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From the Director's Desk



K.T. Chacko

The Doha Development Round which began in November 2001 primarily aimed at bringing the development dimension of international trade to the centre stage. Ten years of intense negotiations though have made some progress; successful conclusion of the Round still demands elaborate discussions on key issues such

as agriculture and NAMA. Past meetings have tried to establish the modalities by which distortions in world trade can be removed so as to allow developing and Least Developed Countries to benefit from free trade.

Recently concluded informal ministerial meeting at Paris largely focused on how to strike a balance among member countries in hammering out an agreement which could lead to speedy conclusion of Doha Round. A noteworthy aspect of this meeting was certain shift in the stance of developed countries. Developed countries instead of addressing the policy distortions in agriculture, which was one of the primary agenda and on which some progress has been already made, turned to further harmonization of tariffs. This was done with the intention of liberalizing NAMA as developed nations are keen to deepen sectoral liberalization where they have core competence to secure trade gains. Developing countries including India believe such imposition will decelerate the momentum of conclusion of the Round. They believe, sectoral initiatives were always intended to be a non-mandatory top-up to industrial goods liberalization. After the aggressive cuts by the developing countries through the Swiss formula, it would be difficult to accept a mandatory proposal of this nature.

While there would be commercial interests guiding trade, these interests cannot take primacy over the livelihood interests of billions of poor and vulnerable farmers in the developing world. In the context of the current food crisis and the abnormal rise over the last three years in food prices, it has become all the more important to preserve and protect the livelihood security of the developing and Least Developed Countries.

At the recently concluded India-Africa Trade Ministers' Meeting at Addis Ababa it was emphasized that the speedy conclusion of the Round and the establishment of a strong multilateral system based on mutually beneficial and balanced outcomes in agriculture, NAMA, services and rules would be meaningful for all member states.

Doha Round in the WTO: Progress and Prospects

Geethanjali Nataraj*

The paper makes an attempt to understand the reasons behind the undue delay in the completion of the Doha Round of Negotiations in the WTO. It is nearly a decade since the Round was launched in September 2001 but the progress has been slow and tedious. The stalemate is largely due to the reluctance of both developed and developing countries to move from their established positions on issues related to trade-distorting agricultural subsidies and non-agriculture market access (NAMA), i.e. reduction in industrial tariffs. Further, the paper has detailed the current state of play in the negotiations and the need for both developed and developing countries to complete the Round. The future of WTO as a facilitator of the multilateral trading regime has also been discussed.

Introduction

THE year 1995 was a landmark year in the history of multilateralism with the inception of the WTO. The WTO is considered to be the cornerstone of the multilateral trading system, incorporating trade in goods and services and protection of intellectual property rights. Its basic objective is one of enhancing trade between countries without discrimination and it has special provisions for both LDCs (least developed countries) and developing nations to help them reap the benefits of international trade commensurate with the needs of their economic development. But the smooth functioning of the organization is ridden with several obstacles, as there is stiff resistance from developing countries like India to protect their sensitive sectors such as agriculture and safeguard the interest of millions of farmers across the country.

The Doha Round of multilateral trade negotiations, which began in November 2001, completed nine years making it the longest running negotiation in the post War era. However, there is no end yet in sight. Members of the WTO continue to differ on the depth of liberalization required in the areas of agriculture and non-agricultural market access (NAMA), thus hindering the

discussion of other important issues on the negotiating agenda particularly services.

The completion of the Doha Round is mandatory for two key reasons. The *first* is to implement the tariff and subsidy reforms embedded in the draft texts developed to date and pocket the gains substantially agreed to. The *second* is to ensure the viability of the rules-based multilateral trading system. If multilateral solutions are put on hold, national governments - pressed by their domestic constituencies - will look elsewhere to resolve trade and investment problems, either through unilateral measures or through bilateral and regional trade pacts. Failure in the Doha Round would cause irreparable harm to the WTO's credibility as a negotiation forum, which over time, is likely to undermine its valuable dispute settlement mechanism. Box 1 underlines the importance of completing the Doha Round in terms of benefits.

Development Agenda of the Doha Round and Gains from Trade

The multilateral trade negotiations launched at the 4th WTO Ministerial Conference held in Doha, Qatar in November 2001 have been titled as the Doha Development Agenda (DDA). The Doha Ministerial Declaration promises to place the interests of

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BOX 1

WHY IS THE DOHA ROUND SO IMPORTANT, AND ARE WE ANYWHERE NEAR STRIKING A DEAL?

The conclusion of the Doha Round is necessary for several reasons. *First*, the agreement is expected to provide a cushion against future protectionism by consolidating the large amount of unilateral liberalization that has taken place since the Uruguay Round in the 1990s. *Second*, the deal would bring in large-scale reforms in farm trade by binding subsidy levels in the developed world and eliminating export subsidies. *Third*, it is estimated that the gains from the conclusion of the Round are around \$360 billion — if a deal is struck then it could be one of the most ambitious packages of trade liberalization negotiated multilaterally.

According to Prof. Jagdish Bhagwati, the permanent collapse of the Doha Round is likely to provoke a wave of preferential trading agreements that would fragment, rather than integrate the multilateral trading system. The efficacy of multilateral institutions, especially the WTO, is at stake and everything depends on the successful conclusion of the Doha Round.

developing countries at the centre of the negotiations. However, it has been difficult for the WTO Members to find consensus on the exact contours of the “development dimension” and to accordingly reach agreements in all the areas of negotiations.

After the much-publicized failure to launch a new round of multilateral trade negotiations (MTNs) in Seattle in 1999, the launch of the DDA was something of a breakthrough and bolstered confidence in the WTO and the multilateral trading system. The 153 members of the WTO had agreed to take the “the development dimension seriously across the board”, although some thought of it as a mere post-Seattle spin (Lamy, 2003). The DDA made growth and development its principal focus. It is widely agreed in the community of trade analysts and economists that liberalizing markets for trade in manufactured products, services and agriculture can buttress global economic growth and development. The issues included in the DDA were: agriculture, services, industrial tariffs, implementation, environment and

some areas of intellectual property. It was expected that liberalization of multilateral trade in agriculture would receive a great deal of attention from the Organization for Economic Co-operation and Development (OECD) countries. Not a part of the “single undertaking”, a reform of Dispute Settlement Understanding (DSU) and addressing the vulnerability of least-developed countries were agreed to be taken up during the MTN by the ministers during the Doha Ministerial Conference.

The development agenda of the Doha Round centres around creating market access opportunities and reform in agriculture, expanding opportunities for manufactured goods and services, and updating the trading rules to meet the needs of a 21st century economy. Two-thirds of the World Trade Organization’s Membership is comprised of developing countries. A study by the World Bank and the Institute for International Economics showed that elimination of global trade barriers could lift 300-500 million of the world’s poor out of poverty. A successful trade round

will be comprehensive and ambitious. According to the World Bank “...the liberalization targets under the DDA have to be quite ambitious if the Round is to have a measurable impact on world markets, and hence poverty... In order to have a significant near-term impact on poverty, complementary domestic reforms are required to enable households to take advantage of market opportunities created by the DDA.”

There are four major areas of focus within the Doha Development Agenda to deliver market access opportunities:

Agriculture

Over 70 per cent of the poor in developing countries live in rural areas. Agriculture is the largest employer in low-income countries, accounting for about 60 per cent of the labour force and producing about 25 per cent of GDP. Developing countries have rightly focused on the need to reduce and eliminate trade-distorting subsidies in developed nations, and the US continues to lead on these reforms. World Bank findings show that only 2 per cent of the potential gains to the world will come from developed nations' elimination of export subsidies and 5 per cent of removal of domestic support measures. Focusing on market access is where the biggest gains to global trade liberalization are to be realized. According to the World Bank, 93 per cent of the global benefits from removing distortions in agriculture would come from market access. For developing countries, nearly all the benefits they would receive

from liberalization is through the global reduction of import tariffs.

World Bank modeling shows that “over half the gains to developing countries from global agricultural reforms would come from liberalization of developing countries themselves.” As highlighted by several studies, including the United Nations’ millennium project on trade, the biggest gains come from developing countries’ own liberalization reflecting the basic point that protection hurts the consumers of the protecting country. Two additional factors boost the potential gains to developing countries from global reforms:

- (1) Agricultural tariffs are even higher in developing than developed countries.
- (2) A large minority of developing country trade is now with other developing countries.

The latest round of agriculture negotiations was held in Geneva during 7-17 February 2011, following meetings in December and January. In the latest round of negotiations there was a growing sense among Members of the need to make progress on outstanding issues, and as a result of this there was more substantive engagement on key issues (*Economic Survey*, 2010-11).

Non-Agricultural Market Access

According to recent WTO data, developing countries saw their share in world merchandise trade rise sharply in 2004 to 31 per cent, the highest since 1950, and developing countries command now almost 20 per cent of world exports. Similarly, total

trade within the developing world (South-South trade) is growing at 10 per cent per year, double the growth rate of world trade. South-South trade now accounts for over 40 per cent of developing country exports.

Over 70 per cent of the duties paid by developing countries are paid to other developing countries, largely a function of high tariff rates. For example, more than 60 per cent (apprx. \$23 bn) of developing country exports to one advanced developing country – Brazil – are subject to tariffs greater than 15 per cent.

In a study of five leading industrialized-developing countries – Brazil, Egypt, India, Malaysia and South Africa – top non-agricultural, manufactured exports to trading partners with low duties valued \$1.3 billion, more than 3½ times the value of the trade among themselves (\$361 mn). These results suggest low duties support export growth and high duties suppress trade.

The broadest measure of trade restrictiveness – the average bound tariff – shows that the United States is among the least restrictive trading economies in the world, with an average bound tariff on all goods of 3.6 per cent, compared to the 39 per cent average of all WTO members.

The World Bank’s findings suggest that the biggest developing country winners from the Doha Round overall will be: Brazil, Argentina, India, Thailand and South Africa, along with some others in southern Africa. Notably, the Bank found that the rest of sub-Saharan Africa gains when non-agricultural market

access is expanded and especially when developing countries participate as full partners in the negotiations.

The NAMA negotiating group met in January and February 2011 to advance discussions on both non-tariff barriers (NTBs) and sectoral tariff liberalization. The Chair convened smaller groups to advance discussions on cross-cutting NTB proposals, such as proposals concerning transparency and consultation mechanisms for addressing trade problems. Sectoral tariff liberalization proponents continue to meet with potential participants bilaterally. In particular, there has been further discussion on potential flexibilities that might be required for key developing countries to join sectoral tariff elimination initiatives. Further progress in this area will be important in determining the prospects of concluding the Round this year (*Economic Survey*, 2010-2011).

Services

According to World Bank data, the services sector accounts for the largest and fastest growing share of GDP in middle and low-income economies. Over half of total employment in Latin America, Caribbean and East Asia is in the services sector. An IMF study showed that countries with fully open telecommunications and financial services sectors grow up to 1.5 percentage points faster than other countries. Liberalization in global services trade will improve the infrastructure of modern economies – express delivery services, reliable communications,

financial services, transportation services and others – to the developing world. The World Bank estimates that nearly \$900 billion in annual income gains would be realized by developing countries from elimination of their barriers to trade in services.

As part of the broader effort to seek to conclude the Doha Round, WTO Members reconvened in Geneva in January and February, 2011 to intensify negotiations on services. Australia has worked closely with the US, EU, Japan and Canada to identify what is needed from other Members to achieve a satisfactory package on services and brought together a group of 30 key members (S30) in February to discuss this. The meeting focused on where Members anticipated the need for flexibility in regard to elements identified as important to a final package. Members have expressed a willingness to participate in the detailed negotiations on services market access that are necessary to conclude the Round. As well as, the S30 plurilateral meeting in February 2010 on services sector focused on bilateral negotiations on commercial presence and the movement of natural persons, as well as on the telecommunications, computer and audio-visual services sectors (*Economic Survey*, 2010-11).

Special and Differential Treatment

The Doha Development Agenda recognizes that developing countries need additional assistance to participate in an effective manner with the global economy. The WTO's system of rights and

obligations provides for special and differential treatment (S&D) – ways in which developing countries are provided unique treatment to assist their participation in the system. The Doha mandate explicitly states that special and differential treatment will be an integral part of the Doha negotiations. Lesser reductions and longer phase-in periods are examples of S&D. Least Developed Countries – designated as LDCs by the United Nations – are not obligated to make contributions.

Since the WTO Members are able to “self-elect” as developing countries, a central challenge in the Doha Round is to provide special and differential treatment to facilitate integration without providing disincentives for countries – both developed and developing – to liberalize and reform.

Another challenge in providing special and differential treatment arises because each country presents a unique set of circumstances; it will be critical to achieve solutions that effectively address individual needs of the Members rather than attempt outdated “one-size-fits-all” solutions. The Doha negotiations place much greater attention on ensuring that as negotiations progress, developing countries have the wherewithal to participate as well as implement the resulting agreements. This has involved an increase in trade capacity building assistance and creation of a WTO trust fund to which the United States has contributed more than \$1 million annually.

It was well recognized in Doha that developing economies require improved access to

technologies and markets – which means expansion in their trade – for underpinning their growth endeavours. To be sure, world trade has grown and developing countries have not been excluded from it. Several developing countries that were classified as low-income economies in 1980 have successfully managed to raise their level of manufactured exports from 20 per cent of the total to 80 per cent. Many of them have entered the ranks of today's middle-income countries or the emerging-market economies (Das, 2004a). Between 1980 and 2001, the share of developing economies in world trade increased by 20 per cent, from 15 to 35 per cent of the total. Expansion of exports in manufactures – not agriculture – accounted for bulk of this trade growth (WB, 2003).

One far-reaching consequence of liberalization of tariff and non-tariff barriers (NTBs) by developing economies since the mid-1980s is increase in their competitiveness in the global marketplace, leading to larger volume of their exports. Some 25 emerging-market economies have made impressive strides in exporting low- and medium-technology goods. Others have succeeded in exporting high-technology products, particularly electronics goods, computer components and information technology related products. Exports of automobile parts from the low- and middle-income developing countries have accelerated with a rapid pace, at more than 22 per cent per year (WB, 2003; Das, 2004a). Between

1981-2001, growth rate of exports of these products from the developing economies was much higher than the global average growth rate. Regional or global production networks, or production sharing, have also helped in raising export volumes of the emerging-market economies. Production networks, which are based on the principle of "slicing of value chain", tend to benefit the participating economies by allowing production to be broken into discrete stages. Each stage is performed in the country best suited for it. For instance, labour-intensive stages of production are undertaken in the labour-abundant countries, while capital- or knowledge-intensive stages are undertaken in matured economies. Production sharing can greatly expand the range of industrial activities that can be undertaken in a developing economy.

Growth rate in export expansion of traditional low-technology goods, such as textiles and apparel, from the low-income developing economies was 14 per cent per year over the 1981-2001 period. Export growth of other products was faster. For instance, exports of electronics products grew at the rate of 21 per cent per annum—fast enough to double in value every few years. This category of exports did not exist in 1980 in any developing economy. Not only market share but also the range of market of the developing economies increased considerably during this period. All the regions improved their competitiveness during the 1990s and gained in market share at the expense of the major industrial

economies. This was not true for the decade of the 1980s.

Role of India in WTO

India is a founder member of the General Agreement on Tariffs and Trade (GATT) 1947 and its successor, the World Trade Organization (WTO), which came into effect on 1 January 1995 after the conclusion of the Uruguay Round (UR) of Multilateral Trade Negotiations. India's participation in an increasingly rule based system in the governance of international trade is to ensure more stability and predictability, which ultimately would lead to more trade and prosperity for itself and the 153 other nations which now comprise the WTO. India also automatically avails of MFN and national treatment for its exports to all the WTO members. Even then for quite some time now, India has been unfairly perceived as a roadblock to progress. As in July 2008 western media put the entire blame on the Ministry of Commerce and Industry, of India for not agreeing to the package. In the Climate Change Talks too India has been an active participant on the issue of carbon emission. In this context it is important for India to get proactive and play a role in resolving the blockages. The two-day Mini-Ministerial meeting of some 36 trade ministers hosted by the Government of India in New Delhi during September 2009 concluded with a few proposals on a process to "re-energize" the WTO Doha Round of multilateral trade negotiations, but with no movement on substance.

According to the WTO Secretariat Report, along with the

policy statement by the Government of India, India is expected to snatch most of the business deals that are presently catering the developed nations which includes major service based industries like telecom, financial services, and infrastructure services such as transport and power. The increase in availability and reduction in tariffs has prompted many developed nations to go for business with India especially in IT and ITeS industry. If the trend continues then by 2025, India is expected to cater to the software and services demands of major giants of the business world. Analyzing the present relationship with the promising economic growth of India, one can be sure that India is going to enjoy a very candid and bright relationship with the WTO and associated member nations by 2025.

Current State of Play in the Negotiations

Since the last World Trade Organization (WTO) Ministerial meeting took place in Hong Kong in 2005, the WTO Doha negotiations have remained at an impasse. Attempts to revive negotiations in July 2008 Mini-Ministerial meeting failed. In principle what the Doha Declaration agreed to in 2001 was meant to foster "development" in developing countries and address the adverse impact of trade liberalization and deregulation. Since then, Doha negotiations have been dragging on for almost a decade with developing nations rightly remaining cautious about concluding a "bad deal". Negotiations continue to be unbalanced with developing countries still being offered a raw deal.

To add some background, as has been mentioned the Doha Round began with a ministerial-level meeting in Doha, Qatar in 2001. Subsequent Ministerial Meetings took place in Cancun, Mexico (2003), and Hong Kong (2005). Related negotiations took place in Geneva, Switzerland (2006, 2008); Paris, France (2005); and Potsdam, Germany (2007). The 2003 Cancun talks intended to forge concrete agreement on the Doha Round objectives but collapsed after four days. The negotiations were suspended for the remainder of 2003. In 2004, US Trade Representative Robert Zoellick pushed for the resumption of negotiations by offering a proposal that focused on market access, including an elimination of agricultural export subsidies. He also said that the Singapore issues could progress by negotiating on trade facilitation, considering further action on government procurement, and possibly dropping investment and competition.

In the months leading up to the talks in Geneva, the EU accepted the elimination of agricultural export subsidies. The Singapore issues were moved off the Doha agenda. Compromise was also achieved over the negotiation of the Singapore issues as the EU and others decided. Developing countries too played an active part in negotiations that year, first by India and Brazil negotiating directly with the developed countries (as the so-called “non-party of five”) on agriculture, and second by working towards acceptance of trade facilitation as a subject for negotiation.

With these issues pushed aside, the negotiators in Geneva were able to concentrate on moving forward with the Doha Round. After intense negotiations in late July 2004, the WTO members reached what has become known as the Framework Agreement (sometimes called the July Package), which provides broad guidelines for completing the Doha Round negotiations. The agreement contains a 4-page declaration, with four annexes (A-D) covering agriculture, non-agricultural market access, services, and trade facilitation, respectively. In addition, the agreement acknowledges the activities of other negotiating groups (such as those on rules, dispute settlement, and intellectual property) and exhorts them to fulfill their Doha Round negotiating objectives. The agreement also abandoned the 1 January 2005 deadline for the negotiations and set December 2005 as the date for the 6th Ministerial to be held in Hong Kong.

The Sixth WTO Ministerial Conference took place in Hong Kong, during 13 to 18 December 2005. Trade ministers representing most of the world’s governments reached a deal that sets a deadline for eliminating subsidies on agricultural exports by 2013. The final declaration from the talks, which resolved several issues that have stood in the way of a global trade agreement, also requires industrialized countries to open their markets to goods from the world’s poorest nations, a goal of the United Nations for many years. The declaration gave fresh impetus for negotiators to try to finish a comprehensive set of global free trade rules by the end of 2006.

The July 2006 talks in Geneva failed to reach an agreement about reducing farming subsidies and lowering import taxes, and negotiations took months to resume.

In June 2007, negotiations within the Doha Round broke down at a conference in Potsdam, as a major impasse occurred between the US, the EU, India and Brazil. The main disagreement was over opening up agricultural and industrial markets in various countries and how to cut rich nation farm subsidies. However, there were disagreements on issues including special protection for Chinese and Indian farmers and African and Caribbean banana imports to the EU. India and China’s hard stance regarding tariffs and subsidies was severely criticized by the United States.

As a result, the negotiations collapsed on 29 July over issues of agricultural trade between the United States, India, and China. In particular, there was insoluble disagreement between India and the US over the special safeguard mechanism (SSM), a measure designed to protect poor farmers by allowing countries to impose a special tariff on certain agricultural goods in the event of an import surge or price fall.

Discussions were slow to resume after they paused in December 2008 and there has not been much progress since. A stock taking exercise at the level of senior officials took place in the WTO in March 2010, where members agreed to take the discussions ahead based on the work already done while maintaining the focus on the development dimension of the Round.

The stalemate is largely over developed countries' reluctance to make considerable reductions in their trade distorting agricultural subsidies and unbalanced proposals for further reductions in industrial tariffs. From 30 November to 2 December 2009, after a spate of failed attempts to revive the WTO Doha Negotiations, a WTO Ministerial conference was held in Geneva and all the members agreed to do a stock taking and complete the Round. It was decided that the next WTO Ministerial would be held in 2011.

Developing countries are faced with a number of challenges to meet their development needs. These include growing their economies, addressing high levels of poverty, ensuring job creation, expanding their manufacturing bases and managing their resources. The question is, in the context of the global economic and planetary crisis, will the WTO negotiations seek the opportunity to question unbalanced trade rules or continue negotiations within the current economic paradigm that essentially perpetuates underdevelopment in developing countries?

The current state of play amongst the WTO members - more so from developing countries - is that unless agreement is reached on agriculture and non-agricultural market access (NAMA), no negotiations will take place on other issues such as services, trade in environmental goods/services, trade facilitation and geographical indicators, amongst other issues. The stalemate in the

negotiations questions the legitimacy of the WTO to promote fair and balanced multilateral trade rules that will address the past and current inequities, which developing countries are faced with.

On agriculture, points of contestation are the elimination and/or reduction of trade distorting subsidies and substantial market access opportunities for developing countries' agricultural goods. Developing countries that belong to the G20 and also happen to be big industrial agricultural producers have formed a coalition. These countries have a proactive interest in greater market access in the developed world.

Within the WTO's Group of 33 (G33) countries, there are also countries that have huge peasants, family, subsistence and small-scale farming communities. Vitality, these countries are calling for special safeguard measures to protect their small-scale and emerging farmers from the adverse effects of trade liberalization. India, for example, belongs to both the G33 and G20. While the G20 is calling for greater market access, it will mostly benefit large-scale agriculture farmers and businesses, if at all. Furthermore, the WTO perpetuates the current permissive industrial agricultural production and trade system in genetically modified organisms and agro fuels (biofuels) that contribute significantly to climate change.

On NAMA, developing countries want guaranteed policy space. In other words, the right to develop policy through

experimentation, in addition to the flexibility to design industrial, trade, technology and social policies unique to their respective situations. The challenge for developing countries is how they use the policy space if they get it.

Certain economic instruments are necessary, such as the flexibility to raise or drop industrial tariffs when necessary, particularly to protect industries and jobs from import surges as well as to allow subsidies to support infant industries and build domestic capacities and assets. The current WTO negotiations curtail these instruments and subject countries to binding commitments. At the same time, past and current industrial development is having a significant impact on the physical environment, the use of natural resources and the socio-economic rights of workers.

After several failed attempts to revive the Round and bring it to an end, there was still hope that it could be saved as the G20 leaders, at the 12 November 2010 Summit (held in Seoul), gave a strong commitment to direct negotiators to engage in across-the-board negotiations to promptly bring the Round to a successful and balanced conclusion. The leaders acknowledged that 2011 would be a critical window of opportunity, albeit narrow, and that engagement among different groups and countries must intensify. They also reaffirmed their commitment to resist all forms of protectionist measures (*Economic Survey*, 2010-11).

At the 30 November 2010 informal meeting of the Trade

Negotiations Committee, WTO Director-General Pascal Lamy outlined a process for translating the leaders' commitments above into the Doha Round negotiations in Geneva. Mr. Lamy urged the WTO members to operate on a tight deadline in order to conclude the Round by the end of this year. To this end, he proposed the following work programme: From 10 January, the Rules, Trade Facilitation, Trade and Environment, TRIPS and Development groups to commence intensive sessions; from 17 January, Agriculture, NAMA, Services and Dispute Settlement groups to begin intensive sessions (*Economic Survey*, 2010-11). However, subsequent meetings of the member countries has resulted in deeper cracks and the plausibility of completing the Round by the end of 2011 remains a bleak possibility.

Conclusion

In spite of all the furore over the success and future role of the WTO, it has no doubt gained in popularity over the years. The number of countries waiting to seek accession and become members corroborates this. The WTO Annual Report 2008 indicates that its total membership stands at 153 and a further 20 plus countries, most of which are LDCs are in the process of acceding to the WTO. These countries account for nearly 90 per cent of world trade. In another WTO Annual Report of 2005, it is said that elimination of barriers to merchandise trade in both industrialized and developing countries could result in welfare gains of \$250-620 billion annually. A more rapid growth associated with a

reduction in global protection could reduce the number of people living in poverty by as much as 13 per cent by 2015. It proves that trade liberalization and poverty reduction go hand in hand. Therefore, it is clear that for small and poor countries the WTO is the right platform to go ahead with reforms and pursue their goals of economic development through enhanced trade liberalization. The year 2011 is being touted as the make or break year for the Doha Round. In the meantime, it is essential that developing countries like India continue to follow the unilateral trade policies suited to their domestic needs but within the framework of the international trade environment. It remains to be seen whether Doha will prove to be a jinxed venue for the WTO or a name for a landmark agreement in the history of multilateral trade.

NOTES

1. Adler, Brunel, Hufbauer and Schott (2009), "What's on the Table? The Doha Round as of August 2009", Working paper 09-6, Peterson Institute of International Economics, Washington DC.
2. See speech by Commissioner Pascal Lamy "Can the Doha Development Agenda Live up to its Name?" delivered in Cancun on 10 September 2003.
3. Implementation matters refer to difficulties faced by many developing countries in putting current WTO agreements in place and incorporating them in their domestic body of law.
4. Office of the United States Trade Representative www.ustr.gov. Doha Development Agenda Policy Brief – October 2005, p. 3.

5. Office of the United States Trade Representative www.ustr.gov. Doha Development Agenda Policy Brief – October 2005, p. 4.
6. There are currently 32 Members of the WTO that have been designated by the United Nations as a "least developed country":
7. This category of exportables includes textiles and apparel, toys, sporting goods, iron and steel products, and engineering products like engines, pumps and other instruments.
8. See, for instance, Deardorff (2001) and Hummels, Ishii and Yi (2001).
9. Refer to WB (2003), in particular Chapter 2.
10. Forty-nine countries are currently designated by the United Nations as the "least developed countries"

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Lamy Strives to Keep Doha Trade Talks Alive

DESPITE warnings by World Trade Organization Director-General Pascal Lamy that the Doha Round of trade talks are “on the brink of failure”, no member country wants to waste ten years of negotiations. This was what came out of the trade negotiations committee (TNC) meeting after the reports of the chairs of the negotiating committees presented their reports on 21 April 2011.

At the TNC meeting it was decided that “WTO ambassadors endorsed on 29 April 2011” Mr. Lamy’s plan to consult delegations in Geneva and ministers around the world in the search for “a different way of achieving a breakthrough in the Doha Development Agenda negotiations”. Mr. Lamy will report back at another TNC meeting convened for 31 May.

The EU presented a non-paper proposing a compromise in the non-agricultural market access (NAMA) negotiations that delegations will study, in particular the US, which is insistent on the emerging countries bringing their tariffs to zero in some sectors.

India’s Ambassador Jayant Dasgupta said that documents of 12 April also point to the wide gaps still existing not only in NAMA but in many other areas of the negotiations, and commended the fact that the documents helped preserve the progress made in negotiations since 2001, but added that some positions have not been reflected adequately in certain documents.

India agreed with Mr. Lamy that it is not feasible to let negotiations gradually drift or

renegotiate the mandate at this late stage. Shri Dasgupta reminded the WTO that members have set July 2011 for the conclusion of the text-based negotiations and mid-December for the next ministerial meeting.

He said, “This round is the only round in the last seven decades that has been specially designated as a Development Round with the professed aim” of bringing the benefits of globalization within reach of the developing countries. This, he said, is “so that they can successfully tackle the challenges of poverty, unemployment and growth. In this regard, we do feel very disappointed when we note the attempt to shift the discourse from development to purely mercantilist issues, most of them having scant relevance for developing countries.”

He also drew the attention of the members that the WTO is not only about the Doha Round but also encompasses carrying on with the work to make the global trading system more open, transparent, predictable and development-friendly.

He quoted the April 13 Hainan Declaration of the BRICS heads of state as “Brazil, China, India and South Africa remain committed and call upon other members to support a strong, open, rule-based multilateral trading system embodied in the WTO and successful, comprehensive and balanced conclusion of the Doha Development Round, built on the progress already made and consistent with its development mandate.”

(The Financial Express, 3 May 2011)

WTO Chief Warns of Collapse of Doha Round

THE first multilateral trade negotiations – the Doha Development Round – being undertaken under the umbrella of the World Trade Organization (WTO), risk a collapse if the running options such as “business as usual”, “stopping and starting from scratch” and “drifting away” are not surmounted.

This is the broad message the Director-General of the World Trade Organization (WTO) delivered in Geneva at the informal meeting of the Trade Negotiations Committee that oversees the negotiations in all topics. But the WTO Chief, as the Chairman of the TNC in his opening remarks, rightly reminded the trade envoys that “the round was launched because a broad spectrum of members converged on its potential as an instrument for growth and development and I see it our duty to keep faith with their vision.”

Perils Ahead

A number of the WTO ambassadors, the trade representatives of Member Nations as they are known in the WTO parlance, echoed Mr. Pascal Lamy’s lament about the perils ahead as the membership confronts the real prospect of Doha Round failing, with the political “window of opportunity” that is seen to exist in 2011 rapidly fading. They also rued the costs of such a mishap as the lost opportunity of boosting trade and development, increased protectionism and the erosion of faith in the trading system.

Mr. Lamy was not off the mark when he rightly reminded the members that “failure of the WTO to deliver on its legislative function, failure of the WTO to update the rules governing international trade – last updated in 1995 – by adapting them to the evolving needs of its members, failure of the WTO to harness our growing economic interdependence in a cooperative manner, risks a slow, silent weakening of the multilateral trading system in the longer term.”

TNC Meet

In the day-long TNC meeting on 29 April in Geneva, several ambassadors spoke of the need for

straight talking, in private if need be, in the quest for a breakthrough, while others called for the process to continue to be transparent (information shared) and bottom-up (ideas emanating from the members) praising the 21 April texts on all topics currently under negotiations for following these principles. Some also adverted to a letter their ministers wrote to the TNC on their resolve not to let the Doha Round flounder further and fail.

Even as Mr. Lamy graphically put it that “a classic mercantilist issue, tariffs on industrial goods or non-agricultural market access (NAMA) products, the bread and butter of the WTO negotiations since their inception” is blocking closure on the remaining open issues, the European Union (EU) reported a compromise it has been discussing with some countries.

This is a proposed deal for free or almost-free trade among countries representing a large share of world trade, in specific sectors in the NAMA talks, whose span includes forestry and fishery products as well as industrial goods. The EU specifically referred chemicals, machinery and electronics. But some other ambassadors complained that the focus on NAMA sectoral is driven by the export interests of some developed countries, deflecting attention away from the development remit of the Doha Round.

Cotton Subsidies

True to the Doha mandate of promoting trade and development issues dear to the majority of the countries, including the developing, poor and the least developed countries (LDCs), these countries voiced concern, stating in particular that the deadlock prevents them from “enjoying the gains that are already promised such as duty-free, quota-free market access for LDCs in richer markets and cuts in cotton subsidies in rich countries.”

At the end of the day, Mr. Lamy told the WTO members that he proposed a process of consultation with all the stakeholders about the way ahead and revert to the TNC on 31 May. Trade policy analysts here said that the post-war world trade regime that served the global economy through thick and thin in its earlier avatar as the GATT and now as the WTO should not be allowed to fail.

(The Hindu Business Line, 2 May 2011)

EU Makes Bid to Rescue Stalled Doha Trade Talks

THE European Union launched a bid to rescue stalled global free trade talks with a compromise proposal on the main sticking point – industrial tariffs.

The plan, a copy of which was obtained by *Reuters* on the eve of a key meeting of WTO members, aims to find some middle ground between the United States and major emerging economies, especially China. Using the technical language and complex formulae of global trade, the two-and-a-half page plan focuses on tariffs for chemicals, machinery and electronics and seeks an approach that is tailored for each sector.

“Negotiations on sectoral tariff liberalization are at this moment the biggest obstacle to an agreement in the Doha Round,” the proposal said in a reference to the 10-year-old set of negotiations named after the Qatari capital where they began.

The Doha talks are the disarmament negotiations of the commercial world – aiming to keep at bay the self-defeating spiral of tariffs, subsidies and quotas that can choke trade and, economists say, global prosperity.

US Trade Representative Ron Kirk, speaking in Washington, said countries should give another push to finish the negotiations despite wide differences that have raised fears that the round is dead. Traditionally, “sectoral” negotiations on industrial tariffs have aimed for a finishing point where no country charges any tariffs at all. Under existing Doha proposals, developed countries like the United States are expected to deliver zero tariffs, while developing countries reduce tariffs under an agreed formula.

The United States argues that some developing countries, especially China, should do more, because in the decade since the talks began their exporting power has grown significantly. China says that Doha – officially called the Doha Development Round – was put together with just such growth in mind.

The EU has tended to sit between the two, though its interests are closely aligned to those of the United States. The EU proposal would add a

negotiated “X” factor to developing country tariffs cuts in some product areas in a bid to shift the balance some way towards the US position, while keeping a certain level of protection for developing countries. In others – electronics and electrical machinery for example – where developing countries dominate the export market, some developing countries would be expected to eliminate tariffs completely.

“Modalities and product baskets cannot be the same for all sectors as trading interests and conditions differ per sector, but arrangements should not be overcomplicated. The simpler the modality, the higher the chance of success,” the EU proposal said.

(*The Financial Express*, 30 April 2011)

WTO Faces Tough Choices after Doha Setback

WORLD Trade Organization members likely to face a fight over manufacturing trade between the US and major emerging economies like China, India and Brazil that could finally kill 10-year-old world trade talks.

WTO Director General Pascal Lamy, in a note accompanying new WTO negotiating documents said differences between countries over how much to cut manufactured goods tariffs were “unbridgeable.” That posed a “serious risk” to the rest of wide-ranging negotiations that also cover agriculture, services and a number of regulatory issues such as fish subsidies, anti-dumping rules and non-tariff barriers, Mr. Lamy said.

Members, including the US, now face the tough choice of whether to cling to long-held positions or to modify their demands in the hope of striking a deal. But President Barack Obama’s Administration risks Congress rejecting any agreement that does not create big new export opportunities for the US farmers, manufacturers and service companies.

Mr. Lamy’s grim warning that the talks were on the brink of failure came one day after a former top US trade official said the Doha Round was “doomed.” “For years, the threat of being blamed for the Doha Round’s collapse has made it too risky for governments to suggest that the talks are dead,” former US trade representative Susan Schwab wrote

in the latest issue of *Foreign Affairs*. "But the pretense that the deal will somehow come together at long last is now a greater threat to the multilateral trading system than acknowledging the truth."

Ms. Schwab argued that countries should try to salvage what they can from the Doha Round to bring the talks to a close in 2011, and then move onto new initiatives focused on reducing barriers to trade in areas like healthcare, pharmaceuticals and medical equipment or standardizing rules for e-commerce.

She suggested harvesting a "trade facilitation" agreement from the Doha talks which the Washington-based Peterson Institute for International Economics has estimated could boost global gross domestic product by more than \$100 billion by reducing the costs of moving goods across borders.

Portions of the agricultural negotiations covering proposed agreements on export credits, food aid, state-trading firms, and the elimination of export subsidies could also possibly be saved, Ms. Schwab said.

Certain environmental agreements might also be within reach, such as "cutting subsidies to industrial fishing fleets guilty of overfishing the world's oceans and ... ending tariff and non-tariff barriers to 'green' technologies in major producing and consuming countries," she said. That would require giving up hope for a broader agreement covering all of those elements as well as new market-openings in agriculture, manufactured goods and services. But repeated effort has shown the differences in the market access talks are too difficult to overcome, Ms. Schwab said.

Mr. Lamy said he concluded talks on manufactured goods were unbridgeable after consulting with seven WTO members: Australia, Brazil, China, the European Union, India, Japan and the US.

Countries have already agreed most manufactured goods tariffs would be cut by two formulas, one for developing countries like China, India and Brazil and the other for developed countries such as the United States, EU and Japan.

Washington complains its formula would require it to further cut its already low tariffs on most goods and dramatically reduce "peak" tariffs

on sensitive items like textiles and trucks, while the developing country formula would allow China, India and Brazil to keep much higher duties.

To level the playing field, the US wants those countries to sign up for additional "sectoral" pacts covering goods like chemicals, industrial machinery and electronics where participants would reduce tariffs more aggressively. But China, India and Brazil are resisting US terms, creating the impasse. Members simply have "fundamentally different views" in the manufactured goods talks, Mr. Lamy said.

(*The Financial Express*, 23 April 2011)

World Trade Organization Draft to be Discussed on 29 April

IN a last-ditch attempt to break the deadlock in the decade-old Doha Round of global trade talks, the WTO has come up with comprehensive drafts capturing the state of negotiations in all market access areas such as agriculture, industrial goods and services as well as rules.

All 153 members countries will meet on 29 April to discuss how to move ahead on the basis of the drafts. "For the first time since 2001, members will have the opportunity to consider the entire Doha package," WTO Director General Pascal Lamy said in his cover note. The DG identified the lack of progress in the negotiations on industrial goods, or NAMA, as the possible deal breaker.

"My frank assessment is that under the right conditions of temperature and pressure a deal would be doable, bearing in mind that nothing is agreed until everything is agreed, but for NAMA, where the differences today are effectively blocking progress and putting into serious doubt the conclusion of the Round this year," he said.

The US has crossed swords with developing countries with large markets like India, China and Brazil asking them to agree to eliminate tariffs in areas of interest to the country. The three have refused to do so stating that the demand went beyond the mandate of the Doha Round which laid down that sectoral negotiations are non-mandatory.

Because of the strong differences between members on the issue, the chairperson of the

NAMA negotiating group has refrained from giving suggestions on the way ahead in this area. Instead, DG Mr. Lamy has captured the state of play in sectorals in a note. Drafts have also been circulated in the areas of agriculture, services, rules and intellectual property.

There are also differences between India and the US over the level of protection to be accorded to poor farmers to protect them against import surges and the trigger for such measures. "We will have to study the drafts in details before we take a position. We will be doing it over the next few days," a Commerce Department official said.

"Think hard about the consequences of throwing away ten years of solid multilateral work," Mr. Lamy said. He said members will meet again on 29 April to begin collective consideration of the next steps. According to WTO estimates, the Doha Round is expected to generate economic benefits worth \$282 billion.

(*The Economic Times*, 22 April 2011)

Fresh WTO Talk Papers this Week

FRESH negotiating texts are to be circulated at the WTO to break a two-year-plus deadlock in global trade talks, but there may not be much progress as members continue to squabble over market access issues in agriculture and industrial goods.

While India is keen to see the way ahead outlined in the drafts, it does not want it to contain any surprises, as it could fan discontent and distrust—a view subscribed to by WTO Director General Pascal Lamy.

"The DG has been adamant that there will be no surprises. These texts will be produced through the bottom up approach and reflect the state of play," Keith Rockwell, Director, Information and External Relations Division, WTO, told *ET*.

All members could gain from the conclusion of the on-going Doha Round which, as per WTO estimates, would generate benefits of \$282 billion from increased trade in goods and services, but continued differences between members over key issues has resulted in a deadlock.

"The last texts circulated in December 2008 had some surprise elements, especially in the NAMA

text. It is important to ensure that this doesn't happen at this delicate point as it could be detrimental and lead to a total collapse of talks," a Commerce Department official told *ET*. The WTO talks had broken down in July 2008 and the draft texts circulated later that year in December had failed to revive them.

Mr. Lamy had recently said that the Doha Round, launched almost a decade back, was not making any headway as there were "unbridgeable" differences in the area of sectorals where the US is trying to push leading developing countries including India, Brazil and China to take on commitments to eliminate duties on certain goods.

"The problem is that the US administration has led the Congress down the garden path promising them that it would extract various market opening commitments from India, Brazil and China, which obviously won't happen as they are not willing to give much in return," points out Anwarul Hoda, former Deputy Director General of the WTO and currently with research body ICRIER.

(*The Economic Times*, 18 April 2011)

RTAs vs Doha

THE time for producing the revised draft negotiating texts to conclude the Doha Round negotiations will run out by Easter, the date by which the members have agreed to produce the draft. But as pointed out by the WTO Director-General Pascal Lamy, the gaps are still too wide in a range of issues. The costs of the non-round to the world economy, and especially to the smaller and least developed countries, which are more dependent on multilateral trade rules, are large. The biggest stumbling block at this stage, according to Mr. Lamy, are the NAMA sectorals, which are about the proposals to allow for duty-free or lower-than-normal duty on imports in particular sectors within the non-agricultural market access (NAMA) negotiations. Other issues also persist, including those related to agriculture, services, special treatment for developing and smaller countries, and subsidies for cotton and fisheries. The failure to reach a consensus even after 9 years of almost continuous negotiations has taken a toll. The hope for concluding the negotiations has dipped as the slowdown in the global economy has further

eroded the already thin political support for larger giveaways by either developed or developing countries and sustain globalization.

The larger global economies have sought to defray the costs of the failure of multilateral negotiations by forging free trade agreements. Countries like China, Japan and Korea have been at the forefront of negotiating regional trade agreements (RTAs). As many as 114 of the 297 RTAs currently in force have originated after the Doha Round in November 2001 and, of these, more than half are in Asia. Such preferential agreements not only undermine the incentives for further trade liberalization on a multilateral basis but may also prove costly as they distort trade patterns, because such regional agreements often cause trade diversion from third countries to the members of the regional pact. If this causes a shift of resources from more efficient external producers to inefficient producers within the regional pact, the impact can be harmful. RTAs also create rent opportunities for various groups who are likely to block further liberalization efforts. The broad consensus is that a proliferation of RTAs without an accompanying multilateral trade liberalization would result in costly trade diversion. So, India should take up a proactive approach to the successful conclusion of the Doha Round. One reason for optimism is the better-than-expected pick-up in global trade in 2010, which should leave a little more political capital to the negotiators.

(The Financial Express, April 18, 2011)

Doha Trade Negotiations on the Verge of Collapse

THE Doha trade negotiations are on the verge of collapse due to unrealistic demands by leading industrialized countries that want China, India, and Brazil to “harmonize” a large percentage of their industrial tariffs well below current applied rates, sources said.

WTO Director General Pascal Lamy informed members of the G-90 coalition that there are “unbridgeable” differences over “sectorals” in Doha industrial goods, sources said. The G-90 includes countries from Africa, Pacific and Caribbean as well as least-developed countries.

Mr. Lamy said his meetings with the US, China, India, and Brazil revealed that the gaps in positions among members are too wide and not amenable for any closure at this juncture, an African trade envoy said.

As part of the sectoral negotiations, the US wants China, India, and Brazil to reduce their tariffs on chemicals, industrial engineering goods, and electricals and electronics close to zero. Washington justified its demand on the ground that the three “emerging” countries are the major beneficiaries in the global trading system.

Though the Doha mandate calls for “voluntary” participation in the sectoral negotiations, the US has turned the tables by saying that unless the three developing nations agree to its demand for reducing tariffs close to zero through a basket approach it would not move, sources said.

The three developing countries flatly rejected the US demand on sectorals saying they would only participate on a voluntary basis to conclude the Doha agreement, said trade officials from these three countries.

The sudden volte-face took place following a meeting between the Director General, who is also the chair for the Doha trade negotiations committee, and the respective negotiating chairs, sources said.

“The Doha Round is dead,” a South American trade envoy told, arguing that “it is time for members to acknowledge this and make appropriate corrections.” Given the differences in Doha industrial goods, particularly sectorals, it is clear from the day one that it would be difficult to prepare a text.

“We are somewhat surprised by Mr. Lamy’s admission that gaps on sectorals are unbridgeable, as we had repeatedly told him several months ago,” said another trade envoy. He implied that members will continue to work without any deadline until there is some convergence.

Another trade envoy said, “The window of opportunity to conclude the Doha trade negotiations in 2011 is now almost impossible. Since 2008, differences in the three Doha market access areas of agriculture, industrial goods and services have significantly widened.”

(The Economic Times, 14 April 2011)

Doha Draft Texts to be Out on 21 April: Pascal Lamy

WTO Director-General Pascal Lamy has informed all member delegations that the Doha Round draft texts would be out on 21 April, just before the Easter holidays begin. The draft would include a series of draft agreements on tariffs, disputes, services, rules, agriculture, NAMA, etc. prepared by the chairs of the different sessions.

This will give time for countries to study them, before Mr. Lamy calls a Green Room meeting of major players and groupings on 28 April, followed by a meeting of the entire membership on 29 April, according to reports. The Trade Negotiations Committee (TNC) meeting could be a make-or-break meeting for if the texts are rejected by members it would be futile to call a ministerial meeting in July, as laid down in the road map by ministers at Davos.

This move is counter to what some of the key players advised in the last TNC meeting. Many members felt that the differences between the positions of the key countries were too wide to be breached soon, and also called for a bottoms-up process where the opinions of all members would be taken into consideration. The EU was, however, one of the economies that wanted the texts out by Easter. Members such as the US and Brazil were against it.

Asked for his opinion, former Indian ambassador to the WTO, Shri Ujal Singh Bhatia, says that the issuance of draft texts by Easter does not make sense. Speaking from Delhi, Shri Bhatia said, "With the wide disparities between the players, and when no flexibility has been shown by the members, especially the key players.

It is not the propitious time for draft texts. The Chinese stand on the sectorals in NAMA will count. Now, it is no longer an issue of technical negotiations but of political leadership, and that is not evident".

At the last TNC US ambassador Michael Punke felt it would be counter-productive to issue draft negotiating texts at Easter, stating "if we don't quickly solve some of the problems we are encountering in our work, we will have to reassess whether tabling new texts in late April risks more harm than good."

According to Mr. Punke, "This is not a time for members to look to chairs to solve problems that they themselves cannot solve. Such an approach, quite simply, will not work. Compromises that do not have buy-in from members obscure gaps rather than making them clearer and can give a false sense of progress. In a similar vein, putting a new date on an old text, perhaps with a few minor changes, will not contribute to progress and risks sparking acrimonious debates."

At the last TNC China stated: "With the various deadlines imminent every day, the lack of progress in substance is worrisome." Ambassador Yi Xiaoyzhu insisted that China is not the demandeur of sectoral liberalization, nor does it intend to participate in any sectoral initiative.

(The Financial Express, 14 April 2011)

BRICS Ministers Warn Doha Talks could Fail

TRADE ministers of the five BRICS nations warned that global trade talks were at risk of collapsing but that they were willing to resume negotiations based on 2008 agreements.

"The delicate balance of trade-offs achieved over 10 years of negotiations and contained in the draft July 2008 texts risks being upset," the ministers said in a draft statement. BRICS is made up of Brazil, Russia, India, China and new member South Africa.

The group favours a continuation of the Doha Round on the basis of a preliminary agreement that brought the talks nearly to a final deal in 2008 but rejected demands that developing countries now need to make more concessions. "Ministers remain willing to conclude the round on the basis of draft modalities," they said.

(The Financial Express, 14 April 2011)

India Keeps its Foot Down on Sectoral Talks

DESPITE mounting pressure on the member countries to take the stalled global trade talks forward, India is resisting developed world's attempts to force negotiations on import duties on specific goods, or sectorals.

The US, backed by the EU and Japan, has been pushing for sectoral negotiations if talks are revived, which would force the member countries to completely remove tariffs on a number of products, including machinery and chemicals, which are of interest to advanced nations. This could adversely affect the developing countries.

"We maintain our position that sectoral negotiations should be voluntary, in good faith and without prejudice to the final outcome," a member of India's negotiating team in Geneva told *ET*. The chairpersons of the negotiating groups on agriculture and industrial goods of the WTO, are trying to prepare draft negotiating texts by Easter (24 April) that will be starting points for talks.

But a lack of consensus on sectoral talks is sure to put a question mark on the chances of members wrapping up the Doha Round of negotiations by the year-end, as targeted earlier this year. The US is keen to use this urgency to its advantage; hoping pressure to start the stalled talks would allow it to push contentious issues on the agenda.

But India is firm it will not succumb to the pressure. "It seems very difficult that a convergence would happen on the issue by the end of the month," the official said. India and other big developing countries, such as Brazil and Argentina, have argued that the mandate of the ongoing Doha negotiations was to keep sectoral negotiations voluntary.

For all other goods, tariffs have to be brought down as per the reduction formula agreed upon by all members of the WTO. "The US has provided India a bilateral list of tariff lines which were of export interest to them and we stated that we would engage with them only on the terms indicated above," the official added.

The Indian industry, too, had been fighting attempts to make sectorals mandatory. During the last WTO mini-ministerial meet on the Doha Round in Geneva in July 2008 that had led to a collapse of the talks, trade body CII had written to WTO DG Pascal Lamy protesting against sectorals.

It said the proposal is a breach of the mandate since from the very beginning Indian industry has been told by negotiators and counterparts in other countries that these initiatives are merely a

supplementary and non-mandatory modality. The US has also criticized China for its "low ambition" in sectorals. Brazil, on the other hand, has flatly refused to engage in sectorals.

(*The Economic Times*, 11 April 2011)

Doha's Death will be A Disaster, Says Bhagwati

FAILURE to conclude the Doha Round of global trade talks would spell doom for both developed and developing countries. Instead, a series of bilateral trade deals would dominate global trade, giving more authority to rich countries, resulting in discrimination and perpetuating distortions, said renowned trade economist Jagdish Bhagwati at FICCI.

"If we let Doha collapse, we will be overtaken by regional trade agreements and other bilateral arrangements, which will be discriminatory, where the weaker sections would not prosper and hegemonic powers like the Americans and Europeans would establish trade deals with smaller powers and would dominate trade in their own way, which is not possible in a multilateral system," he warned.

Developing markets would take a hit, he said, if the WTO lost credibility as an institution that monitors development of trade. The Doha Round of securing a multilateral trade deal was initiated in November 2001. Since then, several rounds of talks have taken place but all have failed to meet the set deadlines to successfully conclude the round. Developed countries refused to reduce trade distorting subsidies that would allow poorer countries to export more.

"The interdependence of world economies is much more dramatic now than what it was during the Uruguay round, which took almost eight years to be concluded. Doha is in the 10th year (of talks) but people are losing faith in it, so there has to be a date beyond which it has to be declared dead," he added.

Professor Bhagwati said if the WTO's position diminished, then the powers exercised by its disputes settlement body to direct countries to not indulge in trade distortions would also be dim.

“Dilution of the WTO as an institution would negate a debt-free stimulus to countries, which otherwise a successful round would provide. The dispute settlement mechanism would come under more strain,” he said.

Professor Bhagwati is currently heading a committee with Peter Sutherland, former Director-General of the WTO/GATT, to report on the priority actions needed to be taken to combat protectionism and boost global trade. It was formed last November by the heads of governments of Germany, Indonesia, the UK and Turkey.

He said India had not done enough to push the US to consider trade as one of their priority sectors and it could have taken the opportunity by joining the committee. Batting some tough questions by ambassadors and academicians present, Professor Bhagwati asserted that unless the US “moves effectively, it is going to be very difficult (to close the round)”, adding: “India should come on board (the committee) in pushing the US because countries should hold (to) Doha. If Doha does not work, then the consequences would be disastrous. If the US does not get its act together, we are in fact prescribing homicide.”

Referring to the recent resolution of the G-20 countries, Professor Bhagwati said it had been instrumental in setting deadlines and asserting trade as a focus area, but lacked the political consensus to debate issues at great lengths. He said the G-20 leaders failed to highlight the most important aspect of having a successful multilateral trade deal, which is poverty reduction and use of skilled manpower across the world.

“The G-20 has to distinguish between moving ahead and not falling behind,” he said, while answering a specific query on the effectiveness of G-20. The grouping had set a deadline of 2011 as the ‘last window of opportunity’ to wrap up the Doha Round.

Professor Bhagwati also indicated the US Congress might soon be bringing back the fast-track authority for its trade negotiators to conclude the Doha Round by this year. The mechanism allows the US legislature to approve or reject a negotiated trade deal, but not to amend it.

(Business Standard, 31 March 2011)

Mr. Lamy to Take Call on Doha Trade Text Date Soon

AT the latest informal meeting of the WTO’s Trade Negotiations Committee (TNC), chaired by WTO Director General Pascal Lamy, members expressed the concern that the Doha Round might not be completed by end-2011 – the deadline trade ministers agreed to in January at Davos. If that deadline is to be met, the draft negotiating texts should be ready by the Easter weekend, or 22 April.

Warning that time was running out, Mr. Lamy, in his report to the TNC, also identified the NAMA issues, particularly the sectorals, as being the sticking point, and will be holding talks with the key players such as the US, India, China, Brazil and China before deciding on the next step.

Mr. Lamy said he wants the draft texts to be prepared by Easter as “texts are meant to capture negotiations. And at the end of the day, the negotiations are in your hands,” adding: “It is time to think about the consequences of the non-Round to the multilateral trading system which we have so patiently built over the last 70 years.”

India’s ambassador Jayant Dasgupta suggested that Mr. Lamy wait till around 11 April after further negotiations to decide. He said, “We need to approach this matter with an open mind and not rule out the possibility of coming out with documents, which would facilitate further discussion and convergence and not amplify divergences and widen existing gaps.” Shri Dasgupta added that in case the members collectively favour texts towards end-April, “We would need to think carefully about their contents.”

What was of concern is not the reflection of the convergences arrived at, he said, but “the way the divergences get portrayed. As the discussions in the negotiating groups have brought out, there are quite a few areas in which the members have yet to reach a consensus.”

“As we are in the end game and striving hard to bring about convergence and closure to the Round, none of us is prepared to be confronted with surprises—especially of the not so pleasant variety,” said Shri Dasgupta. Brazil’s ambassador Azevedo said that Brazil will not give in any more

for it has realized that there will not be any reciprocity. On the US' stand of greater market access, he accused developed countries of wanting to take and not give.

(*The Financial Express*, 9 April 2011)

Sharma Wants Speedy Conclusion of Doha Round

ANY attempt to change the trade opening proposals for which a consensus was reached in 2008 could impact the speedy conclusion of the Doha Round, Commerce Minister Shri Anand Sharma said. In a meeting with the WTO Director-General Pascal Lamy and key negotiators from other countries, Shri Sharma stressed on the importance of a speedy conclusion of the Doha stalemate.

In his interaction with the trade press in Geneva, Shri Sharma said he pushed with the trade envoys to make for greater progress in the Doha Round, urging for a "fair, balanced and ambitious" final outcome body because it would be in the interest of "almost all countries to take this progress to an early conclusion." The minister said that he found a common interest in bringing the Doha Round to a conclusion to benefit the world economy.

Shri Sharma expressed satisfaction at the progress made in the negotiating groups where "substance" is being discussed, but is worried at the concern amongst member countries about non-tariff and protectionist barriers. He called for the need to bring them down.

Gaps in differences need to be closed and issues should not be revisited. The minister said that India was very clear about the NAMA text, where the sectorals are voluntary and not mandatory. Countries will decide on the sectorals according to their needs. He said that it however does not mean "that there will be no engagement. I have said there should be incremental growth in a spirit of accommodation. There will be very clear and specific understandings when the end-game is announced."

On being asked as to whether the Americans have specified what they want for the completion of the Round as they are the odd country out, Shri Sharma replied that he expects there will be more adjustment in the Final Round, for "If there is give

and take it should be from both sides. And we have not reached that stage - in the centrality of the issues."

On how the US, without whom there cannot be an agreement, can come on board, particularly as Congress has not authorized any Trade Negotiating Authority since it relapsed, Shri Sharma insisted that "the US is the world's largest economy, and is expected to engage with all countries."

Defending his earlier statement that the case filed by India in the WTO against the EU on the seizure at European ports by customs authorities of genuine generic medicines shipped to Brazil and other developing countries would not be pursued, Shri Sharma said that he was assured by Karel De Gucht the EU Trade Commissioner that "the EU notification will be amended to plug the loopholes". India did not want any confrontation and was taking the EU Commissioner at his word.

Asked by the *Financial Express* as to what guarantee did India have that these seizures would not happen again, as the Anti-Counterfeiting Trade Agreement (ACTA) between 11 nations (particularly the EU and the US) could come to a close by the year's end and therefore this current assurance by the EU Trade Commissioner would be nullified by the ACTA accord, India's Commerce Minister replied that "ACTA is outside the WTO. Countries that are signatory to that ambit have to work within these rules. Indian generics have to work within the rules. Any move for a backdoor entry will not be acceptable to the majority of the WTO membership."

Shri Sharma also said in case India finds it necessary it will invoke compulsory licensing for medicines, and that to ensure discussion it has come out with a policy paper on this subject.

(*The Financial Express*, 22 October 2010)

Don't re-open Settled Issues of Doha Round: Sharma

CLAIMING that 2011 presented a "year of opportunity" to conclude the WTO's Doha Development Round talks aimed at liberalizing global trade, the Commerce and Industry Minister, Shri Anand Sharma, cautioned against attempts to reopen issues that have been settled.

Reaffirming India's commitment to an ambitious and balanced outcome of the talks, Shri Sharma said in Geneva that a strong articulation of political intent through the G-20 Summit in Seoul would lend the necessary momentum to the Doha Round negotiations.

Pointing out that "there are still a few gaps and large number of unresolved issues" in the ongoing talks between the WTO-member countries, the Minister, however, said the December 2008 negotiating texts of Agriculture and Non-Agricultural Market Access (NAMA or industrial goods) presented a "fine balance".

Shri Sharma warned that "any attempt to revisit settled issues would potentially unravel the (Doha) Round itself."

He said that though some progress has been achieved in small group meetings since the March 2010 stocktaking meeting, the text-based negotiations led by the Chairs must resume at the earliest. The Doha Round, launched in 2001, aims to liberalize trade in agriculture, industrial goods and services by eliminating and reducing tariffs and non-tariff barriers.

The Minister said the issue of an early conclusion of the negotiations will figure in the G-20 meeting, adding that the world leaders had in earlier G-20 Summits called for an early and successful conclusion of the Round.

Shri Sharma said the early and successful conclusion of the Doha Round talks (for a global trade deal) holds the promise of raising standards of living worldwide, alleviating global poverty, removing inequities in the trade regime, and enhancing international stability, especially in times of global financial and economic crisis.

The Round has already missed several deadlines including the one set by the G-20 leaders to complete the talks by 2010. The negotiations have been deadlocked with the rich nations seeking greater market access for their industrial goods in developing countries, while the developing and the poor world are demanding a reduction of the huge farm subsidies of the Western world.

"Sustaining trade and investment flows is critical for the future prosperity of developed and

developing economies alike. They (G-20 leaders) recognized that one of the main threats to the revival of trade flows is the rising protectionist pressures and continued delay in concluding the Doha Round. Therefore, strengthening the multilateral trading system by concluding the Doha Round at the earliest is a vital imperative," Shri Sharma said.

He said though there are signs of global economic recovery, there are also continuing concerns on the uncertainty on the prospects of the recovery as many countries have not fully recovered from the impact of the crisis. The conclusion of the Round would provide a big boost to help recovery, he said.

Shri Sharma, however, said the current Round is termed a 'Development' Round and, therefore, the development mandate of the Round was non-negotiable and should be respected.

"The final outcome must correct historical distortions and address structural flaws in the global trading regime, while responding to the legitimate concerns and aspirations of the poor in the developing world. The Special Safeguard Mechanisms and Special Products are crucial to protect the livelihood concerns of millions of small and marginal farmers in the developing world," he said.

(The Hindu Business Line, 22 October 2010)

2011 is Make or Break Year for Doha Deal, Says UK PM Cameron

BRITISH Prime Minister David Cameron welcomed the interim findings of an expert group, set up to consider the actions needed to combat protectionism and to boost global trade, saying the "year 2011 is make or break year for Doha deal".

The report "The Doha Round: Setting a deadline, defining a deal", published recently, argues that for the Doha agreement to be a success the negotiations need to be concluded by the end of 2011.

The document makes the case for action to be taken now, arguing that substantive agreements need to be concluded by the summer to achieve the 2011 deadline.

The experts' report sets out four arguments for completing the Doha Round which it believes will benefit all countries: An agreement would provide an insurance policy against future protectionism by consolidating the large amount of unilateral liberalization that has occurred since the Uruguay Round in the 1990s.

An agreement would result in reforms of farm trade by binding subsidy levels in the developed world and eliminating export subsidies.

An agreement would present the most-ambitious package of trade liberalization and facilitation ever negotiated multilaterally, bring economic benefits of at least US\$360 billion.

The failure to reach an agreement would undermine the credibility of the WTO and that of multilateralism more generally as a mechanism to address trade.

Speaking on why trade matters Mr. Cameron said: "Trade is the biggest wealth creator we've ever known... And it's the biggest stimulus we can give (to) our economies right now. A completed trade round could add 170 billion dollars to the world economy".

On 2011 as the make or break year for Doha the Prime Minister said: "We've been at this Doha Round for far too long. It's frankly ridiculous that it has taken 10 years to do this deal. We simply cannot spend another 10 years going round in circles.

If we don't get the deal done this year it is hard to see how the Doha process can have any further credibility. If we enter 2012 still stuck on this, real leadership will mean a radical rethink of how we get this done."

"So I want to be the first leader to support your call for urgent action...to agree the key elements of the Doha deal this year. And I call on every world leader to join me.

We have got one last chance to get this right. 2011 is the make or break year. So let's agree that this is the year we will make the breakthrough."

(The Economic Times, 29 January 2011)

Agriculture Ministers Seek Progress on Doha Round

AGRICULTURE Ministers from around the globe have met in Indonesia, to discuss how the stalled Doha Round of world trade negotiations can be jump-started.

The Cairns Group, a coalition of 19 agricultural exporting nations, said in a communiqué issued after its 33rd ministerial meeting in Bali that the Doha Round is as important now as it ever was given the global economic context, and that agriculture lies "at the heart" of efforts to complete the negotiations.

"Concluding the negotiations would deliver a much needed contribution to economic recovery and demonstrate the benefits of the multilateral trading system. This outcome is within our grasp, and we are determined to make it happen," the communiqué said.

"The Cairns Group recognizes the good progress that has been made in the agriculture negotiations. We must build on that work, based on the draft modalities text, to secure an outcome that meets the Cairns Group's long-term objective of a fair and market oriented agricultural trading system through substantial improvements in market access; substantial reductions in trade-distorting domestic support; and the long overdue elimination of all forms of export subsidies as agreed by ministers," the Group's communiqué added.

The Doha Round of talks began back in 2001. It aims to cut trade-distorting agriculture subsidies, curb fishery subsidies, open trade in services, facilitate customs operations, open trade in clean technology, adjust anti-dumping rules, and offer duty-free and quota-free access to the exports of the world's poorest countries among other goals. The talks collapsed last July, with ministers attending trade talks in Geneva failing in their efforts to agree on blueprint agreements in agriculture and industrial products.

The Cairns Group represents the interests of both developed and developing agricultural exporting countries with a commitment to achieving free trade in agriculture. Its membership includes: Argentina, Australia, Bolivia, Brazil, Canada, Chile, Colombia, Costa Rica, Guatemala, Indonesia,

Malaysia, New Zealand, Pakistan, Paraguay, Peru, Philippines, South Africa, Thailand and Uruguay.

The Group negotiated successfully for the inclusion of new agricultural trade rules to reform global agricultural trade during the 1986-94 Uruguay Round negotiations under the General Agreement on Tariffs and Trade. In the lead up to and in the early phase of the current WTO Doha Round of negotiations, the Group tabled negotiating proposals setting out blueprints for ambitious reforms across the three main areas of the agriculture negotiations: market access, domestic support and export subsidies.

“To the United States, a successful conclusion will mean an ambitious and balanced result with new market openings for all, and significant contributions to global economic recovery and long-term economic growth and development.”

United States Trade Representative Ron Kirk, suggested that “new ideas” are needed to get the Doha talks moving again.

“It will take some creativity, and quiet and informal work by ministers and by senior officials,” he stated. “The United States will continue to work with Cairns Group members and with all of our partners in the World Trade Organization to explore solutions, and ultimately to reach consensus on how to put the Doha negotiations on a path to success.”

(<http://www.lowtax.net>, 11 June 2009)

Think of Cost of Doha Round Failure, Mr. Lamy Urges Members as Deadline Looms

WTO members risk failing to deliver the breakthrough needed in April in order to conclude the Doha Round negotiations this year, jeopardizing the world economy and the most vulnerable countries, Director-General Pascal Lamy told ambassadors on 29 March 2011.

“Now is the time for all of you, and in particular those among you who bear the largest responsibility in the system, to reflect on the consequences of failure,” he said in an informal meeting of the Trade Negotiations Committee (TNC), which oversees talks in the various subjects, and which he chairs.

He urged members “to reflect on the costs of the non-Round to the world economy as well as to the development prospects of Members, in particular the smaller and least-developed which are more dependent on an improved set of global trade rules.

“And above all, it is time to think about the consequences of the non-Round to the multilateral trading system which we have so patiently built over the last 70 years. It is the time to think hard about multilateralism, which your leaders, yourselves and myself preach at every occasion. In politics, as in life, there is always a moment when intentions and reality face the test of truth. We are nearly there today.”

Delegations broadly echoed his concern, some arguing that progress is still possible provided members show the political will to produce give and take.

Mr. Lamy said gaps remain too wide in a range of issues for the negotiating group chairs to produce the revised draft negotiating texts that members have agreed should be produced by Easter (the weekend of 24-25 April).

He identified one issue as the biggest stumbling block at this stage: “NAMA sectorals”. This is about proposals for major trading countries – including emerging economies – to allow duty-free or lower-than-normal duty on imports in particular sectors within the non-agricultural market access (NAMA) negotiations.

“The absence of progress in NAMA sectorals constitutes today a major obstacle to progress on to the remaining market access issues,” the TNC chairperson said. “However, let me be clear, this is not the only market access related problem area. There are other issues whether in agriculture or to a larger extent in services – which have not been resolved either.”

He said he will consult members privately in the fortnight starting on 4 April, “with a view to understanding the size of the gaps on the NAMA market access,” he said.

“Once I have done this I intend to report to the entire membership. Together – and on the basis of an across the board view of progress in all areas in the negotiation, including the regulatory part as

well as market access – we will then decide on the next steps.”

Delegations reiterated the particular issues that concern them: agriculture, non-agricultural market access, services, the balance of ambition between the three, special treatment for developing and smaller countries, cotton and fisheries subsidies and so on.

Some developed countries called for more real access to markets; some developing countries said they were demanding too much, particularly when compared to what they were offering in agriculture. Some said focusing on single issues such as free or freer trade in a particular non-agricultural sector will not work at this stage since negotiators have to view this in comparison with other issues such as agricultural reform.

Some briefed the meeting on their attempts at a breakthrough bilaterally or in groups such as a group of 11 WTO members sometimes called the G-11.

But with the focus on the aim of producing revised negotiating texts in less than a month, some were still in favour of having revised texts, while some others cautioned that if the revisions reflect little progress, then an alternative such as chairs’ reports might be more suitable. Several delegations said a decision on texts could be left until the committee meets again, some suggesting this should be after the Director General has held his consultations.

Several also said the revisions should be based on inputs from members and not on chairs’ attempts to propose compromises or on inputs from some groups of members.

“Texts are means to capture negotiations. And at the end of the day the negotiations are in your hands,” Mr. Lamy said.

“And therefore texts are in your hands. But do not renounce texts as an excuse for refusing to engage in negotiations! Or to remain in the comfort zone of “all options still open” after ten years of negotiations.”

(<http://www.wto.org>, 29 March 2011)

Africa: “Cotton Dossier” will Make or Break WTO’s Doha Round

THE “cotton dossier” has become a litmus test for the “development dimension” of the languishing Doha Round trade negotiations, WTO Director General Pascal Lamy admitted.

This admission came in a fax sent to trade envoys ahead of the consultative mechanism meeting on cotton on 7 June at the WTO headquarters in Geneva. His message encouraged envoys to work towards the successful conclusion of the Doha Round.

The “cotton dossier” refers to the trade-distorting cotton subsidies provided by rich countries, particularly the US that are wreaking havoc in the cotton trade of the West African cotton-producing countries Benin, Burkina Faso, Mali and Chad (the so-called Cotton Four, or C-4).

The dossier also includes development assistance for these countries’ impoverished cotton-growing farmers.

The 7 June meeting, held behind closed doors, was apparently convened for some countries to convey the message that cotton development assistance is moving apace but African states still insisted that solutions are required for the problems besetting the cotton trade.

“While we appreciate the provision of technical assistance and capacity building by developed and developing countries, the continued subsidies to cotton farmers and exporters in rich countries are causing irreparable harm to African farmers,” Tanzania’s Matern Yakobo Christian Lumbanga told.

Although the cotton issue, raised by African countries at the WTO ministerial meeting in Cancun in 2003, has been accorded priority status on the Doha agenda, it has nearly disappeared from the Doha radar screen – except for some progress on the cotton development assistance front.

The WTO framework agreement of July 2004 and the Hong Kong ministerial declaration of 2005 mandated WTO members to address cotton trade “ambitiously, expeditiously and specifically

within the agriculture negotiations in relation to all trade-distorting policies in all three pillars of market access, domestic support and export competition”.

The mandate required developed countries to eliminate all forms of export subsidies in 2006; provide duty-free and quota-free access for cotton exports from least developed countries (LDCs); and agree to substantial cuts in their trade-distorting domestic subsidies.

Despite the C-4's concerted campaign, an impasse has been reached largely due to the stand adopted by the world's largest cotton subsidiser, the US. Washington is yet to offer a counter-proposal to what was suggested by the former chair of the Doha agriculture negotiations, Mr. Crawford Falconer of New Zealand.

In the last draft text, Mr. Falconer suggested a formula to cut trade-distorting domestic subsidies in cotton. According to this formula, the US would have to shrink its nearly two billion dollar cotton subsidy, given to some 2,500 farmers, by more than 75 per cent.

The US promised that it would submit a counter-proposal to indicate what ought to be the magnitude of the subsidy reduction commitment in cotton. Except for the US almost all other members of the WTO have tentatively agreed to Mr. Falconer's proposal.

Subsequently, Mr. Falconer held a series of meetings with the US, the European Union, Brazil and the C-4 to hammer out a deal. However, his consultations failed to yield significant results.

“The main stumbling block to resolving the cotton issue is the US, which is neither ready to accept compromise proposals nor to table its alternative offer,” said a trade envoy from a developing country who asked not to be identified due to the sensitivity of the issue.

Privately, trade negotiators familiar with the Doha agriculture negotiations have maintained that the cotton issue has been pushed to the backburner when compared to other issues.

African countries are aware that there will be no solution to the cotton dilemma as long as

the US sticks to its inflexible position, backed by its powerful domestic cotton farming lobby.

(<http://allafrica.com>, 9 June 2010)

Doha Round getting Down to the Wire

A strong message coming out of the World Economic Forum in Davos, Switzerland. If the Doha Round of World Trade Talks is not concluded this year, it probably never will get done. Last November the UK, Germany, Indonesia and Turkey commissioned a report on the future of Doha, former WTO Director General Peter Sutherland, now with Goldman Sachs and Columbia University economist Prof. Jagdish Bhagwati were tabbed to write it. A 20-page summary to the WEF states that government leaders need to do more than just repeat rhetoric and specifically mentions that in the end, “the US and China need to push it over the line.”

According to the *Wall Street Journal*, the report outlines four specific reasons the round should be concluded; It would ensure against trade wars coming out of the recession; It would be an incentive for the EU and US to lower farm subsidies; It would open agricultural markets in the EU and US and open industrial markets in China, India and Brazil; and It would legitimize the WTO method of resolving trade disputes among members.

The Doha Round was launched in a spirit of global cooperation a couple of months after the 9/11 attacks. Since that time they have been bogged down mainly over the role of developing countries to the point of breaking down in 2008. The report notes that things have changed over the last decade and for the deal to work; emerging countries have to make some concessions. In conclusion the authors contend just because you can't create a perfect system you shouldn't miss the chance to create an “unprecedentedly good” one.

(<http://brownfieldagnews.com/2011/01/28/doha-round-getting-down-to-the-wire>)

Doha Round: No Happy Ending in Sight

THESE are not the best of times for the Doha Round of multilateral trade negotiations under the aegis of the WTO.

The talks, which began in November 2001, are nowhere near completion. What is worse the topic appears to have been dropped from public discourse. One hardly hears anything that would induce optimism on concluding the talks.

While there could be many reasons for this justified public apathy, it is incorrect to write off the Doha Development Round. There are several reasons why the public at large have lost interest in the trade talks.

The Doha Round, as would benefit any other trade talks, is about highly technical issues. Even if there was some general interest, it soon became clear that the talks are all about resolving complex issues which are invariably couched in technical language.

Trade talks are nothing if they have no jargon. It is too much to expect an average person to be interested in the arcanum of trade negotiations, which incidentally have never been abandoned. But for all practical purposes they remain inaccessible except to those who have a reason to be connected.

To give just one example of what is going on now (according to a recent WTO press release): "Delegations reiterated the particular issues that concern them: agriculture, non-agriculture market access, services, the balance of ambition between the three, special treatment for developing countries and smaller countries, cotton and fisheries subsidies and so on."

"He (WTO Director-General Pascal Lamy) identified one issue as the biggest stumbling block at this stage: NAMA sectorals. This is about proposals for major trading economies – including emerging economies – to allow duty free or lower than normal duty on imports in particular sectors within the NAMA negotiations."

Remaining inaccessible to a majority, the trade negotiators' good work has remained largely

unappreciated. It is true that politicians give the trade talks the much needed visibility.

However, as a rule they view the ongoing developments from the prism of their national and political interests. So even if momentarily the summits of political leaders manage to elicit some interest, they are soon forgotten.

Repeated failure to meet deadlines has induced a dose of scepticism, if not outright cynicism, on the final outcome. That is another reason why the average person is switched off from the talks.

One basic point about the trade talks is that political leaders who try to muster the political support back home face a piquant situation. Successful trade talks involve striking a balance between give and take.

In the very nature of things, the advantages of trade agreements are to be seen over the medium-term. Not many who are leading the trade discussions in nearly all the countries would be around to see the benefits. However, once a trade pact is concluded, politicians will have to face the wrath of lobbyists, trade groups and others whose immediate interests would seem to be compromised by, say, an agreed tariff lowering.

Championing the Cause

One of the consistent supporters of multilateral trade as embodied by the Doha Round is Dr. Jagdish Bhagwati, eminent trade economist and professor at Columbia University.

Recently in Delhi, he warned against the consequences of a failure to conclude the Doha Round. It would spell doom for developed and developing countries, he said.

A series of bilateral trade deals would dominate global trade, giving more authority to richer countries, resulting in discrimination and perpetuating distortions.

Failure to conclude the Doha Round would result in a situation where "weaker nations will not prosper and hegemonic powers like the Americans and the Europeans would establish trade deals with

(Contd. on page 48)



BOOKS/ARTICLES NOTES

BOOKS

A Handbook on Reading WTO Goods and Services Schedules, a WTO Secretariat publication, Cambridge University Press, UK 2009, pp. 140.

THE World Trade Organization (WTO) is the only global organization dealing with the rules of trade between economies. One of the goals of the WTO is to minimize regulatory barriers to doing business globally. This *Handbook* is intended to help find and interpret for reader's own purposes the lists of commitments made by the WTO members on the taxation and regulation of imported goods and on market access and national treatment in services. These documents, known as the goods and services Schedules, are an important part of the WTO Agreement; the commitments in the Schedules are negotiated by each WTO member government during rounds of multilateral trade negotiations or at the time it accedes to the WTO, and updated in various ways after that.

The WTO Agreement covers all trade in physical goods and, with limited exceptions, commercial services such as telecommunications, finance, transport, and so on. The Schedules bind the actions of member governments with the same force as the Agreement; they represent, in some respects, its "cash value". They deserve careful attention. But their volume (some 27,000 pages), the difficulty of consulting them, and the challenge of interpreting the meaning of entries in the Schedules, mean that many non-specialists shy away from consulting them. This *Handbook* is meant to help fix that.

"Non-specialists" could mean anyone who has not had to deal with the Schedules in the past, including some government officials. But the people

who are likely to find this *Handbook* most helpful are:

- Business leaders and advisors, especially those with a role in industry or trade associations;
- Importers and exporters who deal with customs matters or regulations affecting trade in services such as finance, transportation or communications;
- Analysts who follow international trade who need to find the details of a member government's legal commitments in the WTO.

In Chapter 1 of the *Handbook*, the role of WTO Schedules is discussed and describes their content in general terms. Readers will look at where they come from and how WTO members modify them. They will also consider their economic and policy significance, and their limits, including a brief discussion of significant information on duties that is not contained in the WTO Schedules.

Chapter 2 contains a detailed description of the tables that make up the goods Schedules, including brief descriptions of the Schedules attached to the Uruguay Round sector agreements on information technology and pharmaceuticals.

Chapter 3 tries to answer some basic questions readers may have about services Schedules, such as: What is a service Schedule?; What are its implications?; What is its main content?; What type of measures are not recorded?

Chapter 4 provides a "practical guide" to finding data from the Schedules in a format that is useful for the different purposes of non-specialists. A slightly surprising corollary of the complexity and legal importance of the WTO Schedules is that it can be difficult to find authoritative, detailed information on Scheduled commitments in a useful

format that is generally available. The most helpful sources are identified, along with some suggestions and tips for finding the data. Finally, there is a Glossary at the back of the *Handbook* that explains the meaning of some key terms used throughout the *Handbook*.

ARTICLES

How to Salvage Doha by T.S. Vishwanath, *Business Standard*, 28 April 2011.

THIS feature covers the recent statement on the Doha Round made by the WTO Director General Pascal Lamy. Mr. Lamy makes a fervent appeal to member countries seeking their support to “identify and converge upon a way forward which preserves the objectives and values of the Doha mandate.”

Mr. Lamy made this appeal while releasing a set of documents that represent the work undertaken by negotiators over the last ten years. These documents are expected to help countries understand the political differences that exist in various areas of the Doha agenda so that they can collaborate with each other to bridge the differences.

What is significant in Mr. Lamy’s statement is the specific reference to the negotiations on industrial goods. What is equally striking is the fact that there is a separate note on sectoral negotiations on industrial goods. The reference is surprising because sectoral negotiations were brought into the agenda at a much later date and developing countries, including India, Brazil and China have not been in favour of a deal on tariff reduction in industrial goods with a sectoral focus. Even as the documents cover most crucial aspects of the negotiations, the emphasis, as in the earlier rounds of the negotiations, seems to be moving towards a deal in the area of industrial goods.

The author says that the director general seems to have missed out on elaborating the differences in two important areas of negotiations in his message, namely services and agriculture, on which there have been political differences impeding the

move towards a balanced outcome in the Doha negotiations. He opines that it is difficult to disagree with Mr. Lamy when he appeals to governments to think hard about the consequences of throwing away “10 years of solid multilateral work” if adequate support is not built by countries for trade opening.

Interestingly, many analysts are of the view that the Doha Round has lost its relevance today. Even if this may not be true, it remains to be seen whether countries will be able to rise above their domestic concerns and look at how a global deal can help build a stronger economic environment across the world, which will be a win-win situation for all countries.

Mr. Lamy and the member countries of the WTO need to look at the core issues that ail the Doha Round. The issue is not about the lack of momentum on sectoral negotiation in the WTO, as pointed out by the director general, but about not being able to close the negotiations on such issues as cotton, which are important for some least developed countries (LDCs), as also on some important issues related to agriculture or services, which are important for developing countries. The director general talks about a bottom-up approach to negotiations. The approach has to be directed towards completing the development aspects of the round before moving on to market access issues.

Mr. Lamy rightly says he still senses an “overall commitment to the aims of the round” – which is hopefully a reference to making this a development round. He also points out that to find a way forward “it cannot be business as usual.” The answer as he again states “cannot simply be to stop and reboot.”

Given this backdrop, the strategy to close this round has to be three-pronged. *First*, move towards a development-oriented approach where the LDCs are first provided with an opportunity to improve their access to global markets. *Secondly*, address some core outstanding issues related to development objectives that are important to developing countries. And *finally*, steer clear of issues that were placed on the table in the middle of the talks, like the sectoral negotiations in industrial goods.

A lot is at stake for most countries in concluding the Doha Round at the earliest. Given the economic

turmoil in many developed countries the author argues that it is equally important for them to work towards an early conclusion of the Doha negotiations. Completing the round in 2011 seems difficult but with some strong push it may move forward in the next six months to hopefully conclude next year.

No Death of Suspects in Death of Doha Talks

by Larry Elliot, *The Hindu Business Line*, 26 April 2011.

THIS article presents a panoramic view of the Doha round of multilateral trade negotiations started in 2001. It narrates the developments taken place for the last one decade. The WTO Director General Pascal Lamy, who has nurtured Doha with tenderness through the most difficult phases of his tenure, is even now unwilling to say that all hope is lost. But his recent statement, stated in this article, "there is now a 'serious risk' of Doha. He pleaded with WTO members to think about all they had achieved with Doha over the past ten years and begged them not to throw it all away".

Referring to the tariffs, the article mentions, Mr. Pascal Lamy insists that there is more at stake than the formula used for cutting industrial tariffs, or even the threat of a full-blown trade war. He argues that if the international community cannot make a go of multilateral trade talks there is not much hope of success on climate change or financial reform, either. That looks like a spot-on assessment.

Who, then, will carry the can if Doha really is dead? The US will no doubt be the prime suspect, as it always is. Washington has always taken a hard-nosed approach to the round, and if it was unwilling to stop the subsidies to US cotton farmers to help producers in West Africa, it is hard to imagine the Obama administration giving too much away to China, particularly with a presidential election race looming.

Europe also has some explaining to do. While less high-profile than the US, it has made it clear it will only give ground on agriculture if it can secure concessions for its service industries. Brussels has put more effort into cutting bilateral deals with developing nations that are skewed in favour of the EU than it has into completing Doha.

But China has also been prepared to let the talks drift rather than take an active role commensurate with its position as the world's second biggest economy. India and Brazil have approached Doha in a doggedly mercantilist fashion, determined to gain as much market access in the west as possible while giving away little themselves.

But don't rule out the possibility that the policeman was involved. After it took more than seven years to complete the Uruguay Round of trade talks in 1993, the WTO should have known better than to have set such an ambitious agenda. Its purist approach to free trade has run counter to the realities of global geopolitics and historical precedent. All developing nations have used protectionism in the early stages of development; for many of the poorer nations the next logical step might be regional free trade areas rather than a full-blown multilateral deal.

This, and narrower deals in specific sectors, are what negotiators will now need to start thinking about. Unless something unexpected happens Doha is dead. And they all did it, the author predicts.

Doha-Unbalanced Acts by T.S. Vishwanath, *Business Standard*, 17 February 2011.

THIS column focuses on two reports, that is an interim report by a group co-chaired by Jagdish Bhagwati and Peter Sutherland and second one of Mexico's proposals on Doha Round. Interestingly, both the report and the Mexican proposal seem to be missing the core objective of development that is central to the Doha Round.

The Bhagwati-Sutherland report, which was sponsored by Germany, UK, Indonesia and Turkey, is comprehensive but it does not reflect a position that can be acceptable to developing countries like India. One area of concern for industry in India in the Mexican proposal and the Bhagwati-Sutherland report is the call for pursuing sectoral negotiations in the industrial goods pillar.

The sectoral negotiations have been central to the US and the European Union demand on moving forward in the negotiations on industrial goods. However, countries like India have been opposed to any sectoral negotiations, which, at present, is a voluntary initiative since that would take away the development dimension of the Round.

The Mexican proposal states that member countries should identify at least two “sectoral” liberalization initiatives, among the many that have been tabled for sectors such as forest products, toys, chemicals, textiles and clothing, and auto parts.

On agriculture, the Bhagwati-Sutherland report does not seek to put any extra pressure on the developed world to make any substantial proposal beyond what is already on the table. The Mexican proposal, however, calls for capping trade-distorting domestic subsidies by developed countries, which is an important first step if the least developed and developing countries are to achieve any meaningful access in global markets. The Bhagwati-Sutherland report needs to look at how some real market access can be provided to the poor countries for it to be taken seriously by all negotiators.

Since agriculture and industrial goods are the two key areas that are being negotiated seriously at present, it is important to note that neither the Mexican proposal nor the report puts any substantial pressure on the developed countries to open their markets beyond what is already on the table. On the other hand, there would be a lot that the developing countries will have to bring on the table if the non-agricultural market access (NAMA) proposals as suggested are to be taken seriously. Interestingly, the US is reportedly not in favour of the Mexican proposal since it calls for capping agricultural subsidies, which it does not support.

From a developing country perspective, the author opines, the problem with both the Mexican proposal and the Bhagwati-Sutherland report is that they seek to balance the interests of the developed and the developing countries. This goes against the Doha Round’s core objective of providing the poorer countries higher market openings in the developed country markets to balance the inequity that exists in global trade today.

For the negotiations to go ahead, it is important for countries to keep a few specific principles in mind. To begin with, he suggests, there has to be real market access for the least developed and developing countries in global agricultural trade. This can be achieved only if the sensitive list of products for the developed countries is kept at the

minimum and there are some real cuts and capping of subsidies that will contain the current distortion in world agricultural trade.

Second, on industrial goods, developing and least developed countries should not be forced to eliminate tariffs in any sector. Instead, the focus has to shift in seeking substantial cuts in bound tariffs by some large developing countries which is matched by equally substantial cuts by the developed countries.

Even as the Bhagwati-Sutherland report and the Mexican proposal seek to balance ambition with pragmatism, they fail to deliver on the need to put forward a solution that will meet the development objective and, at the same time, provide market access opportunities for member countries. Hopefully, the final report from the Bhagwati and Sutherland group will bring to the table more substantial suggestions to conclude the Round in 2011. The Mexican proposal, too, will have to be changed substantially to incorporate the positions taken by developing countries if it has to be taken seriously, the author concludes.

Doha Cannot Go Round and Round

by Geethanjali Nataraj, *The Hindu Business Line*, 17 February 2011.

THIS article questions the efficacy of the WTO which is at stake and everything depends on the successful conclusion of the Doha Round, which started in September 2001 and yet to conclude.

The author mentions various occasions in the article where several attempts were made to give a strong commitment to direct negotiators to engage in across-the-board talks to bring the Doha Development Round to a successful, and balanced, end, consistent with the mandate of the Doha Development Agenda, and build on the progress achieved. They recognized that 2011 is a critical window of opportunity, albeit narrow, and that engagement among different groups and countries must intensify. They also reaffirmed their commitment to resist all forms of protectionist measures.

At the 30 November 2010, informal meeting of the Trade Negotiations Committee, the WTO Director-General Pascal Lamy outlined a process for translating the leaders’ commitments into the

Doha Round negotiations in Geneva. Mr Lamy urged the WTO members to operate on a tight deadline to conclude the Round by the end of 2011. To this end, he proposed the following work programme for the first quarter of 2011: From January 10: The Rules, Trade Facilitation, Trade and Environment, TRIPS and Development groups to begin intensive sessions; from January 17: Agriculture, NAMA, Services and Dispute Settlement groups to begin intensive sessions.

But why is the Doha Round so important and are we anywhere near striking a deal? The author makes an attempt to answer: the conclusion of the Doha Round is necessary for several reasons. *First*, the agreement is expected to provide a cushion against future protectionism by consolidating the large amount of unilateral liberalization that has taken place since the Uruguay Round in the 1990s. *Second*, the deal would bring in large-scale reforms in farm trade by binding subsidy levels in the developed world and eliminating export subsidies. *Third*, it is estimated that the gains from the conclusion of the Round are around \$360 billion and, if the deal is struck, it could be one of the most ambitious packages of trade liberalization negotiated multilaterally.

Finally, the conclusion of the Doha Round would protect the WTO and the multilateral trading system itself, which could be damaged by the failure of a Round, especially one explicitly designed to integrate the emerging economies into the multilateral trading system and give many developing countries a stake in the system's success. According to Prof Bhagwati, the permanent collapse of the Doha Round is likely to provoke a wave of preferential trading agreements that would fragment, rather than integrate, the multilateral trading system.

In this backdrop, the importance of re-starting the talks and negotiations at the earliest cannot be overlooked. *One*, it is going to determine the future role of the WTO as a facilitator of a multilateral trading regime. And, *two*, it will also determine the role of developing countries in world trade. The article mentions that elimination of barriers to merchandise trade in both industrialized and developing countries could result in welfare gains of \$250-620 billion annually.

Differences between the rich and developing nations have been a stumbling block in the conclusion of the talks. India and other developing nations are defending their agricultural markets to protect millions of subsistence farmers from easy imports that may result from the multilateral agreement. The US and other developed countries, however, seek more market access in developing nations, including India. It is important that the countries intensify the talks and hold negotiations with an open mind.

The author suggests that unless both the developed and developing move from their established positions, it would be difficult to conclude the Doha Round. The year 2011 is being touted as the make or break year for the Doha Round. But in the meantime, it is essential that developing countries such as India continue to follow unilateral trade policies suited to their domestic needs but within the framework of the changing international trade environment. Hopefully, "Doha" won't prove a jinxed venue for the WTO but the name for a landmark agreement in the history of multilateral trade.

Doha: The Last Mile by T.S. Vishwanath, *Business Standard*, 6 January 2011.

NEGOTIATORS in Geneva are getting active to try and conclude the evasive Doha Round in 2011. This is the "last window of opportunity" available to the member countries to conclude the development agenda that was agreed at Doha, Qatar in November 2001.

This article mentions some of the comments made by the WTO Director General Pascal Lamy. Missing the opportunity to conclude the WTO Doha Round this year may point to the fact that countries do not consider a multilateral trade liberalization agreement to be of any help in boosting trade flows. With the global economy getting back on track after the slowdown, it is important for all countries to get together and conclude the Round. India has already voiced its consent to conclude the Doha negotiations at the earliest.

As member countries intensify their efforts this year to wrap up the negotiations, it will be important for all nations to refrain from certain pitfalls that seem obvious in a global environment

in which developing and least developed countries, which are supposed to gain the most from the Round, have rebounded the fastest from the slowdown, while developed countries remain sluggish and tentative. With developed countries still working hard to ward off the ills of recession-induced protectionist tendencies and export restrictions growing across the globe, negotiations can go off the track.

This article mentions that some of the developed members who would play a key role in concluding this Round are the US, the EU and Japan. Among developing countries, China, Brazil and India would have to play an equally important role and the least developed countries would have to keep a close watch to ensure that they receive their due from the development round.

From the US perspective, it would be important for the United States Trade Representative (USTR) to ensure that he does not pander to the protectionist tendencies that have grown in the country. Industry in the US seems keen to conclude the Round and it would be important for Washington to stay focused on removing distortions such as those in agricultural subsidies to convince other members of its seriousness to conclude the Doha Round.

The EU has a crucial balancing act to perform. With the euro zone under pressure, it will be important for the 27-nation EU to ensure that it is able to show reasonable success in its demands from developing countries. Also, the fact that some countries have shown better growth than others in the EU may create some problem for EU's negotiators. However, the EU will have to show leadership if this Round is to be concluded in 2011.

This article pinpoints that it has the problem of being completely defensive in agriculture. For achieving some good results in industrial goods, Japan may have to move forward on its position on services and agriculture. Developing countries like India, Brazil or China have been very keen to conclude the Round at the earliest and are open to moving forward on position on a reciprocal basis. However, New Delhi should ensure that the development objective of the Doha Round remains intact.

The Doha Round is at a critical juncture this year. It is threatened by the mushrooming bilateral free trade agreements as also the protectionist tendencies across the globe. To keep the WTO relevant, the member countries need to find acceptable solutions to conclude the Doha Round. At the same time, they should ensure the development agenda is kept intact. The author concludes that there is a lot at stake for the WTO in 2011 and die-hard multilateral trade liberalization supporters expect it to deliver.

India Willing to Close Doha Round by Pradeep S. Mehta, *The Economic Times*, 17 November 2010.

THIS article refers to the Workshop on Doha Round of Trade Negotiations held in Geneva on 2 November 2010. It was a candid assessment of the geopolitics of the trade and reflected the grim scenario that countries continue to speak to each other, with each looking in different directions. But, the workshop was not only about geopolitics; it was also about numbers. Many analysts opined that up to \$200 billion could be added to global welfare by the current package of offers. More importantly, they contended that the world could see a 10 per cent contraction in trade if the Doha Round fails.

The author says that India has been playing a leading role in the Doha Round negotiations. This country has not only been a part of the complex variable geometry of delegations meeting to thrash out differences and pull the negotiations out of its decade-old quagmire, but it also has taken a lead to pull them along when required.

India has contributed to the emergence of credible draft chair texts on agriculture and non-agriculture market access negotiations that led to the last two most hope-generating efforts in July and December 2008. The efforts failed, though Mr. Lamy gives it 80 per cent marks. In the fall of 2009, when appetite for a trade liberalization deal was minimal in the wake of the financial crisis, India hosted a mini-ministerial where Mr. Lamy unveiled a road map for intense negotiations with capital-based senior negotiators.

In this pessimistic scenario, what can India do? As an engaged trading partner, it can reassess its offers for others to emulate. The critical decision

area that needs attention is the 'modalities' on agriculture and non-agriculture market access (NAMA): involving reduction of tariffs on agriculture products; elimination of export subsidies and reduction of domestic subsidies; and reduction of tariff and non-tariff barriers on industrial products.

In NAMA, the discussions focus on three issues – "coefficients" for tariff reduction, the "anti-concentration" clause and "sectorals". On the first two, while India may not accept blanket restriction on flexibility built into the December 2008 texts, it is not likely to block a deal. The issue of sectorals, where members may agree to undertake deeper tariff reduction commitments in selected sectors, is more sensitive. India has not shown any aversion to engage on the issue in its effort to get a deal through.

The author says that during the last couple of rounds of talks, India has come out with more substantive economic arguments on the difficulties in sectors of interest to others and submitting joint proposals in sectors like chemicals. These contributions should enable its trading partners to make a balanced assessment of how far to push India. Further he adds that India has also been at the forefront of developing a mechanism to address non-tariff barriers, a joint proposal on which was discussed at length in the last round of negotiations in October.

Agriculture negotiations are more important for India, with two-thirds of its population dependent on subsistence farming. Although a number of issues appear to be far from settled in these negotiations – like cuts in overall trade distorting support, percentage of products to be declared as sensitive and the connected issue of tariff rate quota expansion, tariff capping and special products – the critical issue that calls for innovative handling is the proposed special safeguards mechanism (SSM) for developing countries.

The SSM would enable developing countries like India to take remedial action through higher tariffs in case of import surges or import-induced price declines. It views in this context that the main differences are between India and the US about the extent of increase in import volume (i.e., the volume trigger) required to cross the Uruguay

Round (UR)-bound levels of tariffs and the extent to which these tariffs could be exceeded. Rather than try and reach a compromise, the waters are being muddied by some newly proposed instruments. However, the feeling is that India will agree on a new trigger benchmark, and the US should show flexibility on these new issues as well.

The author says, given the broad support to calibrated liberalization accompanied by regulatory and institutional flanking policies among our political establishment, India will not be the deal-breaker. It will continue to sit on the high table as a deal-maker rather than a deal-breaker so long as its farm sector is protected, no commitment of a zero-for-zero in industrial goods sector is insisted upon, commercially meaningful liberalization is secured in services and a commitment to accommodate the UN Convention on Biodiversity in TRIPs is agreed to.

Will History Repeat Itself At Cancun?

by Amitendu Palit, *The Financial Express*,
1 November 2010.

IN its opening remarks, the article refers to the 5th ministerial meeting of the WTO and Summit on United Nations Conference on Climate Change at Cancun. The similarity in backdrops between the two occasions is striking.

The WTO ministerial in 2003 followed the earlier ministerial in Doha in 2001. The Doha ministerial had adopted the Doha Development Agenda (DDA) that attempted to make developing countries bigger players in global trade. World trade dynamics were never the same again with the North-South divide surfacing sharply on several issues leading to almost negligible progress on the agenda. The Cancun ministerial brought out the divide in world trade in the open with daggers sharply drawn. Though one does not know the fate awaiting Cancun this time, like in 2003, it is convening after a tumultuous and landmark summit on climate change in Copenhagen in 2009.

The latest summit on climate is also expected to see the North and South clashing on several issues, particularly quantum of emission cuts. Developing countries have taken most by surprise by implementing programmes of large-scale cuts

in emission volumes. China led the efforts followed by Brazil, India and Indonesia. On the other hand, major developed country emitters – the US, Canada, Australia, for example – are yet to announce similar targets.

Major emerging market countries are expected to criticize their developed counterparts at the forthcoming summit for lack of action. China's role in this regard has been similar to what it has been playing at the WTO. China's annexation to the WTO was announced at the Doha Ministerial in November 2001. Its entry was accompanied by unprecedented commitments to cutting tariffs and non-tariff barriers. The particularly noticeable commitments were the deep cuts in agricultural tariffs and the transitional safeguards to other developing countries for responding to sudden spurts in Chinese exports. By the time the action shifted to Cancun, agricultural tariffs in China were nearly half of such tariffs in other emerging markets and developed countries. China has frequently cited its extensive commitments to deeper market access as example of its lasting commitment to the multilateral trade system. This has been the plank on which it has been criticizing lack of movement by developed countries in reducing subsidies and domestic support on agricultural exports.

In a similar vein, by announcing unconditional commitments to emission cuts, it has put developing countries on a wrong foot with regard to the action agenda on climate change. There will be considerable pressure on high emission developed countries at Cancun, particularly the US, to spell out an action plan.

China has utilized the changing balance in global economic power for pushing a proactive position on climate change. Developing countries have been pressing for financial assistance for fulfilling emission cut targets. China's unconditional move is a reflection of its confidence to go ahead without financial support. On the other hand, the US and Europe will find it hard to contribute generously to the public fund that is expected to help developing countries in mitigating emission targets. Surplus resources with developed countries after the financial crisis are hardly much to ensure sincere commitments in this regard.

China, India, Brazil and South Africa (BASIC) are a powerful coalition of emerging market economies that is expected to take on developed countries at Cancun on the future roadmap for addressing climate change. The BASIC inevitably refreshes memories of the G20 coalition on agriculture at WTO. The four BASIC members were part of the G20 group of developing countries that took on the US and EU on market access proposals on agriculture in the WTO ministerial at Cancun in 2003. The aggressive posture of the G20 on subsidies and special and differential (S&D) treatment for developing countries led to collapse of talks on the DDA. This time, two months before the climate meeting at Cancun, the BASIC met at Tianjin in China for developing a common strategy for the forthcoming summit. The BASIC has decided to urge developed countries to commit to ambitious reduction targets and contribute handsomely to a new public fund for meeting mitigation costs. They have also urged developed countries to fulfill commitments on technology transfers and not deviate from the same on climate grounds.

The underlying circumstances and build-up to Cancun – seven years later – are too similar in terms of the North-South dynamics to be treated as purely coincidental. Will the outcome be the same as well? Asks the author.

The Doha Round Impasse and the Trading System by Bernard Hoekman, <http://www.voxeu.org/index.php?q=node/5206>, 19 June 2010.

IN this article Hoekmann argues that maintaining an open trade regime is an important foundation for global recovery and the necessary reorientation of global supply and demand. This is especially true for developing countries as so many depend on export markets to finance growth-stimulating imports of goods, services, and technologies.

Concluding the long-running Doha Round of trade negotiations, the author says, would provide a boost to the world economy. New assessments of what is on the table suggest that global welfare (real income) gains on the order of \$160 billion could be realized as a result of reduction in barriers to trade in manufactures and agricultural products, even after allowing for likely exceptions for

sensitive and special products. If in addition the Round were to generate a 10 per cent reduction in barriers to trade in services and account is taken of improvements in trade facilitation, these gains could double or triple.

The Doha Round is first and foremost about creating greater security of market access, through the negotiation of policy disciplines – such as outlawing agricultural export subsidies and placing tighter limits on the level of permitted tariffs and production subsidies. Indeed, Hoekman says, the main outcome of a WTO round is not and has never been dramatic liberalization of access to markets. The primary deliverable is policy *bindings* – enforceable commitments by governments that they will not raise protection/support for domestic industries above a given level and will not use certain policies at all.

Hoekman delineates that concluding Doha Round would also help, by:

- Strengthening, substantively and symbolically, the valuable role the WTO is playing in restraining protectionism;
- Boosting the credibility of the G20 leaders, who have, in consecutive summit statements in Washington, London, and Pittsburgh in 2008 and 2009, committed themselves to concluding the Round; and
- Creating space for multilateral cooperation on critical policy matters outside the current negotiating agenda, such as climate change, public procurement, and agricultural export restrictions and subsidies.

Hoekman has taken some questions like How close is the deal?; What happens if the impasse persists?; Problems with the WTO's negotiating machinery; Making headway; and further explains in the article significant technical progress has been made in identifying the contours of a possible deal in market access negotiations which was to agree on formulae cuts – so called “modalities” – that would be applied to agricultural and non-agricultural tariff bindings, aid for trade initiative, transparency processes and dispute settlement procedures, an expansion of the coverage of the GATS to additional sectors and modes of supply.

The Doha Round: ‘Death-Defying Agenda’ or ‘Don’t Do it Again’? by Stuart Harbinson ECIPE Working Paper No. 10/2009, www.ecipe.org

ALMOST eight years after the launch of the WTO's Doha Round, negotiations remain mired in a swamp of detail, with many participants unwilling or unable to make the hard decisions which would bring the Round to a conclusion. G20 leaders renewed at the Pittsburgh summit the call to successfully end the Doha Round, but it remains to be seen if the new call will be more successful than previous G20 declarations. In a new study by ECIPE, Stuart Harbinson takes stock of the Doha Round and examines why WTO members have failed to successfully conclude the Round. He sets out the main issues for a conclusion of the Round – and for the future agenda of the WTO. Harbinson examines the origins of the Doha Round in 2001 and its painfully slow progress in missing deadline after deadline since the original date set for completion by 2005.

Recounting the frustrations of seeking a simultaneous resolution on many matters, Harbinson points out that, “[f]inding a static point of equilibrium across a range of complex issues was a virtually impossible task.” Although there is still no end in sight, he explains that abandoning the Doha Round would not only waste the potential economic gains, but also leave the world with the outcome of the Uruguay Round, reflecting a negotiating agenda which is at least 20 years old.

Harbinson considers this unacceptable for several reasons, such as:

- None of the difficult issues, such as egregious agricultural subsidies and tariff peaks would be made easier by starting anew.
- Further distortions of trade due to myriad preferential trade agreements and the misuse of other loopholes in rules for protectionist purposes would be unchecked;
- The erosion of the WTO's credibility would extend to its valuable surveillance and dispute settlement functions.

Looking ahead, Harbinson examines the self-imposed constraint of reaching a single undertaking to resolve a very large range of issues, listing some of the reasons for pursuing

that difficult aim. It was considered appropriate in 2001 after several years of unsuccessful single-issue negotiations on agriculture and services generated by the Uruguay Round's built-in agenda. Secondly, there is still no prospect of making significant gains in terms of reducing distortions to agricultural trade, and other issues are made hostage to progress in this sector. Moreover, delinking progress on other matters does not guarantee reaching an outcome which is considered to be "balanced" by negotiators.

On the other hand, agriculture comprises a rapidly shrinking share of global trade. The range of issues which remain to be addressed continues to widen, including the trade policy implications of any international agreement to limit climate change. It would take many years just to agree on a new agenda which could be expected to lead to an agreed single undertaking. Therefore, on balance, Harbinson argues that 'The world of international trade may have become too complex for traditional "rounds". New negotiating paradigms have to be found.'

Considering the potential of "variable geometry" where groups of economies can agree on some arrangements ahead of others, Harbinson warns that the governments with most to gain from progress are most often those who are least able to reach agreement. In practice, many exceptions, exemptions and variable deadlines for various undertakings already create complex "variable geometry".

Harbinson also notes the positive features of "critical mass" type of agreement along the lines of the 1997 Agreement on Information Technology. A welcome feature of that approach is that the results are applied to all on a non-discriminatory basis, provided that the "critical mass" threshold for the issue in question is met.

He suggests the answer might lie in an ongoing sequence of permanent, manageable, non-comprehensive negotiations, with subjects linked together less formally than in the current "round" format. In such a "repeated game" environment, outcomes of successive negotiations on separate issues could provide the prospect of an acceptable balance of perceived long-term gains compared to short-term sacrifices.

The complexity of the challenges facing the WTO could actually be eased by an option that Harbinson does not consider. Harbinson draws attention to the potential value of facilitating trade by reducing the many logistic and administrative problems of moving products across borders and notes that dealing with such matters is a positive-sum game. However, he does not follow up by saying that such trade facilitation need not be negotiated. Moreover, the many opportunities to facilitate trade do not need to be dealt with at the same time - there is no need for package deals when solving positive-sum games.

Indeed, negotiations are not all that relevant to substantive progress on facilitation. For example, easier movement of business people cannot be achieved by negotiating statements of good intentions. Real progress needs patient work and resources to set up compatible information technology to allow such movement of people consistent with obvious security requirements.

APEC's voluntary process of cooperation on this issue and many others, such as improving customs procedures, are already saving billions of dollars per year for Asia Pacific economies.

The G20, a new global voluntary process, could not only turn its attention to seizing such opportunities for mutual benefit, but its leaders could also help mobilize the financial resources needed to build the capacity required to adopt practical arrangement to reduce the cost and risks of international commerce.

The Impact of Preferential Rules of Origin on the Relationship of Free Trade Area and the Multilateral Trading System by Cheng Xin-xuan, *Management Science and Engineering*, Vol. 4, No. 4, 2010, www.cscanada.org

THIS article focuses on rules of origin, as an important feature of free trade, affected regional member countries and the outside world more and more significantly. On 29 July 2008, the failure of the WTO Doha Round, multilateral trade system development ran into trouble, and regional integration organization became the first choice of development strategy of many Member

States. According to the applicable scope, FTA rules of origin can be classified into preferential rules of origin and non-preferential rules of origin.

This article explains the free trade rules of origin from the initial functions of determining whether goods were eligible for preferential treatment and preventing trade deflection added the characteristics of reflecting the interests of regional member countries as well as closely integrated with the production stage. The function changes led to preferential rules of origin in free trade area as the regional trade protection tools, increased regional trade diversion effect, reduced the level of global welfare, and had a definite conflict with the multilateral trading system. However, the preferential rules of origin promoted the openness within the region and increased freedom degree, was consistent with the multilateral trading system purpose, which had a coherent basis for the two. The author suggests that member countries needed to adopt the principle of gradual, cumulative approach to achieve the principle of preferential rules of origin. In order to facilitate common development of free trade area and the multilateral trading system, China-ASEAN Free Trade Area rules of origin needs to be further adjusted, and be focused on improved regional trade in services rules of origin, in order to eliminate the non-symmetry effects on Member States.

The fast development of regional economical organizations enlarged the preferential rules of origin function, added the characteristics of reflecting interests of regional member countries as well as closely integrated with the production stage. All these features led to preferential rules of origin in free trade area as the regional trade protection tools, increased regional trade diversion effect, and reduced global welfare level. These effects brought by preferential rules of origin had a conflict with the objectives of the WTO. At the same time, the author argues that preferential rules of origin increased the degree of openness and freedom within the region, producers adopted investment instead of trade practices also promoted the development of the WTO investment agreement. The huge costs of

administrative rules of origin also promoted the members choice of GSP. These impacts set a coordination foundation between the free trade area and the multilateral trading system, by the use of progressive and cumulative principles may achieve the coordination between the multilateral trading systems.

China and the Doha Development Agenda,
C.L. Lim and JiangYu Wang, *Journal of World Trade* 44, No. 6, 2010.

IN contrast to early predictions during its accession, China has not sought to play a leadership role in the Doha Round negotiations or to rewrite the WTO rules in a systemic manner. However, China's role in the negotiations came into prominence during the 'mini-ministerial' held in Geneva in July 2008. Now included in the seven-member group (G-7), China came under fire from the United States and the European Union for failing to demonstrate greater leadership.

This article seeks to explain the nature of that criticism and argues that over-reliance on the question of 'Chinese leadership' as an explanatory concept could aggravate broader misperceptions about China's position in the Doha Round. According to these misperceptions, China has 'broken cover' and that it has become more 'assertive' while becoming more 'protectionist'. In other words, there is the view today that China has emerged as a fresh obstacle to the conclusion of the Doha Round talks.

This article analyzes that misreading and argues that an analysis of China's position in the negotiations must be tempered by a more nuanced understanding of certain tensions and mixed positions within China's overall approach.

The article seeks to explain China's current position in the goods negotiations, on agriculture and non-agricultural market access, and in the services and rules negotiations. It also tries to explain the complexities of China's alignment with developing country members and how that is likely to translate into various negotiating positions on specific issues.

Finally, the article discusses a range of factors that are likely to play an important, continuing role in shaping China's perception of specific trade issues

and, more importantly, its perception of the overall worth of an eventual outcome to the Doha Round.

Doha Reform of WTO Export Credit Provisions in the SCM Agreement: The Perspective of Developing Countries

by Roberto Soprano, *Journal of World Trade* 44, No. 3, 2010.

EXPORT credit programmes are instruments in widespread use by governments to facilitate export of goods manufactured by their domestic firms. It is common for developed and developing countries to have at least one Export Credit and Insurance Agency (ECA), which grants export credits or provides export credit guarantees and insurance to domestic firms or foreign purchasers of domestic goods. The article examines the provision of such financial instruments mitigates the risks of international transactions and provides borrowers with useful financing for their business. It explains that export credit instruments are important tools for enterprises used by developing and developed countries to face risks of default of transactions and to offer purchasers extended payment of their goods. Although they contribute to foster international trade, their misuse is likely to distort competition in the marketplace. In order to prevent competition being based on the amount of support received by the domestic Export Credit Agencies more than on price and quality of goods traded, states developed international rules within the framework of the OECD and the WTO. The article mentions that the manner in which those rules have been written creates an unbalanced playing field between developing and developed countries.

During the Doha Development Round, some countries proposed amendments in the current WTO norms in order to modify items (j) and (k) of the Illustrative List of Annex I of the Subsidies and Countervailing Measures (SCM) Agreement and reduce the unbalances due to the financial and risk conditions of developing countries against developed countries. This contribution will analyze the interests of developing and developed countries in the Doha proposed reforms aimed at restoring a level playing field among the WTO Members.

The Doha Development Agenda of the WTO: Possible Institutional Implications by Michael Reiterer, *Progress in Development Studies* 9, 4, 2009.

THIS article at the outset focuses on the significance of the ongoing Doha Development Agenda (DDA), which is competing in missed date lines with its precursor, the Uruguay Round, and proves that global trade negotiations have become more and more difficult. Some argue even impossible: The WTO has become nearly universal, 153 countries covering more than 90 per cent of world trade are members and most of them want to engage in the negotiating process, which is a formidable management challenge. Furthermore, gone are the days when General Agreement on Tariffs and Trade (GATT) negotiations centred primarily on tariff lines. The WTO agenda has increased in scope, depth and consequently in political importance. To give an example; the political and social implications of intellectual property rights and public services or the importance of trade policies for development have become clear to the general public outside the small circles of trade diplomats. National regulators have to take into account the WTO rules such as the ones on sanitary and phytosanitary standards. Thus, the political economy of trade policymaking has changed since the Uruguay Round, especially in new issues like intellectual property rights, services and investment.

This article states that the size of membership, diverging interest because of different stages of development and the depth of regulation undertaken or foreseen in the WTO made the economics and politics of international trade negotiations more complicated. This has repercussions on the negotiating mechanics in the WTO including the continued appropriateness of the technique of "rounds". At the same time, the rationale of further trade liberalization in the context of sustainable development is questioned. The widening scope of issues covered – whose impact of domestic policies give rise to – quests for more transparency and accountability. The lack of adequate know-how renders the effective participation of developing countries in the negotiating round more difficult or even impossible. New forms of network formation – drawing on the many forms of international

cooperation, participation and agenda setting – have to be developed in order to maintain the WTO as the centre of the multilateral rule-based system.

The author mentions the recent developments in the article. The sub-prime crisis of 2008 and the ensuing financial and economic crisis added to the difficult environment in which the DDA negotiations have been taking place. In addition to the mentioned problem of the number of actors involved, making it difficult to set up the right process. There is the changing architecture of multilateral trade relations, where emerging powers shift the balance of power towards developing countries (contrast with emergence of G20 and G90 in Cancun) with their own offensive agendas on agriculture manufacturing and development-specific issues. Rationalizing the process within the WTO in making use of inter-regionalism could bring benefits to the international trade diplomacy.

In addition the major players, the EU and the US both face a difficult domestic political environment, as large sectors of public opinion are nervous of trade liberalization because of fear of losing whole sectors – like agriculture – and of fear of trade-related job losses. Their public opinions unnerved by insecurity – rightly or wrongly attributed to globalization – need attention in form of implication and explanation in order to land an agreement. Furthermore, gone are the times where the two major players could dictate results; but while they do not have this power any longer, no solution is possible without their consent either.

Contributing to the economic security is not a new challenge for the WTO, Michael says, as that was one of the reasons why the Bretton Woods institutions were set up; however, in the post-Cold War system, the WTO at the core of the multilateral trading system is challenged to provide a forum for a multipolar economic system where new players emerge, search their role and participate actively in developing the system. Nevertheless, economic security is a large and not always-clear concept “ranging from problems of dependence on external resources and/or markets, and to the problems of underdevelopment and poverty in the Third World”. The ever-intensifying inter-

connectedness strains the system further, as evidenced by a recent analysis of “Climate Change and International Security” which also has strong economic implications through conflicts over resources or tensions over energy supplies. This might need a certain positive politization of the organization, where technicalities used to prevail. The author says that in this context, international institutions have facilitated cooperation by reducing the costs of making agreements, through established rules and practices, and by providing information, particularly about the extent to which governments were following these rules. Therefore, the WTO as a globalization induced international institution can provide a framework for negotiating and implementing rules in the economic area where governments can no longer act alone.

Governments, therefore, choose to use the WTO to benefit from cooperation on the international economic regulatory level, thereby regaining sovereignty lost. If the DDA fails, this will have negative repercussions on the trust in and the viability of the multilateral trading system, to the disadvantage of all, but difficult to subscribe to for any individual participant. As evidenced by 26,000 pages signed in Marrakesh when concluding the Uruguay Round in 1995, and by the ever-growing “jurisprudence” of the Dispute Settlement mechanism, the WTO is everything but a rule-free market liberalization devil in the interest of the mighty, whether multinational enterprises or states exercising economic power. On the contrary, law protects the weak and sometimes re-regulation may be necessary before liberalization. The Asian Financial Crisis of 1997 was the negative example where liberalization without an adequate regulatory framework can lead to.

Implementing and consolidating the Uruguay Round results equals strengthening the multilateral trading system, but the mentioned shift in bargaining power and the ever-increasing number of the Members willing to participate actively in the life of the WTO will require further institutional changes in order to remain the focus of activities in the governance building of the international trade regime.

Institutional and procedural deficiencies cannot be allowed to stand in the way of effective

negotiations, as a perceived or real inefficiency of the WTO negatively impacts on its overall mission as a forum for negotiations and trade rule making. The experience gained with the Uruguay Round and the DDA, however, legitimately raise the question whether the negotiating method of "rounds" remains adequate in the new political environment that could ascribe a more important political role to the WTO itself, which in turn would necessitate a reform... but how best to achieve if not through a round?

Don't Cry for Doha by Dani Rodrik, *Business Standard*, 6 August 2008.

THE article in the beginning questions the fate of multilateral trade agreement.

Negotiation saga is continued despite the numerous incidents of near-collapse, ups and downs and extensions. The lower stake of negotiating partners was stated as the reason of recent failure on agreement. The article explores the possible outcomes of successful completion of the "development round" by pointing out that it will help hundreds of millions of poor farmers and the failure will be a near-fatal blow on the trading system.

The article analyzes that the farm-support policies in developed countries have affected world prices as well as farm producers of developing countries. Phasing out of the farm subsidies for most farm products would only have a modest effect on the world prices. For phasing out their farm subsidies developed countries have demanded sharp cuts in import tariffs by developing countries, which is already at an all-time low. It also mentions that high farm prices help producers but hurts poor urban households in developing countries as happened during the recent increase in food prices when food-growing countries imposed ban on food export. It says that the farm reform in rich countries could have a mixed effect on the world's poor and farm reform in the US and the EU and other rich countries would benefit their consumers and taxpayers as they have paid for the subsidies on the agriculture. It mentions that complete elimination of all commodities trade restriction would boost developing countries income by 1 per cent but Doha Round would only reduce these barriers.

The myth of development round on agriculture was an opportunity to gain the moral high ground over anti-globalization protesters and it gave the US a stick to tear down the EU's common agricultural policy. It points out that the continuous progress in liberalization backfires as the US and key developing countries found it difficult to liberalize their farm sectors. Finally the article states that the risk of failed trade negotiation can erode the legitimacy of global trade rules over the longer run. In the concluding remark, it says there may be the numerous expectation rather than the actual economic results on the ground that will determine the outcomes.

Can We Afford to Miss Doha Round? by Sumanta Chaudhuri, *The Economic Times*, 5 September 2008.

IN its opening remark, the article states that key WTO members took rigid stand because of rise in prices for oil and food, spiraling inflation, banking crisis and the specter of alarming elections and lack of substantial benefits to most members particularly developed countries in the wake of increased food prices and further increase due to reduction in agricultural subsidies became the significant reasons for failure of this round.

It views that such arguments imply that successful completion of Doha negotiations in 2010 would stabilize the world economy. But the win of democratic presidential candidate in the US election may affect the ongoing trade liberalization and may witness return of protectionist policies to improve domestic employment and growth as happened earlier in Seattle. It also mentions that the slow-down in agriculture reform and more domestic subsidies can take place and situation for negotiations may worsen in 2010 and beyond if democrats win US election. It explains that the minimal welfare gains from tariff reduction for industrial goods in autonomous liberalization results in reduction in import prices, and the faster liberalization through the FTA/PTA route by all key players can accentuate process. It further explains about the benefits and problems of Mode 1 and Mode 4 and suggests that the Doha Round can provide a wonderful opportunity to developing countries to resolve the problems in multilateral round.

The article also mentions about domestic regulations in services, which is equivalent to non-tariff barriers in goods and can be used to negate market commitments especially in Modes 1 and 4 and suggest that proposed area of disciplines associated with services negotiations could have provided the necessary comfort to regulators while disciplining the areas. Finally, the article mentions that the current rounds of negotiation are missing lobbying by the private sector and industry associations as it was witnessed by pharmaceutical lobby and the financial and telecom giants in the Uruguay Round. It suggests that collective effort, political will and maturity are needed to salvage the Doha Round before it becomes too late to complete the negotiations.

Closing the Doha Round by Arvind Panagariya, *The Economics Times*, 12 August 2008.

THE article in the beginning suggests that Pascal Lamy's (Director General, WTO) visit to Delhi can provide India an opportunity to conclude the negotiations without diluting the overall benefits to India or compromising the interests of its farmers.

Among the three unresolved issues during the Doha negotiations, i.e. special safeguard mechanism (SSM) in agriculture, special treatment for cotton, and sector-specific liberalization initiatives in manufactures, the SSM is very complex and needs careful explanation. The article further mentions that safeguard measures like permission to temporarily increase tariffs in response to import surge and to impose anti-dumping duties, have been found adequate by member countries in case of industrial products.

The article also mentions that the Doha agreement is expected to either eliminate or considerably restrict the Special Agricultural Safeguard under the Uruguay Round (UR) Agreement and the developing countries have to reciprocate the agricultural liberalization of the developed countries. But developing countries have proposed to raise tariffs on 7 per cent of agricultural products by 30 per cent of the UR bound rates or 30 percentage points, whichever is larger, in response to a 10 per cent expansion of imports.

Finally, the article points out three reasons for developing countries to have a strong case for a

generous SSM. It also suggests that India can accept a higher trigger and less generous SSM tariffs without compromising the interests of its farmers.

WTO Talks: Should Countries Trade? by Manoj Pant, *The Economics Times*, 8 August 2008.

THE article outlines the requirement and ingenuity involved with the trade negotiation in the backdrop of the failure of Doha Round of negotiations. It also mentions that India has little economic interest in the agricultural trade compared to enormous political risks involved in recent stalled talks. Taking the reference of the earlier article it states that most developing countries are not able to deal with the increased complexities of the trade negotiations.

The trade widens the scope for technology, production and consumption choices for many countries and multilateral negotiations for free trade with agreed tariff, are best for smaller countries, which are not capable of influencing world trade. In trade 'structural adjustments' happens due to change in production pattern and skill requirement. The article further mentions that the developed countries have always used the ingenious statistical formula to protect their domestic market from developing countries as they did in agricultural and labour intensive sectors in Uruguay Round. Similar debates around the 'trigger mechanism' is an attempt by the US to stall agricultural negotiations by making politically impossible demands on developing countries.

Finally, the article views that without visible concrete economic gains no government can make politically difficult choice of structural adjustment.

A Post Mortem of the Failed Mini-Ministerial Meeting by Kumar Gautam, *Trade & Development Quarterly*, CENTAD, Vol. IV, Issue 1, 2008.

THE collapse of the mini-ministerial meeting of the World Trade Organization (WTO) held at Geneva has once again posed a question mark on the entire multilateral trading regime. It has stalled the Doha Round of negotiations once again and postponed it indefinitely although Mr. Pascal Lamy, the Director General of the WTO has given fresh deadlines to establish the modalities by the end of 2008 and complete the Round by the end of 2009. The other

important point is that the collapse of the mini-ministerial meeting at Geneva also implies that another opportunity has been lost to put pressure on developed countries to reduce their agricultural subsidies and also the opportunity for developing countries to get more access in the markets of developed countries, as pointed out by Malaysia's representative to the WTO, Ambassador Muhamad Noor Yacob.

The official reason for the collapse of the mini-ministerial conference at Geneva is the inability of the United States and India to agree on a special safeguard mechanism (SSM) in agriculture. The core difference being what should be the threshold, which should kick in the SSM for countries to use. The SSM would allow countries to raise tariffs above the bound rate in cases where the prices of the imported agricultural goods fall below or the volume rises above specified levels.

Countries like the US wanted to have a higher threshold whereas countries like India wanted a lower threshold. A lower threshold would provide a protective cushion to countries like India to safeguard their concerns in agriculture. In reality, however, the breakdown on SSM can be seen as the conflict between what can be called an aggressive market access agenda being pursued by developed countries like the US and the development agenda that developing countries are pursuing. A balanced SSM that allows developing countries to safeguard their concerns in agriculture as they plan to open up their agricultural sector to global market forces, will fit well in the developmental aspect of the Doha Round of negotiations. This difference on the issue of SSM is reflected in the stand developing countries and developed countries have taken in the ongoing Doha Round of negotiations. The Group of 33 countries (G-33) that has championed the cause of SSM, has always argued that an efficacious SSM is essential to defend food security, the agriculture sector and farmers in particular from the adverse impact that import liberalization will bring along. On the other hand, countries like the US and the Cairns group of countries have always taken a stand that a strong SSM will hamper market access opportunities, and goes against the paradigm of boosting international trade and global integration.

SSM and the cotton issue were not the only outstanding or unresolved issues on account of

which the mini-ministerial conference failed. There were many issues on non-agricultural market access (NAMA) that were far from being resolved with the core issues being the coefficients in the Swiss formula and the flexibilities that should be made available to developing countries. Developing countries have always argued for a higher coefficient in the Swiss formula in order to ensure that they do not have to cut their tariff rates drastically. Similarly, developing countries want to have the flexibility where they can keep some of their tariff lines outside the purview of the tariff reduction modality. On the other hand, developed countries are keen on ensuring that developing countries like India should undertake a steep tariff reduction on their industrial goods.

Doha Negotiations – The Way Forward

by Biswajit Dhar, *Focus WTO*, Vol. 10 Nos. 1 & 2, May-August 2008.

AS the title of this article suggests the way forward of the Doha Development Agenda (DDA), which is yet to fructify in anything concrete for developing countries whether on issues of agriculture, NAMA or services. The lack of agreement among the participating countries, particularly the G-7 countries, meant that the WTO member countries had failed to deliver on the DDA. It is the much touted focus on the current Round of multilateral trade negotiations.

The article mentions that it was the inability of the developed countries to accept an outcome that serves the interests of the majority of the WTO Membership, i.e. the developing countries. The issues raised by the developing countries were in fact, the cornerstone of the mandate for agriculture negotiations in the Doha Round. The negotiating mandate, which provided for the establishment of a fair and market-oriented trading system through a programme of fundamental reform, included two key issues. *First*, the negotiating mandate spoke of reducing the trade distorting subsidies granted by the large subsidizers in the developed world. *Secondly*, the mandate instructed the WTO Members to negotiate such rules and disciplines as to enable developing countries to effectively take account of their development needs, including food security and rural development.

The first set of issues was of vital importance to a number of developing countries which found that the interests of their agricultural products were severely affected because of the unfair competition that their producers have faced from subsidized products originating in the developed countries.

As regards, the second set of issues highlighted by the developing countries, there is a need to take into consideration the development imperatives, including food security and rural development. Biswajit Dhar, DG (RIS) says that these objectives are safety nets that the vulnerable producers in these countries need to protect themselves in the markets which were rife with the distortions caused by farm subsidies. Developing countries have therefore been arguing that they would need two sets of mechanisms to protect the vulnerable producers. In the first place, these countries argued that higher levels of protection are necessary to protect food security crops as well as rural livelihoods. He opines that these so-called "Special Products" or SPs are commodities that would not be subjected to any cuts in their bound tariffs, i.e. the Uruguay Round bindings would not be reduced. The second mechanism would be a "Special Safeguard Mechanism" or SSM, which would be triggered if the import volumes of agricultural commodities increased beyond thresholds agreed during the negotiations or prices of agricultural commodities fell below the levels agreed during the negotiations.

The July Ministerial, the author says, witnessed mixed results on these issues of critical importance to the developing countries. A broad agreement was achieved in respect of SPs, wherein it was agreed that developing countries would be able to designate up to 5 per cent of their agricultural tariff lines as SPs that would not take any cuts in their Uruguay Round tariff bindings. Another 7 per cent of the tariff lines would take an average cut of 11 per cent on their tariff bindings, spread over the implementation period.

The negotiations on Non-Agricultural Market Access (NAMA) saw some forward movement on the issue of tariff reduction. An agreement on the use of tariff harmonization approach (better known as the "Swiss formula") for reducing tariffs was reached. This involved the use of two different coefficients for the developing and the developed countries, which was in keeping with the special

and differential treatment provisions. More importantly, however, developing countries are to be given the option to protect their sensitive tariff lines by either keeping 5 per cent of their tariff lines unbound or subjecting 10 per cent of tariff lines to cuts below the formula cuts. From the point of view of the developing countries, the article states that the broad agreement on the tariff reduction approach has a significant positive: with the developed countries agreeing to reduce tariffs across the board using the "Swiss formula", the inordinately high tariffs that products of export interests to the developing countries have faced in the developed country markets thus far would be a thing of the past.

From the viewpoint of developing countries like India, the problem in services negotiations has been the lukewarm response of the developed countries to improve their market access offers in Modes 1 and 4. Given this backdrop, considerable importance was attached to the signalling conference on services, which witnessed both the European Union and the United States send out "positive" signals.

The author emphasizes that the discordance between the major participating countries on agriculture and NAMA, the global community may have to wait for a while longer before the Doha Round is concluded. Developing countries must consider the strategy that they would have to adopt to ensure that the negotiations focus on all the critical issues included in the Doha negotiating mandate are adequately addressed. This is vitally important for these countries since there are a range of issues, other than agriculture and NAMA in which these countries have considerably large stakes. The lack of significant movement in the services negotiations is of particular concern for the developing countries since many among them are seeking enhanced market access in a number of service sectors in the major markets, particularly through cross-border transactions and movement of natural persons. This objective can be realized only when developing countries are able to successfully develop coalitions with like-minded countries as they have done in agriculture and NAMA.

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DOCUMENTS

Committee on Trade and Development

Special Session

Special Session of the Committee on Trade and Development

Report by the Chairman, Ambassador Shahid Bashir (Pakistan), to the Trade Negotiations Committee

THIS Report on the current status of work in the Special Session of the Committee on Trade and Development (Special Session), prepared under my own responsibility, attempts to capture the progress that has been made in the last few months, during which I have held two formal meetings (13 January and 22 March 2011¹), and a large number of informal small-group meetings. Members have shown continuous and positive engagement during this period, because of which we have moved closer to convergence in many key areas.

The Monitoring Mechanism

Members know that for some time now, it has been difficult to make substantive progress in negotiations on the Monitoring Mechanism. In spite of sustained efforts over the past few years, it had not been possible to bridge the divergent views on the mandate, scope, structure and functions of the Mechanism. We, however, witnessed an important breakthrough in the small group of Ambassadors' led process on development issues, which attempted to capture the middle ground on the elements of the Monitoring Mechanism, and proposed some 'Guiding Principles' to help take the process forward. After intensive consultations on these

'Guiding Principles' the then Chair of the Special Session circulated a Fourth Revision (Rev.4) of his non-paper dated 16 December 2010 on the Monitoring Mechanism. At the 43rd Special Session of the Committee on Trade and Development held on 13 January 2011, the Membership agreed to work on the basis of the revised non-paper in the small-group process.

In the small-group consultations that ensued thereafter, Members engaged on Rev.4 and tabled additional textual proposals. These proposals continue to be discussed. Based on a general agreement among Members to rearrange the elements of Rev.4 in a more coherent and logical format, so as to facilitate a structured discussion and therefore convergence, I issued an Addendum to Rev.4 of the non-paper on 17 February 2011. In this Addendum, different paragraphs of the Mechanism were placed under the headings of Scope, Functions/Terms of Reference, Operations and Reappraisal. The Addendum also contained a Preamble. All consultations thereafter were based on this Addendum.

Although nothing is agreed until everything is agreed, there appears to be convergence on the following elements of the Mechanism:

- (a) *Scope*: Although at one stage some Members felt that the scope of the Mechanism should

¹ TN/CTD/M/43 and TN/CTD/M/44 (to be issued).

be restricted to the covered Agreements only, others preferred the inclusion of Ministerial and General Council Decisions to the scope of the Mechanism. This divergence has now been bridged and Members broadly agree that “the Mechanism will apply to all S&D provisions contained in multilaterally agreed WTO Agreements, Ministerial and General Council Decisions”.

- (b) *Functions*: The divergence in this section had been mainly on the issue, whether the Mechanism was meant to be an exercise in ‘transparency’, overseeing the implementation of S&D provisions, or a permanent negotiating forum on S&D provisions, even after the conclusion of the DDA. There now appears to be a compromise on these positions and Members feel that though the Monitoring Mechanism will not be a negotiating body, it will also not be precluded from making recommendations or proposals for initiating negotiations in other WTO bodies. Besides, the Mechanism will complement, and not replace, other relevant Mechanisms in different bodies of the WTO.
- (c) *Operations*: Another area where there appears to be convergence is on the operation of the Mechanism in dedicated sessions of the CTD; meetings of which will be convened periodically, and at least twice a year, and which will follow the same rules of procedure as the Regular Session of the CTD. These dedicated sessions will be Member-driven and their work will be based on inputs and submissions by Members, as well as on reports received from other WTO bodies. Prior to each such session, the WTO Secretariat will compile a factual background document based on inputs and submissions received from Members and other WTO bodies, detailing information relating to operation, utilization and implementation of the S&D provisions.
- (d) *Reappraisal*: There is also a general agreement that the Mechanism will be reviewed three years after its entry into force and thereafter when deemed necessary.

Negotiations on the Monitoring Mechanism have not yet concluded. Members continue to have divergent views on the language of the Preamble, on which the African Group and the EU delegation have tabled proposals, which are still being discussed by Members. In addition, while there is a broad agreement on combining paragraphs 4 and 5 of Annex 1 to this report, there is as yet no convergence on the possible language that will combine these two paragraphs. Similarly, Members continue to hold divergent views on the issue of the review procedure and any recommendations made under this Mechanism not prejudging the legal nature of S&D provisions nor affecting Members’ rights and obligations under the WTO Agreements. These issues remain under active consideration of the Special Session.

In Annex 1 to this Report, I have tried to capture the current status of the non-paper after incorporating the textual and schematic proposals of Members. This Annex is produced under my own responsibility.

The Agreement-specific Proposals

Work on the six Agreement-specific proposals has continued on the basis of the last language circulated in May 2010. While discussion on these proposals has proceeded in a positive and constructive spirit, Members remain far from developing any common understanding and so far it has not been possible to bridge the gaps in the divergent positions that Members continue to express. Some Members have expressed the view that the text falls short of accurately reflecting earlier discussions on these proposals. For them, the areas of divergence extend beyond the bracketed text and more work is required to develop convergence even on other parts of the text. On the other hand, some other Members feel that the draft text on these proposals accurately captures the progress that had been achieved during and before 2010. They hold the view that the text in its current form, with the exception of a few brackets, is fairly stabilized and that any attempt to reopen it could be a retrograde step. On my part, I intend to continue my efforts to encourage Members to work towards narrowing the remaining gaps so as to develop a common understanding.

As for the 28 proposals annexed to the draft Cancún Ministerial Declaration, Members have a

shared understanding that there was an in-principle agreement to these proposals on an ad referendum basis, and what remains is their formal adoption by the Membership at an opportune time.

On the Category II proposals, the Chairs have, as in the past, reported that there has not been much progress on these proposals. This is largely due to the fact that the issues raised in some of the proposals form an integral part of the on-going work in the respective negotiating bodies. In the coming months, I shall continue coordinating with the respective Chairpersons so as to see how best to expedite progress on these proposals.

Overall, it would be fair to state that the past four months have witnessed considerable progress in our work. As for the future course of action, it is proposed that Members continue to engage with a positive mind-set to bridge the remaining gaps. Personal involvement of Ambassadors/Heads of Delegation in this process may also be sought when required.

ANNEX 1

THE MONITORING MECHANISM

Preamble

Recalling the General Council Decision of July 2002 on establishing a Monitoring Mechanism¹

1. Members hereby agree to establish the Monitoring Mechanism (hereinafter referred to as the Mechanism) with the following: Scope, Functions/Terms of Reference, Operations and Reappraisal.

Scope

2. The Mechanism will apply to all Special and Differential Treatment (S&D) provisions contained in multilaterally agreed WTO Agreements, Ministerial and General Council Decisions.

Functions/Terms of Reference

3. The Mechanism shall act as a focal point within the WTO to analyse and review the implementation of S&D provisions.

4. Through a bottom-up, horizontal and transparent process enabling information sharing, the Mechanism shall regularly evaluate the utilization and effectiveness of S&D provisions with a view that they are effectively and better implemented to facilitate integration of developing and least developed Members into the multilateral trading system.

5. Following discussions amongst Members, the Mechanism, shall propose actions, as appropriate, including to the General Council, to strengthen and improve the implementation of the S&D provisions.²

6. The Mechanism will be a simple, practical, efficient and transparent one which complements, not replaces, relevant review mechanisms in other bodies of the WTO.

7. The Mechanism is not a negotiating body. However, this does not preclude recommendations or proposals for initiating negotiations in other WTO Bodies on S&D provisions reviewed in the Mechanism.

8. The review procedure under this Mechanism shall not prejudice the legal nature of the S&D provision(s) under consideration nor affect Members' rights and obligations under the WTO Agreements, in any way.³

Operations

9. The Mechanism shall operate in dedicated sessions of the Committee on Trade and Development (CTD DS) and shall convene its sessions periodically, at least twice a year and follow the same rules and procedures applied by the Committee on Trade and Development.

10. Monitoring of S&D provisions in the Mechanism shall be undertaken on the basis of inputs/submissions made by Members, as well as on the basis of reports received from other WTO Bodies to which inputs/submissions by Members could also be made.

11. Prior to each session of the Mechanism, the WTO Secretariat shall compile a factual background document, based on, as appropriate, inputs/submissions made by Members and WTO bodies, including information relating to operation, utilization and implementation of S&D provisions.

Reappraisal of the Mechanism

12. The Mechanism will be reviewed three years after its entry into force and thereafter, when necessary, taking into account its actual functioning and evolving circumstances.

NOTES

¹ Two textual proposals on the Preamble have been tabled, which Members continue to discuss.

² There is general understanding among Members that the formulations in paragraphs 4 and 5 may be merged into one paragraph - two textual proposals have been tabled, which Members continue to discuss.

³ This paragraph also continues to be discussed as reflected in my report.

Committee on Trade and Environment
Special Session

Committee on Trade and Environment in Special Session

Report by the Chairman, Ambassador Manuel A.J. Teehankee,
to the Trade Negotiations Committee

1. This report to the Trade Negotiations Committee (TNC) provides an update of progress made in the Committee on Trade and Environment in Special Session (CTESS) since my last written report to the TNC in March 2010.¹ It also aims at identifying areas that will require further attention from Members to bring negotiations to a successful conclusion on all three parts of the mandate in Paragraph 31 of the Doha Ministerial Declaration. The report reflects the work undertaken pursuant to the announcement by the Chairman of the TNC in November 2010 of an intensive work programme through the beginning of 2011, and complies with his guidance for draft texts to be developed so they may appear towards the end of the first quarter of 2011.

I. Paragraphs 31(i) and (ii)

2. Paragraph 31(i) considers the relationship between existing WTO rules and specific trade obligations (STOs) set out in multilateral environmental agreements (MEAs). Paragraph 31(ii) considers procedures for regular information exchange between MEA secretariats and the relevant WTO committees, and the criteria for the granting of observer status.

3. I am pleased to report and attach a draft Ministerial Decision on Paragraphs 31(i) and 31(ii) in Annex I, while at the same time express caution that this is not an agreed text nor is it in complete or final form. Everything is conditional in the deepest sense and requires further engagement and deliberations in open-ended session, consistent with the bottom-up, Member-driven process, and our customary negotiating principles of inclusiveness and transparency.

4. The format is based on Members having converged on the idea of a combined outcome under Paragraphs 31(i) and 31(ii) in the format

of a Ministerial Decision. There has been important work carried out in the CTESS and the draft Ministerial Decision is an attempt to capture the progress made. The language in the draft Ministerial Decision is derived from Members' textual proposals and inputs of Members during the recent intensive process of consultations in varying configurations. In some instances, the textual language represents the Chairman's best perception of discussions and consultations held in the CTESS, particularly in the period February and March 2011.

5. The draft Ministerial Decision includes square brackets in some places to highlight options, areas of divergence or aspects requiring focused discussion. Where possible, explanations of the debate are provided in footnotes. There are also some proposals which are contained in boxes in the draft Ministerial Decision or which are reflected in Annexes I.A or I.B which either have not yet been fully discussed in the CTESS or may still require considerable further work and discussion to arrive at a common textual formulation.

II. Paragraph 31(iii)

6. Paragraph 31(iii) of the Doha Ministerial Declaration considers the reduction or elimination of tariff and non-tariff barriers to trade in environmental goods and services. The format of an outcome under Paragraph 31(iii) is still open although stated options and components have become clearer. The draft Ministerial Decision format of Paragraphs 31(i) and 31(ii) provides a point of reference.

7. On the identification of environmental goods, much work has been done since the circulation of the compilation of environmental goods of interest in my March 2010 Report to the TNC (TN/TE/19). Annex II.A to this report, which

contains the reference universe of environmental goods of interest to Members, is based on HS-6 lines submitted by Members as they were reflected in Annex III of the March 2010 Report to the TNC, also JOB/TE/3/Rev.1 (5 January 2011) and any subsequent submissions. This compilation of Members' submissions is without prejudice to the outcome or the debate on whether the Committee should define what an environmental good is.

8. Annex II.A as well as document JOB/TE/3/Rev.1 (5 January 2011), are intended to be useful to Members across all approaches.² There are six broad categories under which goods have been submitted³: air pollution control, renewable energy, waste management and water treatment, environmental technologies, carbon capture and storage and others, and these categories are all indicated in the right column of Annex II.A.

9. A group of Members identified, on an illustrative basis, a number of tariff lines from the reference universe, and these are reflected in Annex II.B. Preliminary discussions on these goods showed that some of the goods included in this set could be considered by the membership as clear environmental goods, as long as they can be specifically identified in the HS classification by an ex-out or otherwise.

10. Over the years, the work on environmental goods identification has shown that a number of technical difficulties remain. Further work needs to be undertaken by delegations and their experts in this respect, including on the verification of HS description and the determination of ex-outs or sub-classifications. Such technical work should be done without prejudice to the approach and the final outcome.

11. Based on a review of all proposals on the table as reflected in the document TN/TE/INF/4/Rev.15 (28 March 2011) and subsequent submissions as well as the views of Members expressed in consultations on the structure of the outcome, there are still essentially four areas that will require Members' focused efforts to arrive at a draft outcome and modalities.⁴ These are:

- (A) Preambular Language;
- (B) Coverage;

(C) Treatment of Tariffs and Non-Tariff Barriers, including Special and Differential Treatment; and

(D) Cross-Cutting and Development Elements.

12. Much discussion has occurred through the years on the above four areas and the following paragraphs review, without prejudging the final outcome, the options and elements discussed in the negotiating process. These are drawn from all the approaches and proposals, which all remain on the table.

13. On *preambular language*, Members agree that a successful outcome of the negotiations under Paragraph 31(iii) should deliver a triple-win in terms of trade, environment and development for WTO Members. First, the negotiations can benefit the environment by improving countries' ability to obtain high quality environmental goods at low cost or by enhancing the ability to increase production, exports and trade in environmentally beneficial products.⁵ This can directly improve the quality of life for citizens in all countries by providing a cleaner environment and better access to safe water, sanitation or clean energy.

14. The liberalization of trade in environmental goods and services can be beneficial for development by assisting developing countries in obtaining the tools needed to address key environmental priorities as part of their on-going development strategies.⁶ Finally, trade wins because these products become less costly and efficient producers of such technologies can find new markets. In addition, liberalizing trade in environmental goods will encourage the use of environmental technologies, which can in turn stimulate innovation and technology transfer.⁷

15. The primary area requiring delegations' urgent attention relates to agreeing on an approach to *coverage*.⁸ The two most recent proposals – a hybrid approach and combined approach – were put forward in an effort to bridge the various proposals on the table and could therefore provide a starting point for structured discussions on coverage.

16. *Attached at Annex II* is a summary of the potential structures of an outcome on coverage, based on all approaches on the table. Delegations need to engage

and work on the concrete elements of coverage to which the treatment modalities would apply.

17. On *treatment*, although the treatment modalities proposed depend on the final structure considered, all proposals for options include a reduction of tariffs to zero for some products or a reduction including 0 for X and a 50 per cent cut after formula application and elimination of tariffs by certain set periods of time. During consultations, we have also touched on reducing and eliminating non-tariff barriers (NTBs) to trade in environmental goods and services. Members have noted the existence of NTBs in certain sectors and provided general ideas on how NTBs can be reduced, for instance by increasing transparency. Some general ideas for an outcome on NTBs were proposed, including in relation to transparency.⁹

18. As regards *special and differential treatment* for developing countries, lesser reductions, implementation delays and other forms of flexibilities were discussed. Product exemptions as well as the liberalization by developing country Members of a lesser number of tariff lines have also been envisaged.¹⁰ For least-developed country Members and small and vulnerable economies, additional flexibilities could be envisaged.¹¹

19. There are a number of important *cross-cutting elements* of the mandate and this relates to environmental services and to development aspects such as environmental technologies.

20. With respect to environmental services, the main work is occurring in the Committee on Trade in Services Special Session and one option is to draft textual elements cross-referring to the work there relating to enhanced commitments on environmental services. Another possibility would be that enhanced commitments on environmental services are associated with the environmental goods in the reference universe or categories or to an agreed set of environmental goods.¹²

21. Concerning environmental technologies, discussions have clearly highlighted the importance of these elements as being an integral part of an outcome.¹³

(For Annex I to Annex II.B, please refer document TN/TF/20, 21 April 2011 at www.wto.org)

NOTES

- ¹ As with TN/TE/19 (Report by the Chairman to the TNC, 22 March 2010), this report is circulated under the Chair's own responsibility and is without prejudice to the position of WTO Members in the negotiations.
- ² For instance, in the project approach, which identifies environmental activities, the reference universe contains various environmental categories or activities that may be relevant to the identified HS lines. In the request and offer, it can serve as a tool to indicate products of interest for requests and/or offers. In the combined approach, the required alpha or beta lines would be drawn from the reference universe submitted to the CTESS. In the hybrid approach, it could provide a basis for a self-selection by Members.
- ³ As reflected in Annex III of the March 2010 Report to the TNC and in document JOB/TE/3/Rev.1 (5 January 2011).
- ⁴ These proposals are reflected in document TN/TE/INF/4/Rev.15 (28 March 2011) and subsequent submissions. Members may also refer to document JOB/TE/20 which compiles the textual elements relevant to these four areas contained in Members' submissions under Paragraph 31(iii), from 2002 to date, and to a Secretariat Note compiling the various issues raised in Members' submissions under Paragraph 31(iii) in document JOB(07)/137 (17 September 2007).
- ⁵ TN/TE/W/34 (United States, 19 June 2003), para. 3; TN/TE/W/47 (European Communities, 17 February 2005), para. 5; TN/TE/W/50/Rev.1 (Canada, 4 July 2006), para. 13; TN/MA/W/70, TN/TE/W/65 (Canada, European Communities, New Zealand, Norway, Singapore, Switzerland, and the United States, 9 May 2006), para. 2.3; TN/TE/W/57 (Switzerland, 6 July 2005), para. 4; TN/TE/W/54 (India, 4 July 2005), para. 2.
- ⁶ TN/TE/W/55 (Cuba, 5 July 2005), para. 15; TN/TE/W/42 (China, 6 July 2004), para. 2; TN/TE/W/34 (United States, 19 June 2003), para. 3; TN/MA/W/70, TN/TE/W/65 (Canada, European Communities, New Zealand, Norway, Singapore, Switzerland, and the United States, 9 May 2006), para. 2.2; TN/TE/W/49/Suppl.1 (New Zealand, 16 June 2005), para. 17; JOB(06)/140 (Canada, the European Communities, New Zealand, Japan, Norway, the Separate Customs Territory of Taiwan,

Penghu, Kinmen and Matsu, Switzerland, and the United States, 8 May 2006), para. 2; JOB(07)/146 (Brazil, 1 October 2007), para. 3; JOB/TE/17 (Bolivia, Venezuela, 24 March 2011), para. 3; JOB/TE/18 (SVEs, 1 April 2011), paras. 4-5; TN/TE/W/79 (China and India, 15 April 2011), para. 4.

⁷ TN/TE/W/34 (United States, 19 June 2003), para. 3; TN/MA/W/70, TN/TE/W/65 (Canada, European Communities, New Zealand, Norway, Singapore, Switzerland, and the United States, 9 May 2006), para. 2.2 2.3; TN/TE/W/47 (European Communities, 17 February 2005), para. 5; TN/TE/W/74 (Argentina, 23 November 2009), para. 2; JOB/TE/5 (Singapore, 23 June 2010), para. 2.

⁸ Delegations are referred to Annex II as well as the compilation of textual elements drawn from all proposals (JOB/TE/20) and also the Secretariat Note compiling the various issues raised under Paragraph 31(iii) in JOB(07)/137.

⁹ TN/TE/W/76 (Argentina and Brazil, 30 June 2010), Annex, para. 10.

¹⁰ JOB/TE/16 and Corr. 1 (Mexico, Chile, 11 March 2011), para. 12; TN/TE/W/42 (China, 6 July 2004), para. 6; TN/TE/W/76 (Argentina and Brazil, 30 June 2010), Annex, para. 7.

¹¹ JOB/TE/18 (Small, Vulnerable Economies (SVEs), 1 April 2011), para. 5.

¹² JOB(07)193/Rev.1 (European Communities, United States, 6 December 2007), para. 3.

¹³ See TN/TE/W/79 (China and India, 15 April 2011), which provides further ideas on these aspects. JOB/TE/17 (Bolivia, Venezuela, 24 March 2011), para. 13. See also Part D of JOB/TE/20.

(www.wto.org TN/TF/20, 21 April 2011)

(Contd. from page 24)

smaller powers and dominate world trade in their own way, which is not possible in a multilateral system.”

If the trade talks collapse, there would be a number of other deleterious consequences as well. The WTO's role will be considerably diminished.

That would be unfortunate for the global economy. It was expected that a successful multilateral trade round would provide a debt-free stimulus to countries, an advantage that is of great relevance in the recovery phase of the global economy.

If WTO's powers are diminished, the incalculable value of its disputes settlement authority would be severely impaired. Through this authority the WTO has brought the rule of law to world trade. The smallest of countries can bring to account the richest country, forcing the latter to stop trade distortions.

The G-20 countries, which initially stressed collective action as a means of overcoming the recession, have become less enthusiastic in seeking a closure of the Doha Round. For the record, at the Seoul Summit (November 2010), it

was decided to seek a closure by the end of this year.

Much has always depended on the US and the EU. In mid-2008 the talks which showed some rare promise of leading to a breakthrough floundered at the last minute. The rich countries blamed India but it was the US' refusal to reduce agricultural subsidies further and India's refusal to ask its subsistence farmers to compete with subsidized American farmers that were the principal causes.

The outside environment has changed considerably since then. Sky-high global food prices dramatically alter the assumptions behind the American farm subsidies.

While that could help in softening the US stand on what has been an intractable issue, the political climate in rich countries is less conducive to trade deals than it was before.

(http://www.thehindu.com/2011/04/11)



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