hundred and six civil society organizations, including social movements representing millions of people in poor and rich countries alike, support a WTO transformation programme dubbed "Stop Corporate Globalization: Another World is Possible," available at www.ourworldisnotforsale.org. The International Forum on Globalization has published the book *Alternatives to Economic Globalization: A Better World is Possible*, which reports on proposals for alternatives gathered through years of conversations with civil society leaders, scholars and government officials in poor and rich countries.

These are but a few of the rich alternatives being discussed everywhere but at the WTO. The WTO experiment has failed. Replacing the overreaching WTO agenda with fair rules aimed at facilitating trade between willing countries is the only way forward. Such change globally requires work from us living here in the United States. We can start by building a majority in our elected leadership who understand that the corporate globalization system implemented by the WTO has failed American workers and farmers, failed the most basic tenets of democratic governance and failed the world. Time is long overdue to change the way this policy is developed and thus whose needs it serves. This will only happen through citizen activism.

Lori Wallach, Director of Public Citizen's Global Trade Watch, is the author of Whose Trade Organization? A Comprehensive Guide to the WTO. Both she and Deborah James, Director of the WTO Programme at the same organization, are leaders in the worldwide struggle against corporate globalization.

(www.globalpolicy.org, 14 August 2006)

Doha Round of Trade Talks Suspended After Negotiations Fail

THE Director-General of the WTO, Pascal Lamy, suspended negotiations in the Doha Round of trade talks after a meeting of six "core" negotiators India, Brazil, the United States, European Union, Japan and Australia in Geneva failed to make any headway

in reconciling differences over agricultural trade liberalization. The US wanted cuts in import tariffs for farm products, which were rejected by EU, Japan and India, who asked for cuts in agricultural subsidies.

Peter Mandelson, the EU trade commissioner, told the *Financial Times*: "If the US continues to demand dollar-for-dollar compensation in market access [cutting tariffs] for reducing domestic support, no one in the developing world will ever buy that and the EU will not either." Brazil also identified the US stand on subsidies as the reason the talks failed.

Susan Schwab, the US trade representative, said that the other countries sought exemptions from tariff cuts for a wide range of goods and that such exemptions would defeat the object of the talks - to expand trade. "As we went through the layers of loopholes ... we discovered that a couple of our trading partners were more interested in loopholes than market access," she said.

The Indian Commerce and Industry Minister, Kamal Nath said that developing countries could not allow their subsistence farmers to lose their livelihood and food security to provide market access to agricultural products from developed countries.

Many Reasons Attributed

The major agricultural exporters - US, Australia and initially Brazil called for reductions in import tariffs on farm goods, saying that this will benefit the poor by reducing the price of food items and will expand markets for farmers everywhere. Developing countries such as India, Indonesia and the Philippines, which have millions of poor farmers, countered that cheap imports would drive the vulnerable farmers out of their livelihood. Their call for more tariff protection was also supported by developed nations in the EU and Japan, who also sought cuts on agricultural subsidies paid by the US to its farmers, saying that such subsidies distort prices and undercut their domestic producers unfairly.

Officials involved in the negotiations told the *Financial Times* that there wasn't sufficient pressure by exporters either to overcome the protectionist lobby. The upcoming congressional elections in the

US have been cited by some as one of the reasons the US is holding firm on not cutting subsidies further. The unpopularity of the talks in many developing nations has also been cited as a reason negotiators from such countries preferred the talks to fail.

Peter Draper, a research fellow at the South African Institute of International Affairs told the South African *Business Day*, "The question is whether it is brinkmanship underpinned by major powers' negotiating tactics that has led to the breakdown or genuine irreconcilable differences. If it is the former, then the question will be for how long the negotiations will be suspended."

Reactions

Oxfam, the NGO working on aid and development, which had earlier supported the talks but later withdrew it after the subsidy-cuts it sought appeared to be unlikely, blamed the US and EU for not cutting subsidies while demanding developing countries to open their markets. Saying that any delay has "enormous costs", it called for the US and EU to make fundamental changes to their offers.

The Congress of South African Trade Unions said the suspension of talks was an opportunity for developing nations to negotiate a better deal, adding that no-deal was better than the deal on the table.

The Australian National Farmers Federation expressed disappointment, saying that the suspension has cost Australian farmers \$1.5 billion in potential new markets.

The US Farm Bureau said that it was not prepared to give additional ground until Europe offers more concessions, and that farmers will now try to lock in subsidies.

Among US business groups, John J. Castellani, president of the Business Roundtable, an association of the chief executives of 160 of the biggest US companies, said American negotiators were prepared to open markets if others did the same, and that Europe and other countries "surrendered to protectionist measures".

What is the Doha Round?

The Doha "development" round of talks, named after Doha, the capital city of Qatar, where it was

inaugurated in November 2001, focuses heavily on creating a fair system of trade for the benefit of developing countries, in particular for trade in agricultural products.

Successive rounds of negotiations have failed to produce agreements on key issues such as cuts on subsidies and tariffs. In a ministerial meeting in Cancun in 2003, developing countries, forming about two-thirds of the WTO members let the meetings fail rather than agreeing to a compromise. In 2004, the US came up with an offer to cut subsidies along with a demand that others cut tariffs. The previous two summits, the Group of Eight nations, passed declarations expressing commitment to the talks and calling for a deal.

The congressional authority of the US President to negotiate an agreement on trade, the Trade Promotion Authority, expires by the middle of next year. The amount of work needed to complete an agreement before that meant that the end of this month was effectively a deadline for a framework agreement.

Parallels to the Uruguay Round

The previous Uruguay round of talks were also suspended in 1990 after disagreements. The director-general of the WTO's forerunner, the General Agreement on Tariffs and Trade (GATT), Arthur Dunkel then worked with member nations to produce the Dunkel draft, which eventually led to a final agreement in 1994.

Future of the Doha Round

The suspended talks can only be revived by a consensus among the WTO's 149 members. The EU trade commissioner Peter Mandelson said that there were little short or medium term prospects of the talks restarting. Mark Vaile, Australian deputy prime minister and trade minister, said he would not accept superficial or partial reforms in the Doha Round. The Indian Commerce and Industry Minister Kamal Nath said there was little ground for convergence on the core issues in the Doha Round as of now.

The US trade representative Susan Schwab said that she would push the Doha agenda in regional trade meetings and with individual countries. She also said that she did not expect to use the current

TPA, which expires in mid-2007 to enact a Doha round agreement. The *Financial Times* reports that it is unlikely that the US Congress will renew the authority, again dimming prospects of a near-term agreement.

Repercussions of the Failure

The WTO director-general, Pascal Lamy said the failure of the negotiations sent a “strong negative signal for the future of the world economy amidst the danger of a resurgence of protectionism”.

The South African chief negotiator Xavier Carim called the failed talks a “serious setback” and pointed to the “huge” opportunity cost it implies, particularly for developing countries. A World Bank study in 2005 estimated that global free trade in agriculture would generate gains of US\$287 billion, of which \$86 billion will accrue to developing countries.

Peter Mandelson, the EU trade commissioner said that formulating the EU trade policy will begin by the end of August. Australia and Japan have said that they will focus on bilateral and multilateral trade agreements. A Japanese foreign ministry official, speaking to the *Mainichi Daily News*, and Hilton Zunckel, trade adviser to developing countries, speaking to *Business Day* said that many other WTO members would focus on bilateral and regional trade agreements.

(www.wikinews.org, 25 July 2006)

Doha Round: Onus on India?

THE tone of the statements made by the WTO Director-General, Pascal Lamy, suggests rather strongly that countries like India will have to bear the burden of criticism flowing from a failure to reach agreement on the Doha Round of multilateral negotiations. Let it be said at the very outset that this would be quite unfortunate because India does not hold the key to the response of the developing world to the pressures being exerted by the developed economies on the three most important segments of the ongoing negotiations – domestic farm support, agricultural market access and non-agricultural market access (NAMA).

Developing Country Position

Indeed, Mr. Lamy himself had pointed to the fact (in an interview in October last year) that there is in fact “no such thing as a developing country position.” He had added specifically: “Three-quarters of our membership are developing countries and their needs and concerns differ widely.”

Citing examples, he had said that while India “was among the most ardent advocates of an enhanced services agreement,” Brazil “wanted to export more agricultural products.” He continued: “China wants more market access for industrial goods. Kenya wants to see adequate technical assistance available while Egypt worries about the impact of any deal on net food-importing developing countries.” He added that there were of course “alliances among countries, but they change depending on the issue at hand.”

If what the WTO chief said in October is correct, it follows that it would really not matter beyond a point (for the negotiations as a whole) whether India went the extra mile in conceding a point or two to the demands made by Brussels and Washington – mainly on the NAMA front – which, in a way, would kick the bottom out of the central plea made by Mr. Lamy to New Delhi. Secondly, what exactly is the nature of the plea made by the WTO chief, who has rightly made clear his interest in the entire negotiating process by stating unambiguously that his sole objective is “to make the negotiations work”. To this correspondent, the central appeal that Mr. Lamy has made to Delhi is not to stay away from the Doha Round negotiations because in that event there would be no other option left for the negotiations but to fail.

Loss for India

In an effort to buttress his point rationally, he has also said that in the event the Round failed, India would stand to lose substantially because it has “benefited from a more open global trading environment and the healthy development of this system is very important for India’s economic take-off and its efforts to become a global power.” More positively, he has said that India “has a strong systemic interest in safeguarding and strengthening the multilateral trading system.” Mr. Lamy has gone

a step further. On 6 April at a meeting in New Delhi, he said: "India has been a key player in the multilateral trading system for more than 50 years. It is in India's interest to fight for an open, stable and predictable global trading environment. India would be the first to suffer if protectionism prevails. Given what is at stake, I trust India will make its contribution to a win-win outcome."

What is this contribution that Mr. Lamy is talking about? "EU and the US are being asked to bite into their existing subsidies. So India and Brazil, which have huge differences in their applied and bound tariffs, will have to see how much they can bite into their applied tariffs," he said on April 5.

The Quid Pro Quo

In other words, India should concede ground on the industrial tariffs front if it is to attain its objective of getting tariff barriers lowered on both the farm and industrial fronts in the US and the EU. That is, the principle of *quid pro quo* should be applied at this stage of the negotiations if the Doha Round is to be saved. As an aseptic negotiating ploy, Mr. Lamy's broad suggestion is acceptable, particularly so in view of the fact that a reduction in the bound rates would not affect the current average NAMA tariff level in India (because the applied rates are much below the bound rates), although it would most certainly affect future flexibility – when a need could arise to increase the tariff levels to protect domestic industry.

The more important point, however, is whether New Delhi should agree to accept the WTO chief's suggestion now, specially when the proposed *quid pro quo* has been around for some months and the Commerce Minister has repeatedly gone out of his way to rule it out firmly. To take one example, in the third week of October last year, when Ministerial trade talks collapsed in Geneva, New Delhi was reported to have "effectively blocked a move by the US-EU combine to widen the scope of the talks and establish linkages of agriculture with NAMA and services."

Mr. Lamy is in a position to fathom the minds of the US and the EU as regards the Doha Round negotiations. He probably has arrived at the conclusion that unless the developing countries such as India and Brazil concede a point or two,

the April deadline for modalities will be missed, which could spell disaster for the future of the Round itself. Thus his forceful plea while in India to give up some ground on the industrial tariffs front.

Dangerous Brinkmanship

It is likely that, for the US and the EU, the continued existence of the WTO is not as important as it is for the developing countries, which explains their readiness to indulge in dangerous brinkmanship where the very future of the organization is at stake. Mr. Lamy wants to do his best to protect the interests of the WTO. The question is: To what extent should India extend a helping hand when the beneficiaries would be the rich economies whose immediate interest is to protect inefficient sectors which are indirectly harming the interests of poor farmers in the developing world?

(The Hindu Business Line, 10 April 2006)

The Doha Round

Negotiating the Rules for a Changing Global Economy

THE Doha Round of world trade negotiations was launched in Doha (Qatar) in November 2001. Named the Doha Development Agenda, this round of trade negotiations aims to take the WTO into a new era. The agenda of the Doha Round is much broader than past global trade negotiations and is specifically targeted at addressing the needs of developing countries. The focus of negotiations has been on reforming agricultural subsidies, improving the access to global markets and ensuring that new liberalization in the global economy respects the need for sustainable economic growth in developing countries.

EU Priorities for Doha

The basic EU priorities in the Doha Round are as follows:

- In market access for **industrial goods**, the EU wants to create significant new trade flows by cutting tariffs in both developed countries and the growing emerging economies such as China,

Brazil and India. The goal is to create new trade between developed countries, but also between developing countries.

- In **agriculture**, the EU is committed to an agreement that reforms farm subsidy programmes throughout the rich world in line with the EU's wide-ranging 2003 reform of the Common Agricultural Policy. As part of the Doha Round, the EU has offered to cut farm tariffs by 60 per cent, reduce trade distorting farm subsidies by 80 per cent and eliminate farm export subsidies altogether. The EU also wants to see new market access opportunities for its own processed agricultural exports.
- In market access negotiations for **services** trade, Doha should bring considerable and real market opportunities for business as well as benefits to consumers worldwide. However, the EU does not seek general deregulation or privatization of sectors where principles of public interest are at stake, and the EU is also committed to defending the right of WTO members to promote cultural diversity.
- The EU wants the Doha Round to agree a package of **development measures** including: a special agreement to address trade distortions caused by subsidies to cotton farmers in developed countries; the extension of unlimited markets access to all Least Developed Countries by as many countries as possible; a new global package of 'aid for trade' assistance to help the poorest build the capacity to trade; special measures to help the poorest countries implement any Doha Agreement effectively and without long-term harm to their economies.
- The EU wants the Doha Round to agree a new set of rules to govern the **use of trade defence instruments** so that they are not abused, and a complete update of the WTO's rulebook for **trade facilitation**, the standard practice for customs and other border related procedures worldwide - a potential source of huge savings for traders, especially in developing countries. The EU also wants to use the Doha Round to improve the protection of **Geographical Indications** - the special legal identity given to products like Parma Ham and Roquefort

cheese that are closely linked to a particular place and tradition of production.

The 2008 Geneva Ministerial Meeting

At the **Geneva Ministerial** in 2008 the Doha Round came very close to a framework agreement on tariff cuts for industrial goods and agricultural exports and a comprehensive package of farm reform in developed countries.

This package would have gone further than any previous multilateral trade agreement. It would have removed almost all remaining tariffs between developed countries for industrial goods and would have included a proportionate contribution from large emerging economies such as Brazil, China and India.

Unfortunately, the meeting broke down over a disagreement between exporters of agricultural bulk commodities and countries with large numbers of subsistence farmers on the precise terms of a 'special safeguard measure' to protect farmers from surges in imports. At this time, the future of the Doha Round is uncertain.

(<http://ec.europa.eu/trade/issues>)

WTO Negotiations: The Success of Doha Round Failure

IGTN Global Coordinator Graciela Rodriguez provides an analysis of the recent deadlock in WTO mini-ministerial in July.

After 7 years, the miscalled development Round launched in Doha in 2001, within the World Trade Organization (WTO) failed to conclude any agreements, which was reported as a "failure" to negotiations.

But the so-called failure by some can be - and in this case was - the success to others. For social movements that follow the WTO negotiations and especially since the Second Ministerial Meeting in Seattle in 1999, the fall of negotiations rather exposes the failure of the model of global progressive liberalization.

A small group of just over thirty countries was asked to define the future of the people and the planet given the social and environmental implications of definitions to be taken at this mini-

ministerial in July. An undemocratic, illegitimate and exclusionary process was intended to cure the patient with more of the same remedy that had provoked its failure.

The rapid opening of the developing countries' economies in recent decades has been largely associated with land concentration and the expulsion of peasants, the decrease of labour force income, with the loss of labour protection and the vacuum in the responsibility of states in terms of social reproduction and the provision of essential public services, increasing the vulnerability of populations, especially in less developed countries, affecting in particular women. Thus, in face of the food and energy crisis the world experiences today, a WTO agreement would only deepen this process and its consequences.

Indeed, the increasing liberalization of agriculture in the last half-century has caused the dismantling of the traditional world structure of food production based mainly on family farming. Hence many countries, especially in the South, became increasingly focussed on raw materials and natural resources exports to sustain the increasing consumption patterns of the North, in a process that has facilitated the accumulation and concentration of wealth by a small number of large corporations in the agricultural sector. Thus, while the US and EU safeguard their productions and their domestic markets with high subsidies, in the last WTO mini-ministerial held in Geneva they refused to accept the safeguards proposed by developing countries to also protect its food sovereignty and their peasants. Thus, it was not surprising that the reason for the collapse in negotiations was the US insistence on that refusal. These safeguards would have meant to trigger a protective barrier to agricultural products in case of import outbreaks. When the entry of these products outnumbers the last three-year import average, such mechanisms would be used. Thus, India was pointed as the bad guy because it proposed to use such mechanisms when imports of agricultural products and food reached a 10 per cent increase, while the countries with offensive agricultural interests wanted that these mechanisms were triggered at a 40 per cent increase on import, when possibly millions of peasants would have already suffered the tragic consequences of this liberalization.

Analyzing the case in recent years, we see that the very concept of food sovereignty for all states and people is a consequence of the same vulnerability to which food production and availability in the countries has been subject. In a situation of deprivation of traditional ways of life, women, who are usually responsible for daily management of water and food, have been overwhelmed with responsibilities of care. In developing countries, women and families living in poverty have been especially affected, displaced from their land and livelihoods, swelling the outskirts of cities and migratory movements due to the lack of conditions for subsistence. Thus, during the meetings in Geneva, India became a strong voice expressing many poor countries' concerns with the livelihoods of millions of small farmers in developing countries.

In addition, these negotiations also insisted on an exchange. Developed countries would open their markets for developing countries agricultural products while the later would open their markets for the former's industrial products. The negotiations known as NAMA (industrial and other non-agricultural products), if signed, would strengthen the traditional role of developed countries and their transnational corporations as exporters of high-value goods and technology and increase the risk of rapid deindustrialization of the least developed countries, while hindering its industrial and technological advancement. At the same time, it would have an adverse impact on the ability of governments to design and implement policies to promote industry for small and medium enterprises and local capital as part of a sustainable economic development and gender equity in the long term. The tariff cuts promoted in NAMA would open industries to competition from imported industrialized goods, which would probably hinder local production with serious impacts for the loss of millions of jobs.

These negotiations would also deepen gender inequalities by affecting in particular female employment in the industrial sector that - despite the wage segregation that still exists - is currently the sector that concentrates the best female jobs allowing to reduce the wage gaps for women. Moreover, the tariff cuts would certainly reduce the customs revenue, restricting developing

countries budgets to meet essential public policies, which are crucial to women's advancement.

At the same time, the exchange of promises on the negotiations table between the agricultural and industrial sectors also caused disagreements in various positions adopted by different countries, even within more or less consolidated blocs. For example, the Czech Republic and Hungary in the European Union and Mercosur in Argentina had isolated positions in their respective blocs in the NAMA negotiations, giving priority to protecting their own domestic industrial production and thus creating outbreaks and differences within the regional integration processes. These are clear examples of the emergence of new interests, differences and contradictions among countries that go far beyond this point.

The outbreak produced between India and China on one side and Brazil on the other, may also cause impacts inside G-20, bloc which has so far fulfilled an important role in the obstruction of negotiations because of its actions against subsidies in industrialized countries. Although the safeguard mechanisms had been accepted in the G20's general proposals package as a concession of some countries, like Brazil, to keep this bloc together when negotiations get difficult, it became clear that the interests defended by the Brazilian government were those of agribusiness, coinciding with the economies of large agricultural exporters - even bringing back the almost forgotten Cairns group. This has reflected Brazilian isolated insistence in reaching an agreement, which contrasted with its historic leadership in G-20 and among Mercosur member countries. This will certainly make Brazil pay a price to revive its image and role within the so-called emerging countries and will very likely bring new political alignments.

It will be necessary in the near future to focus attention to the increase - that is sure to come - of new bilateral agreements that include the same liberalizing policies rejected in Geneva for failing to give countries their right to development. Bilateral and regional agreements have already been increasing since the negotiations deadlock in

Cancun in 2003, and will certainly have renewed impetus with the present failure of Doha Round negotiations.

We can finally summarize that as a result of this exhausting negotiation process, the global geopolitical map has clearly become much more complex, with the emergence of diverse interests that often, and increasingly, do not reproduce the traditional formats. The international game shows more and more not only the various national perspectives and visions but also the disputes in the interior of the so-called "national interests". The role of civil society and international networks that follow the negotiation processes has also become more explicit not only at the time of negotiations in Geneva but also in the influence over their national governments themselves and increase of power disputes within them.

It is likely therefore that new settings and alliances emerge from this outcome, which, among other signals, clearly indicated that developing countries do not want to keep accepting the policies of "free" trade that in fact only have favoured large corporations' interests. The principle of international trade progressive liberalization as an engine for development is seriously undermined. The international financial institutions - and now the WTO - are in setback, however, they still have remarkable presence and influence on contemporary economic thinking. This outcome should be read in the light of neoliberal prescriptions failure. A new breach is opening up for different paths in international relations.

Rethinking the multilateral trade system means putting the right to development really at the heart of negotiations of those countries that have not reached the guarantee of a decent life for its female and male citizens. And this will certainly mean giving priority to regional and local ways of production and exchange aimed at taking into account the people's needs as well as the sustainability of life and the planet.

By *Graciela Rodriguez*, IGTN Global Coordinator. July 2008.

(www.web.igtn.org)



BOOKS/ARTICLES NOTES

ARTICLES

My Way or the Highway by D. Ravi Kanth,
Business Standard, 12 May 2009.

THE article in the beginning states that the new Obama administration is trying to change the rule in order to find a solution for the global trade negotiations at the time when the US foreign policy is supporting the multilateralism. It says that such move will hardly enhance the Washington's credibility.

The article discusses the US initiative to explore support in order to skip the 'modalities' involved in the Doha rounds for agriculture and market-opening for industrial goods. It also points out that instead of finalizing these 'modalities', which deals with the level of tariff and subsidy cuts by both developing and developed countries as part of their Doha Round commitments, the US wants members to start scheduling the commitments in both agriculture and market-opening for industrial goods. It further explains that the countries like China and India have not agreed on the triggers to facilitate the Special Safeguard Mechanisms to curb unforeseen surges in imports of agriculture items. The mandatory sectoral tariff elimination proposals that stipulate zero-for-zero tariffs in chemicals, industrial engineering and electrical and electronic products are not agreed by the developing countries like China and India. The members' commitment on the unresolved drafts will leave the loopholes as major trading members like the European Union, Japan, China, India, South Africa, Argentina, and Brazil, among others, are bound to face a situation where fresh demands will be made on them.

The article points out the danger of such a proposal and mentions that the bilateral request-and-offer framework would enable the most powerful countries to open their targeted markets

in extremely competitive areas and the sectors where the powerful members are uncompetitive, they will either shelter their markets completely or offer just a few concessions. The justification of the US that it is not gaining much from Doha trade negotiations and therefore supports the unilateral approach provided it gets access in big emerging markets like China, India, Brazil, and South Africa, among others, in industrial and service areas in which it has a comparative advantage. The article questions the US willingness to remove the controversial zeroing methodology of imposing anti-dumping duties and also the willingness to provide enhanced Mode-4 market access for short-term services providers from China and India.

Finally, the article states that the US has lost the maximum number of trade disputes in areas like farm subsidies, safeguards, services, anti-dumping and intellectual property rights, among others and it will remain consistent in advancing crowbar-trade-priorities.

The Doha Endgame and the Future of the WTO by Claude Barfield, <http://www.voxeu.org/index.php>, 19 January 2009.

THE article points out that the trade negotiators for last few years could not sort out the differences on the key issues of the negotiations and the process has witnessed the loss of credibility of the groups and organizations like G-7, G-20, APEC, World Bank and the IMF by a succession of toothless and increasingly vacuous demands that the negotiators settle their differences and wrap up the Round. The WTO has suffered more in seven years of fruitless, arcane negotiations, petty bickering and blame-games of national trade ministers.

The article suggests for a limited, scaled-down conclusion to the Doha Round and then suggests plotting a course for the long-term survival of the multilateral system and the WTO. Taking the

reference of an economic analysis by Antoine Bouet and David Laborde of the International Food Policy Research Institute the article points out that there are small, but positive gains as per the estimate of the July 2008 negotiation proposal, but there are significant constraints or elimination of important trade distortions, such as the elimination of agricultural export subsidies, the reduction of most US domestic agricultural subsidies, reduction of agricultural tariffs in rich countries by about 50 per cent, the mandate of a 10 per cent cap on developed country tariffs, and the establishment of a 20 per cent cap on most developing-country tariffs. The article also states that the limited agreement would deter backsliding toward protection.

The next section of the article points out that dumping the Doha Round would be very difficult as the WTO members are protective of their rights, and many would rebel against a wholesale revision of the Doha ministerial decisions regarding the substantive agenda. The move to short-circuit the negotiating process would be taken as a direct, coercive attack on the policy space of the developing world such as China, India, Brazil, and South Africa and an attempt to move directly to a "more ambitious agenda" would likely backfire and deepen the already deep divisions in Geneva. The article also points out that Director General of the WTO should suspend formal negotiations for one year in order to revive the fortunes of the WTO and the multilateral system as India, European Union would be busy in elections, forming new governments and fighting economic recession while the US after formation of new government will be busy focusing on huge stimulus package, reforming health care, shoring up the US housing system, and constructing a new energy policy for next one year.

This article also suggests that the WTO should suspend its formal negotiations for the next twelve months and attempt to head off a wave of protection in the interim and this would enhance the chances for the ultimate success of the Doha Round. It takes the reference of the trade economists, Richard Baldwin and Simon Evenett and points out that developed countries should move forward on aid and technical support for trade facilitation for developing countries, even to the point of establishing a provisional fund to support such efforts. Finally, the article states that the US will remain the leader and guarantor of the

global trading system even in the worst situations and therefore it should reassert its support for global teamwork for the multilateral trading system embodied in the WTO.

After Six Years, the Global Trade Talks are Just That: Talk by Steven R. Weisman, *The New York Times*, 21 July 2007.

THE article discusses about the obstacles that are unfolding in clinching the Doha Development Agenda. In the beginning, the article mentions that in order to involve poorer countries in world trade the US started a round of global trade talks aimed at lowering the trade barriers for poor countries and helping them to prosper by exporting goods. But the negotiations are not yet settled after six years due to disputes pitting Europe against the United States, rich countries against poor countries, and farming countries against industrial countries.

The article points out that global economic realignment has been the factor behind the deadlocks as emerging markets like China, India, Brazil and some other developing countries like Mexico, Chile and Thailand have in one way or other. It states that India and Brazil are not lowering their tariffs due to the fear of export-driven economies like China and therefore poor countries in Africa are blaming emerging market economies for ignoring their needs. As per the World Bank calculation the delay in concluding the global trade talks is potentially damaging the world economy by the hundreds of billion of dollars. The article puts the views of US trade representative regarding India and Brazil's refusal to lower the farm and industrial tariff and South African support to India and Brazil, while other African countries are desperate for the trade deal. India alleges the United States and Europe for keeping farm subsidies inflexible and other trade barriers high and says that American farm subsidies keep American farm products competitive against imports.

Although India and Brazil support phased-in reductions of tariffs on manufactured goods, United States and Europe view that India and Brazil have become hardliner because of fear of imports from China and other export-driven economies. There have been suggestions by a new bloc of exporting countries led by Chile, Colombia, Costa Rica, Hong Kong, China, Mexico, Peru, Singapore and Thailand

that tariffs for the most protected products should be in the range of upper teens to the low twenties. The article also mentions that Brazil, which is flexible than India will gain the most from future trade deal due to its character of a superpower exporter of industrial goods, wide range of food products, sugar, fruits and vegetables.

The article finally states that the US subsidy on farm products is not appropriate according to the law in order to compete with imports from other countries. India and Brazil want the United States to keep its so-called trade-distorting subsidies in the future. While the US trade minister views that most of tariff paid by poor countries goes to the other poor countries and therefore China should take initiative in promoting the international trade deal. The article concludes with the fear of developing countries that if they undertake tariff reductions, they're going to be overrun by Chinese goods.

Doha Talks and Food Security by Vandana Shiva, *The Economic Times*, 5 August 2008.

THE article outlines the role of democratic processes like elections, trigger for SSMs and powerful agribusiness giant in stalling WTO negotiations. It says that 650 million people involved in agriculture have voted out the parties neglecting their demands and without addressing their livelihood issues.

The article explains that the agrarian crisis due to the WTO rules and the World Bank Structural Adjustment Programmes could not force India to fall in line with the US on the WTO negotiations. Cargill Agreement, international law for trade in agriculture and Trade Related Intellectual Property Rights Agreement has been the reason for removal of Quantitative Restrictions in agriculture products and creation of seed monopolies. Removal of Quantitative Restrictions will not only affect farmers from subsidized import surges but also from the price surges due to food monopolies and speculation. The article also mentions that without the right to maintain Quantitative Restrictions (QRs), SSMs are not at all favorable for the common farmers and removal of QRs is equivalent to destruction of embankments and levees that protect regions and communities from flooding.

The article further describes that current rise in food prices is due to the WTO rules and removal of

QRs and increasing global control over food by agribusiness giants like Cargill is also due to the WTO agreement on agriculture. Price rise of wheat in India and corn in Mexico is directly proportional to the forced import of these products from the corporate giants like Cargill and Monsanto and with increased profits of 33 and 44 per cent respectively in 2007 these giants will intensify their corporate monopolies. The article suggests that in order to protect farmers' livelihood and People's food rights, rules of competition need to be changed to prevent the emergence of food monopolies and the practice of price fixing and speculation.

Finally, the article suggests that the role of the WTO needs to be transformed from being an instrument of corporate monopoly over seed and food to being a corporation to prevent such monopolies and negotiation processes need to grow democratically to prevent the emergence of food monopolies and the practice of price fixing and speculation.

Why Doha Round Conclusion is Even More Crucial Now by Suparna Karmakar, *The Hindu Business Line*, 13 March 2009.

THE article is divided into three parts. The views in the first part outline the different aspects of the annual trade report that was published by new Obama administration. The article points out that the policy statement of the US Trade Representative (USTR) promises to toughen the social accountability clauses and labour and environmental standards in the forthcoming trade deal. It says that such steps may increase the protectionist demands and the cost of production of US imports. The report also prioritises the review of implementation of existing FTAs and bilateral investment treaties (BITs) and stricter enforcement of existing multilateral agreements before the WTO's Dispute Settlement Body.

The article mentions that when positive correlation between openness to trade and economic growth is well documented, the inward-looking trend of the US economy against the liberal economic principles of the US is surprising. It takes the reference of various studies and says that rapid economic growth is a necessary condition for the US in present circumstances and maintaining open borders is nearly impossible to achieve in times of macroeconomic crisis.

The second part of the article points out that present mood in Washington may freeze the multilateral trade negotiations of the ongoing Doha Round. The US administration's denial to meaningful market access of key advanced developing economies by stricter standards and fair trade clauses may hinder the multilateral negotiations. The article also points out that unilateral liberalization has been the prime driver of global trade integration and the trend may keep on if rest of the world does not emulate the American folly in order to make the remaining lion's share of global trade and therefore it can keep on flourishing even without the US' active participation.

The third part of the article suggests for the change in the multilateral negotiations as changes in the world economy in past had important implications for world trade and the Doha Round. It also suggests for the recalibrated negotiation strategies in view of new politico-economic constraints in the key trading economies of the world. However, in the interest of maintaining global confidence in multilateralism, India might consider cuts in its external tariff binding commitments in Doha, provided it is able to negotiate effective prudential safeguards and disciplines on the regulatory arbitrariness of its trade partners. It further points out that until the global economy stabilizes and global economic confidence re-emerges for countries to return to the negotiating table with more credible offers, it is for India's national interest to hold on to the tariff tools.

Finally, the article suggests that taking the initiative to push for a conclusion of Doha Round now has broader strategic implications for even the developing countries, that must ensure the Doha negotiations factor in comparably high levels of ambition and trade-offs between the tariff and the non-tariff barriers in the three market access pillars such as agriculture, NAMA and services.

India Must Ensure Services are Part of WTO Talks by Biswajit Dhar, Professor & Head, Centre for WTO Studies, IIFT, *The Economic Times*, 31 July 2008.

THE article mentions that the US rejection to the demands tabled by India and China on the issue of special safeguard measures (SSM) in order to protect the farmers of developing countries from the sudden decline in international market or surge in import volumes of agricultural commodities was

the reason for the failure of the Doha development round.

The article explains that in order to secure the rural livelihood, rural development and food security, India and China insisted that developing countries should be allowed for an additional dose of protection on special products which is necessary for the security of rural livelihood and development and demanded that developed countries should control the large volumes of agricultural subsidies which is given to their farmers. The US demand for tariff reduction in the negotiation was intended to provide larger market access to subsidized products produced by its farm sector but developing countries were opposed to such reduction in the tariff. It mentions that Farm Bill 2008, which is blueprint of the US agricultural policies until 2012, does not show any sign to reduce the farm subsidies but proposes for additional dose of subsidies undermining the entire basis of WTO agriculture negotiations.

The article points out a steep reduction in the tariff on non-agricultural products in the draft modality paper of NAMA negotiating group chairman Don Stephenson and included the contentious issues like tariff elimination in wide range of sectors in fixed period and liberalization of trade in 'remanufactured' products. This was argued by India industry on the ground that unrestricted entry of used products largely from the developed countries would harm their domestic producers.

Finally, the article suggests that India should adopt the strategy to include critical issues other than agriculture and NAMA in which it has considerably large stakes. It also suggests that India should develop coalitions with like-minded countries to ensure the movement in services negotiation and enhanced market access in number of service sectors in major markets.

G8 Summit, Doha Agenda and the Future of the WTO by Gary P. Sampson, *The Japan Times*, 28 May 2008.

THE article traces the success of the WTO and mentions some important facts regarding the change in the tariff, which declined to one-tenth while there was a twentyseven-fold growth in the volume of world trade from its inception. But the critics claim that WTO is under threat due to the struggles of

un-concluded Doha Development Agenda on multilateral system. The article also points out the importance of G8 countries statement in this regard but raises question about the promises that have been made in the meeting.

The article points out two factors responsible for the failure of the negotiation. *First*, it says, that the heads of government have failed to deal with political forces in the agricultural sector that were resistant of change while the *second*, emergence of negotiating flexibilities without specific proposals is another factor of failure. The article states that governments should break the impasse and overcome the current standoff as failure to progress in the Doha agenda undermines the credibility of the WTO. Without a satisfactory outcome in the area of improved market access in agriculture (especially cotton) and an opening of markets to their services exports, developing countries will be disillusioned. It also mentions that despite the failed Doha agenda the WTO will remain a pillar of the world economy as disputes will continue to be directed to the WTO irrespective of the outcome of the negotiations. The removal of shortsightedness of governments, firmly set time frame and negotiating flexibility to break the deadlock can help in successful conclusion of the Doha development agenda with the vision of G8 leadership.

Finally, the article says that even in case of declarations of flexibility, it is not translated into specific proposals. Therefore, Japanese government must continue dialogue to ensure that the high level commitments that emerge from the summit are translated into action and heads of government are accountable for their political declarations. It further views that forces of protectionism will not become a serious problem as long as the WTO remains a force strong enough to discipline it.

Doha Round of WTO Crucified

by P.K. Vasudeva, *The Financial Express*, 10 August 2008.

THE article at its outset states that the reason for the failure of Doha Round negotiation was the insufficient benefit for the major negotiating countries compared to the huge losses, which would have hurt their people economically at the point of global slowdown and US rejection to the developing countries' demand to use the special

safeguard measures (SSM) in order to protect their farmers from sudden import surge of agricultural commodities.

The article describes that the proposal by developing countries to impose extra 25 per cent duties in case of 15 per cent increase on farm products to protect the livelihood of their farmers was refused by the US and in order to get the best commercial deal it proposed for the trigger for extra duty if imports surge increases by 40 per cent over the average of the preceding three years. The article also mentions that the convergence was reached on the pending issues like farm subsidies and non-agriculture market access (NAMA) but the issue of SSM for developing countries and the US cotton subsidies derailed the entire negotiations. Taking the reference of draft modalities paper of NAMA negotiating group chairman Don Stephenson, the article describes that the US Farm Bill 2008 undermines the WTO agriculture negotiations by promising additional doses of subsidies. It also describes that on numerous contentious issues in the NAMA negotiations, China and India are pressurized to make more concessions.

The article also differentiates between the Doha Round and the previous round where US, Europe and Japan agreed on a deal and pushed others for the same but Doha Round has the voices of developing countries as well. It mentions that the Doha Round will revive at the end of next year once elections in countries like India and the US are over.

Australia to help India Progress in Doha Round of Trade Talks by N. Ramakrishnan, *The Hindu Business Line*, 28 February 2007.

THE article at its outset points out the Australian Trade Minister's views on achieving the progress on Doha Round of multilateral trade talks and insists that Australia is willing to work with India for solutions that might be acceptable to other trading countries for success of Doha Round negotiations.

Highlighting the differences between different countries on the tariff reduction, the article states that the talks on the Doha Round of the WTO got stuck because none of the parties concerned had moved sufficiently enough to secure a high quality agreement. While the EU indication to reduce the tariff and the US farm bill with some cuts in

subsidies has come to the light but it is not up to the mark as expected by many developing countries. Taking the reference of the Australian Trade Minister, the article says that current year is a window of opportunity and if it is lost, it will take some time to resurrect the Doha Round talks, as neither India nor Brazil had indicated a willingness to open up their markets substantially for non-agricultural products. The article also points out that the proposal referred to as five-plus-five put by Australia would enable the Americans and the Europeans to make more substantial cuts together without facing the domestic difficulties.

The article mentions about the Australian bilateral trade and free trade agreements with Singapore, Thailand, the US and New Zealand, ongoing discussions with Association of South East Asian Nations (ASEAN), China and Japan and a preliminary discussions with Korea on the same issue. India's negotiation with ASEAN on free trade agreement will enable both India and Australia to build on acceptable agreements into the future. On the issue of supply of uranium to India the article on behalf of the Australian Trade Minister's view, mentions that countries that have not signed the nuclear non-proliferation agreement and did not have bilateral arrangements to prevent on-sale of uranium to other countries will not get the supply.

Finally, the article states that the Australians are monitoring the agreement and the discussion between India and the US before further engaging on the issues related to Indo-Australia trade in the area of services, information technology, finished products and other exporting commodities.

Trading in Protectionism? by Suparna Karmakar, *The Hindu Business Line*, 2 January 2009.

THE article explores the decelerating character of the economy in the wake of global slowdown, which originated in year 2007. It states that world trade has witnessed a considerable decrement from 8.5 per cent in 2006 to 4.5 per cent in 2008 and is projected to contract by a further 2.1 per cent in 2009.

Slowdown in exports has significantly affected the Indian and Chinese export market and the growing reports of factory closures in China and India due to decline in export indicates that there

is significant decline in the future orders as well. It points out that deceleration in Indian export by 12 per cent has forced exporters to re-negotiate the prices and orders with the buyers and such slowdown has started a retaliatory war of mostly non-tariff trade protectionism. The entire process has initiated an imposition of protectionist measures such as export subsidies and bans, higher anti-dumping and other safeguard duties, and a general tightening of technical standards of imported products, even the free trade nation like the US has significant barriers to trade in the form of tariffs, quotas and steep regulatory barriers and it is further pushing to make them more onerous. Assessing the impact of tariff on global trade the article explains that the conclusion of Doha Round negotiations can keep the trade engine running by preventing policy rollback and can help to fight the fear of increasing tariff by many countries. It also predicts that maximum allowed raise in tariffs by all countries can double the average global rate of duty and the effect can shrink global trade by 7.7 per cent, causing a 1930s-style trade deceleration.

The article takes the reference of an article by Aaditya Mattoo and Arvind Subramanian and argues for enhancing the Doha agenda to re-energize the private sector interest in multilateral trade negotiations. It also says that current trade liberalization agenda under Doha promises only marginal gains. There are arguments that behind such a wide and complicated agenda stay an agenda that provides enough time to rich country's private sector to reorganize and restructure in order to make more credible offers. This theory argues that unless the new bound rates fall below the applied tariff rates, reduction of tariff bindings in emerging economies will not offer enough incentives to rich country and therefore rich countries will need more sops to participate effectively in negotiations.

The article finally mentions that the minor roll-backs would restrict market access of industrial country products in key items of trade interest. It suggests that issues like high applied duties in farm products and manufactured products of export interest to developing countries and many other things like anti-dumping, countervailing duties and safeguards need to be addressed openly during negotiations rather than widening the agenda to non-trade issues. ●



DOCUMENTS

Committee on Agriculture Special Session

Revised Draft Modalities for Agriculture Sensitive Products: Tariff Quota Creation

1. Based on consultations to this point, it is my sense that neither one nor the other of the options presented in paragraph 83 of the text will prevail. If that judgement is correct, the only realistic landing zone will be on the basis of a fully transparent, strictly conditioned and limited allowance for some tariff lines not currently subject to tariff rate quotas to be declared sensitive and newly subject to tariff rate quotas. Based on constructive consultations that have taken place to this point, the following represent the elements of convergence that have emerged. They are not in final legal drafting form but could, hopefully, operate as a platform to get to closure.

2. Paragraph 83, second option would be deleted.

3. As regards paragraph 83 first option, something along the following lines would be added to the sentence: ".....or meets the conditions outlined below."

4. It would need to be followed by something along the following lines:

5. Tariff lines not currently subject to tariff rate quotas can be declared sensitive and be newly subject to a tariff quota provided that the number of these lines does not exceed 1 per cent of tariff lines for any Member¹; that the 1 per cent is taken out of the maximum entitlement of sensitive tariff lines for the Member concerned; that the lines concerned are subject to provision of an additional

2 per cent of domestic consumption beyond what would be otherwise required under paragraph 74; that the in-quota tariff rate is zero; and, as for all other sensitive product tariff lines, that they are scheduled and applied *erga omnes* on a most-favoured-nation basis. The lines concerned shall be transparently specified in full tariff line detail and with the access amounts provided in the attachment as an integral part of these modalities.

6. Where there has been significant historical trade such that the above formulation would have the effect of manifestly and artificially restraining trade in a manner contrary to the object and purpose of these modalities, the domestic consumption requirement above shall be added to the historical trade figure for the tariff lines concerned. The product(s) concerned and the resultant access amounts shall be specified in full detail at tariff line level for the Member concerned in the attachment and constitute an integral part of these modalities (situation B in the attachment).

7. In a particular case where use of historical trade and the above consumption factor would still manifestly and artificially restrain trade in a manner contrary to the object and purpose of these modalities due to the very recent and dynamic trade in the product concerned, there shall be a specific provision for this product. The access amounts shall be specified in full detail at tariff line level for the Member(s) concerned in the attachment and constitute an integral part of these modalities (situation C in the attachment).

¹ Except Norway which shall meet the terms of the last paragraph.

8. In the case of Norway, it shall abide by the provisions regarding 2 per cent additionality above except where, according to Attachment Ai(G) it has designated sensitive products at a seven digit level and allocated the entire aggregate domestic consumption to these three product categories. In this case it shall, as its contribution, provide an

additional 0.5 per cent of domestic consumption for the whole TRQ for these three product categories. The access amounts shall be specified in full detail at tariff line level in the attachment and constitute an integral part of these modalities.

(www.wto.org TN/AG/W/6 6 December 2008)

Committee on Agriculture Special Session

Revised Draft Modalities for Agriculture Sensitive Products: Designation

1. This paper, like TN/AG/W/6 and 7, is much more like work-in-progress than is the Revised Draft of Modalities itself (TN/AG/W/4/Rev.4). In these papers, it is not my intention to put forward precise suggestions for modalities because such precise suggestions as I have made in the fourth revision (which is actually the fifth revision of modalities which I have done if you start with TN/AG/W/3) were the result of convergence to the point where I felt such progress could be captured.

2. Rather than propose a single solution to the designation of Sensitive Products, this working document sets out the issue and indicates a way forward which could, hopefully, operate as a platform to get to closure. My reason for issuing this, and the other working documents, in this more formal format is to ensure that it is distributed in the same way and at the same time as the fourth Revised Draft Modalities for Agriculture itself.

3. Based on constructive consultations to this point, we have progressed over differences on Sensitive Products, but we are still short of a clean text, let alone agreement on key matters.

4. As regards Japan and Canada they are signalling unambiguously that they cannot limit themselves to 4 per cent of sensitive products. Canada has signalled it desires 6 per cent and Japan 8 per cent. Various ideas have been tried but nothing has commanded consensus. One could just leave it at that for political decision – in a certain sense the text *per se* now presents it that way which seems to be the fairest thing to do in the circumstances when

you simply do not have agreement on such a sensitive matter.

5. But the constructive engagement we had did suggest certain lines of possibility and, one of these days, a solution is actually going to have to be found that works for everyone. In that spirit, and based on what I have heard, the best I can suggest as regards Canada is that the following could represent options – they are not intended as last word legal drafting – from which a final decision could be made. Adjustments could obviously be made to these options, but if this is ever going to be resolved, my sense is that it something close to what is outlined below could be a way to create a springboard to closure.

6. *Either:*

Canada may also have access to the maximum number of tariff lines provided for in the second sentence of paragraph 71 provided that (a) for each tariff line that is additional to the 4 per cent¹ under paragraph 71 first sentence, they provide an additional 1.5 per cent of domestic consumption to the 4 per cent of domestic consumption provided for under paragraph 74 for those additional lines (i.e. 5.5% of domestic consumption for each additional line over the 4%

¹ This presentation assumes that the two-thirds deviation is used and there are no other adjustments. If the one-half or one-third deviation or there were other adjustments made as provided for in the Revised Draft Modalities for Agriculture, then the figures that follow should be adjusted accordingly.

limit); and (b) for all of the 4 per cent of tariff lines referred to in paragraph 71 first sentence, they provide an additional 0.5 per cent of domestic consumption to the 4 per cent of domestic consumption provided for under paragraph 74 (i.e. 4.5 per cent of domestic consumption for the default 4 per cent of tariff lines).

Or:

Canada may also have access up to the maximum number of tariff lines provided for in the second sentence of paragraph 71 provided that an additional 1 per cent of domestic consumption is provided for each and every tariff line declared to be sensitive (i.e. 5 per cent of domestic consumption for each and every tariff line declared to be sensitive).

7. As regards Japan, I have not to this point had the impression that either of the above two options would work. Nor have I had any basis from the consultations to suggest any other approach that might generate convergence. Of course, Japan has tabled its own proposal as regards access to a total of 8 per cent of tariff lines for Sensitive Products.

8. However, this is not, of course, just a question of numbers for Sensitive Products viewed in clinical

isolation from everything else. There would be questions as to whether or how this affected those observing the default number and how it affected other elements in the text.

9. As regards paragraph 76, some changes have been made to the text within square brackets – which remains, as an issue, of real contention despite ongoing consultations. I have no emerging consensus by way of compromise or alternative. The best I can suggest as a possible alternative is the following – proffered more in hope than expectation of agreement:

Alternatively, certain Members² may retain no more than 2 per cent of their tariff lines in excess of 100 per cent ad valorem for no longer than four years after the implementation period of paragraph 61. In addition, each year following the implementation period, they shall reduce one-quarter of retained lines to 100 per cent ad valorem.

² Iceland, Japan, Norway, Switzerland

(www.wto.org TN/AG/W/5, 6 December 2008)

Committee on Agriculture Special Session

Revised Draft Modalities for Agriculture Special Safeguard Mechanism

1. Based on constructive consultations to this point, we have made genuine progress on the SSM as relates to what happens in cases where it would mean going above the bound rate. And the progress that we have made, while even reaching something that I could describe as tantamount to convergence on some elements, has still been uneven. In other words, we have made real progress, but the unavoidable reality is that we are still short of a clean text, let alone actual agreement on key matters. That being so I could hardly pretend that there was something cooked and ready to go that could be inserted in the revised draft text.

2. But I could not leave things just like that, because we have manifestly moved on. The constructive

engagement we have had did at least quarry out certain lines of direction and, one of these days, a solution is actually going to have to be found that works for everyone. We need something to work on in a spirit of getting to a conclusion. In that spirit, and based on what I have heard, the best I can suggest is the following as an effort to represent the elements of convergence that are emerging. It is not in final legal drafting form but could, hopefully, operate as a structure to get us to closure. Adjustments could obviously be made to the drafting below, but if this issue ever going to be resolved, my sense is that it something not a million miles from what is outlined below could be a way to create a springboard to closure.

3. The following shall be the basis upon which the SSM may be triggered for “above the bound rate”:

The volume-based SSM shall, subject to the conditions in sub-paragraph x below, be applicable within a twelve-month reporting period. This twelve-month period may be a marketing year, calendar year, fiscal year, etc. at the discretion of the Member concerned. But, once chosen, it is the binding basis for application.

The SSM shall become applicable when, within that twelve-month period, the trigger levels, calculated in respect of the average of the preceding three years' imports, have been met. If, however, an SSM was in force during that three-year period, the monthly average of the imports net of that period of SSM application shall be calculated and applied as the proxy imports for the months during which the SSM was in force, unless actual imports during its application were higher.

Where the volume of imports during any period exceeds 120 per cent but does not exceed 140 per cent, the maximum additional duty that may be imposed shall not exceed one-third of the current bound tariff or eight percentage points, whichever is the higher.

Where the volume of imports during any period exceeds 140 per cent, the maximum additional duty that may be imposed shall not exceed one-half of the current bound tariff or 12 percentage points, whichever is higher.

These remedies shall not normally be applicable unless the domestic price is actually declining. There may, however, be exceptional circumstances where the authorities have good reason to believe that there would be at least an imminent foreseeable decline but may lack sufficiently reliable data to be in a position to verify that robustly at the time. If so, action may be taken in such exceptional circumstances, subject to an expedited review by a standing panel of experts in the event that this is requested. In any case, in the event that reliable data is subsequently available it shall be used and, if it does not verify decline, the measure shall be rescinded.

Once the SSM has been triggered, it may be applied for a maximum of [4/8] months and shall not be re-applicable thereafter until an equivalent period of months has elapsed.

If the SSM is not triggered until within [2/4] months of the end of any given twelve-month period it may,

however, be applicable into the next 12-month period provided that this is for no more than [2/4] months and that the maximum period of application and conditionality for reapplication is also respected.

The SSM shall not be applied to more than 2.5 per cent of tariff lines in any 12-month period.

4. I feel that the above indicates elements where there has been more manifest convergence emerging and I am relatively more optimistic that the above could be used as a robust enough working structure for getting to an agreement. The area below is less well advanced because the concept of any kind of pause is still more sensitive than other matters. At this point at least, there is still not as much emergent consensus as on some other elements and it may prove to be the case that it is intractable. There are some Members who would see no need to even go here. On the other hand, I cannot ignore that this area has, for other Members, proved to be an important one which is perhaps all the more so because it is perceived to be the only possible way of allaying even to a small degree anxieties about seasonality effects. I think it's useful to at least lay out some options to help to foster convergence, if the will is there. Some would like there to be no pause. Others would like to ensure that there can be no consecutive application at all. If there is to be a compromise the following are the best I can offer. They need not be mutually exclusive:

[In the event that the SSM for seasonal perishable product tariff lines is triggered and applied in two consecutive twelve-month periods such that its total period of application is 12 months or more, it may not be applied in (or spill-over into) the subsequent twelve-month period.]

[There shall be a review after 2 years of the operation of the SSM as it applies to seasonal perishable product lines, with particular emphasis on the impact on developing country Members exports. The purpose of such a review will be to determine whether there is any disproportionate effect on seasonally traded products and, if so, to recommend ways and means to redress any such impact in a manner which is compatible with effective functioning of the SSM.]

[In the event that an SSM should be applied for three consecutive twelve-month periods, the standing group of experts shall, on request by an affected Member, evaluate whether or not the measure is effectively

functioning as a measure to deal with import surges of an inherently temporary nature that is not disrupting normal trade or whether it is a response to an underlying more structural problem. They shall render their views and opinions including non-binding recommendations as appropriate.]

5. I should also note the fact that there are other matters still requiring subsequent decision. It has not been feasible to turn to such matters in any detail since July because the working priority has been to sort out the "above the bound rate" approach first.

- (a) Status of LDCs: Irrespective of a "general" solution, it has been the working hypothesis (no-one has objected) that LDCs will have a more flexible arrangement as was originally conceived in Rev. 3, although the triggers and remedies were never settled

and LDCs had sought greater flexibilities than in the Rev.3 text.

- (b) Status of SVEs: If there is a "general" solution found, is it to be assumed that this is applicable to all developing countries including SVEs?
- (c) Status of "Under the bound rate": Consultations subsequent to July indicated that a number of Members had areas in Rev. 3 that they disagreed with as regards "under the bound rate" paragraphs. But it was recognized that this could not be progressed one way or another until "above the bound rate" was resolved. It is not clear how far reaching any changes might prove to be here.

(www.wto.org TN/AG/W/7 6 December 2008)

Note:The above three documents have been produced *verbatim* Ambassador Crawford Falconer (Chairperson WTO Committee on Agriculture).

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