

FOCUS WTO

VOL. 13 NO. 4

FUTURE OF DOHA ROUND

NOV.-DEC. 2011



INDIAN INSTITUTE OF FOREIGN TRADE

FOCUS WTO

VOL. 13 NO. 4 • NOV.-DEC. 2011

Editor

Dr. Anil K. Kanungo

Associate Editor

Ms. B. Pankti

Assistant Editor

Madanlal

The Institute brings out the bi-monthly Magazine, *FOCUS WTO* exclusively dealing with WTO and WTO-related issues. Each issue is dedicated to a particular theme. A distinct feature of the Magazine is its section, "Lead Articles" focusing on the theme. As the next issue is devoted to the theme "Biotechnology", we at *FOCUS WTO* invite highly analytical articles focusing on the theme for publication in the Magazine with a word limit between 3000 and 3500.

Potential contributors may directly get in touch with Editor (Phone: 011-26853952, 26965124; Fax: 91-11-26867841, 26853956. Email: akanungo@iift.ac.in)

Visit our website: www.iift.edu

SUBSCRIPTION RATES

Single Copy ₹200
\$20 (Air Mail)

One Year ₹1000
\$100 (Air Mail)

For copies/subscription, please send DD/Pay Order drawn in favour of "Indian Institute of Foreign Trade" payable at New Delhi. In case of outstation DD/Pay Order, add ₹ 20/- for bank commission.

Signed articles in *FOCUS WTO* embody opinions of the authors, and the Institute, while accepting the responsibility of publishing them in these pages, does not accept responsibility for any of the views expressed.

Reproduction of features and news from *FOCUS WTO* with due acknowledgement is welcome. Two copies of the issue reproducing any material from *FOCUS WTO* may kindly be sent to the Editor.

From the Director's Desk



K.T. Chacko

Trade negotiations are complex and the experience of previous Rounds of negotiations under GATT/WTO has shown that conclusion of a Round is always a difficult and time consuming process. The last comprehensive Uruguay Round leading to formation of the WTO took eight years to complete.

In this backdrop, it would have been unrealistic to expect the Doha Round of trade negotiations started in 2001 to be concluded, early. Furthermore, developing countries had strongly opposed the start of this Round, and in order to sugar-coat this unpopular Round, the developed countries christened it as the "Doha Development Round", and assured that the development concerns of the developing countries would be at the heart of this Round. Unfortunately, these words have not been matched by action, and this lies at the heart of the continuing impasse.

Now this Round is in the 12th year and conclusion is nowhere in sight. The negotiations have seen a chequered history. It saw the collapse of the Ministerial Conference in Cancun, Mexico in 2003 followed by a quick recovery through the Geneva Framework Agreement in 2004 and the Hong Kong Declaration in 2005. However, the positive movement slackened after 2006. Momentum picked up in 2008 and consensus appeared within reach but certain thorny issues in agriculture negotiations led to a breakdown.

Since the collapse of the talks in 2008, there has been no light at the end of the tunnel. The global economic crisis, the euro zone crisis, and the overall bleak economic outlook in the developed world has considerably lowered the appetite to seal the Doha Deal. This is best reflected in the Ministerial conference in Geneva in 2011 where Trade Ministers recognized with regret the impasse and could only agree to "more fully explore different negotiating approaches" and "intensify their effort to look into ways" to overcome the stalemate.

The world trading system needs a strong WTO. It is the strongest bulwark against the rising tide of regionalism and unilateralism. However, in order to conclude the Round, the developed world has to recognize the global reality of ensuring a fair and win-win deal for all, especially the developing countries. They have to walk the talk of the Doha Development Agenda and ensure that the end product ensures sufficient benefit for developing countries in integrating their economy to the global market while giving them sufficient development space to protect the livelihood concerns of millions of their rural and urban poor.

Future of Doha Round Negotiation

Rajan Sudesh Ratna*

Doha Ministerial in 2001 for the first time brought concerns and aspirations of developing countries to the centre stage of WTO negotiations. Though more than a decade old negotiations have witnessed considerable advancement in the critical issues of concern to developing countries, yet the perceived benefits of the global trade have hardly touched the lives and spirits of developing and least developed countries. Sense of urgency and despair are both visible. At this critical juncture concerted efforts are needed to take significant issues forward and find a way out of this impasse. This article makes an attempt to discuss and analyze the issues in detail. It suggests how a consensus broadly satisfying the development needs of the developing countries merit immediate attention of member countries and explains how the global trade body, the WTO has significant relevance to settle issues in a transparent and predictable manner.

* Joint Director General, Directorate General of Foreign Trade, Department of Commerce, New Delhi. The views expressed in this paper are purely personal and academic.

THE fourth WTO Ministerial Conference popularly known as Doha Ministerial Round was held in Doha, Qatar from 9-13 November 2001. The Ministerial Conference is the highest decision-making body of the WTO. Before the start of Doha Round, many developing countries were opposed to the launch of a new round, mainly due to the unfulfilled promises of the Uruguay Round. The consensus for agreeing on the launch of new round in Doha emerged from a very categorical assurance from the developed countries to the developing countries that the Round will address their development concerns, including sorting out the problems relating to implementation of the Uruguay Round agreements.

The Declarations that the WTO members adopted in Doha, formulated a work programme known as the Doha Development Agenda, which included trade negotiations (under the Doha Round) and addressing the implementation issues emanating from the agreements of the earlier Rounds. At the same time, the Ministers also decided in Doha to postpone the deadline for some developing countries to eliminate export subsidies and for least-developed countries to provide protection for pharmaceutical patents and test data, and to tackle problems faced by countries unable to make generic

versions of patented medicines. The Doha Round raised the level of expectations of the developing countries since it was termed as Development Round.

The Doha Round is the most ambitious round in the entire history of the multilateral trading system. The original mandate was to reach agreement on almost all subjects in the negotiation by 1 January 2005. The only exceptions were the negotiation on improving and clarifying the Dispute Settlement Understanding (with a deadline of 31 May 2003 and technically not part of the "single undertaking") and the negotiations on a registration system for geographical indications for wines and spirits (with a deadline of the Fifth Ministerial Conference in 2003). All these deadlines have been missed and the dates are now history. Doha Round has now entered eleventh year of negotiation, making it the longest running multilateral trade negotiation. This has been due to the persistent differences between United States of America (US), European Union (EU) and the developing countries. Differences still exist in areas of agriculture, industrial tariffs, services and non-tariff barriers. It is the level of ambition for liberalization, despite broad agreements on modalities, that has hampered the conclusion of this Round.

The Doha Work Programme

As stated, being one of the most ambitious and comprehensive rounds, the Doha Round covered negotiations on some 20 broad items/subjects. These included:

- Agriculture
- Non Agricultural Market Access (NAMA)
- Services
- Trade-related aspects of Intellectual Property Rights TRIPS
- Implementation related issues and concerns
- Sanitary and Phytosanitary Measures (SPS)
- Technical Barriers to Trade (TBT)
- Textiles and Clothing (T&C)
- Trade Related Investment Measures (TRIMS)
- Anti Dumping
- Cross cutting issues
- Special and Differential Treatment (S&DT) provisions, etc.

A Work Programme was adopted at Doha. Some of the important provisions of the Work Programme adopted by the Ministerial Declaration are explained in the Box.

Progress in Negotiations

The negotiations have progressed in stages as they are complex and were held in different negotiating groups. In several rounds of negotiations that were held at various levels – Geneva and capital based officials, senior officials and

DOHA WORK PROGRAMME

Implementation-Related Issues and Concerns

12. We attach the utmost importance to the implementation-related issues and concerns raised by Members and are determined to find appropriate solutions to them. In this connection, and having regard to the General Council Decisions of 3 May and 15 December 2000, we further adopt the Decision on Implementation-Related Issues and Concerns in Document WT/MIN(01)/17 to address a number of implementation problems faced by Members. We agree that negotiations on outstanding implementation issues shall be an integral part of the Work Programme we are establishing, and that agreements reached at an early stage in these negotiations shall be treated in accordance with the provisions of paragraph 47 below. In this regard, we shall proceed as follows: (a) where we provide a specific negotiating mandate in this Declaration, the relevant implementation issues shall be addressed under that mandate; (b) the other outstanding implementation issues shall be addressed as a matter of priority by the relevant WTO bodies, which shall report to the Trade Negotiations Committee, established under paragraph 46 below, by the end of 2002 for appropriate action.

Agriculture

13. We recognize the work already undertaken in the negotiations initiated in early 2000 under Article 20 of the Agreement on Agriculture, including the large number of negotiating proposals submitted on behalf of a total of 121 Members. We recall the long-term objective referred to in the Agreement to establish a fair and market-oriented trading system through a programme of fundamental reform encompassing strengthened rules and specific commitments on support and protection in order to correct and prevent restrictions and distortions in world agricultural markets. We reconfirm our commitment to this programme. Building on the work carried out to date and without prejudging the outcome of the negotiations we commit ourselves to comprehensive negotiations aimed at: substantial improvements in market access; reductions of, with a view to phasing out, all forms of export subsidies; and substantial reductions in trade-distorting domestic support. We agree that special and differential treatment (S&DT) for developing countries shall be an integral part of all elements of the negotiations and shall be embodied in the Schedules of concessions and commitments and as appropriate in the rules and disciplines to be negotiated, so as to be operationally effective and to enable developing countries to effectively take account of their development needs, including food security and rural development. We take note of the non-trade concerns reflected in the negotiating proposals submitted by Members and confirm that non-trade concerns will be taken into account in the negotiations as provided for in the Agreement on Agriculture.

14. Modalities for the further commitments, including provisions for special and differential treatment, shall be established no later than 31 March 2003. Participants shall submit their comprehensive draft Schedules based on these modalities no later than the date of the Fifth Session of the Ministerial Conference. The negotiations, including with respect to rules and disciplines and related legal texts, shall be concluded as part and at the date of conclusion of the negotiating agenda as a whole.

Services

15. The negotiations on trade in services shall be conducted with a view to promoting the economic growth of all trading partners and the development of developing and least-developed countries. We recognize the work already undertaken in the negotiations, initiated in January 2000 under Article XIX of the General Agreement on Trade in Services, and the large number of proposals submitted by Members on a wide range of sectors and several horizontal issues, as well as on movement of natural persons. We reaffirm the Guidelines and Procedures for the Negotiations adopted by the Council for Trade in Services on 28 March 2001 as the basis for continuing the negotiations, with a view to achieving the objectives of the General Agreement on Trade in Services, as stipulated in the Preamble, Article IV and Article XIX of that Agreement. Participants shall submit initial requests for specific commitments by 30 June 2002 and initial offers by 31 March 2003.

Market Access for Non-agricultural Products

16. We agree to negotiations which shall aim, by modalities to be agreed, to reduce or as appropriate eliminate tariffs, including the reduction or elimination of tariff peaks, high tariffs, and tariff escalation, as well as non-tariff barriers, in particular on products of export interest to developing countries. Product coverage shall be comprehensive and without *a priori* exclusions. The negotiations shall take fully into account the special needs and interests of developing and least-developed country participants, including through less than full reciprocity in reduction commitments, in accordance with the relevant provisions of Article XXVIII *bis* of GATT 1994 and the provisions cited in paragraph 50 below. To this end, the modalities to be agreed will include appropriate studies and capacity-building measures to assist least-developed countries to participate effectively in the negotiations.

Trade-Related Aspects of Intellectual Property Rights

17. We stress the importance we attach to implementation and interpretation of the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS Agreement) in a manner supportive of public health, by promoting both access to existing medicines and research and development into new medicines and, in this connection, are adopting a separate Declaration.

18. With a view to completing the work started in the Council for Trade-Related Aspects of Intellectual Property Rights (Council for TRIPS) on the implementation of Article 23.4, we agree to negotiate the establishment of a multilateral system of notification and registration of geographical indications for wines and spirits by the Fifth Session of the Ministerial Conference. We note that issues related to the extension of the protection of geographical indications provided for in Article 23 to products other than wines and spirits will be addressed in the Council for TRIPS pursuant to paragraph 12 of this Declaration.

19. We instruct the Council for TRIPS, in pursuing its work programme including under the review of Article 27.3(b), the review of the implementation of the TRIPS Agreement under Article 71.1 and the work foreseen pursuant to paragraph 12 of this Declaration, to examine, *inter alia*, the relationship between the TRIPS Agreement and the Convention on Biological Diversity, the protection of traditional knowledge and folklore, and other relevant new developments raised by Members pursuant to Article 71.1. In undertaking this work, the TRIPS Council shall be guided by the objectives and principles set out in Articles 7 and 8 of the TRIPS Agreement and shall take fully into account the development dimension.

Trade and Environment

31. With a view to enhancing the mutual supportiveness of trade and environment, we agree to negotiations, without prejudging their outcome, on:

- (i) the relationship between existing WTO rules and specific trade obligations set out in multilateral environmental agreements (MEAs). The negotiations shall be limited in scope to the applicability of such existing WTO rules as among parties to the MEA in question. The negotiations shall not prejudice the WTO rights of any Member that is not a party to the MEA in question;
- (ii) procedures for regular information exchange between MEA Secretariats and the relevant WTO committees, and the criteria for the granting of observer status;
- (iii) the reduction or, as appropriate, elimination of tariff and non-tariff barriers to environmental goods and services.

Special and Differential Treatment

44. We reaffirm that provisions for special and differential treatment are an integral part of the WTO Agreements. We note the concerns expressed regarding their operation in addressing specific constraints faced by developing countries, particularly least-developed countries. In that connection, we also note that some Members have proposed a Framework Agreement on Special and Differential Treatment (WT/GC/W/442). We therefore agree that all special and differential treatment provisions shall be reviewed with a view to strengthening them and making them more precise, effective and operational. In this connection, we endorse the work programme on special and differential treatment set out in the Decision on Implementation-Related Issues and Concerns.

Source: WTO (www.wto.org)¹

Ministerial level meetings, the differences narrowed down on issues and the understandings reached were frozen through a process of interim agreements that represent the “acquis” – what has been acquired or achieved so far. On several issues agreements were reached while on some crucial issues relating to agriculture and NAMA a consensus on modalities is yet to be reached. This has delayed the conclusion of the Round.

Succeeding the Doha Ministerial, another Ministerial meeting at Cancún in 2003 tried to settle the negotiation issues. However, the Cancún Ministerial failed and it resulted in serious loss of momentum of negotiations. Several reasons were attributed to the failure of Cancún Ministerial. The lack of flexibility by the members, differences over the Singapore issues, wide differences between the developing and developed countries were some of the important reasons for this failure. In the history of Doha Round, the first major event that narrowed the gaps was the General Council’s decision of 1 August 2004. It sorted out some of the differences that caused for the failure of Cancún Ministerial Conference in 2003. This “July 2004 Package” decision included a number of annexes. Two of them were “Frameworks” for the negotiations in agriculture and non-agricultural market access, a term that is sometimes used for the entire package. The Framework provided the guidelines, though not specific concessions, but it brought a broad agreement on agriculture - an area which is still the most contentious even at present times.

Next major development was the declaration from the Hong Kong Ministerial Conference which was held on 13-18 December 2005. The Hong Kong Ministerial Declaration reflected that an agreement is reachable in Agriculture, NAMA and Services, etc. For the first time a declaration for duty-free quota-free (DFQF) market access for the Least Developed Countries (LDCs) was made. Overall, the Ministerial Declaration was a step beyond July Framework but it fell short of full negotiating mandate.² Deadlines were established at Hong Kong for concluding negotiations by the end of 2006. Trade negotiators failed to reach agreement at a meeting in Geneva on 30 June-1 July 2006. Mr. Pascal Lamy, Director General, WTO for the first time in his tenure suggested the outline of a possible compromise known as the "20-20-20 proposal". He suggested following proposals to be undertaken so that a faster conclusion of the Round can materialize:

- (i) The United States to accept a ceiling on domestic farm subsidies under \$20 billion,
- (ii) The negotiations may use the G-20 proposal of 54 per cent as the minimum average cut to developed country agricultural tariffs, and
- (iii) A tariff ceiling of 20 for developing country's industrial tariffs may be set.

These suggestions were criticized by all sides and were not adopted at the Geneva meetings. The leaders at the G-8 summit of leading industrialized nations in St. Petersburg, pledged

a "concerted effort" to reach an agreement on negotiating modalities for agriculture and industrial market access. The impasse was reached in July 2006, after a negotiating session of the G-6 (United States, the EU, Japan, Australia, Brazil, and India) in July 2006 failed to break a deadlock on agricultural tariffs and subsidies. The EU blamed the United States for not improving on its offer of domestic support, while the United States responded that no new offers on market access were put forward by the EU or the G-20 to make an improved offer possible. Members of Congress praised the hard-line position taken by the US negotiators that additional domestic subsidy concessions must be met with increased offers of market access.³ The talks were indefinitely suspended less than a week later by the DG WTO Mr. Pascal Lamy on 24 July 2006.

Several rounds of discussions were held thereafter at all levels, including formal and informal mini-ministerial levels to resolve the deadlock after July 2006 suspension of talks. Mr. Lamy announced the talks were back in "full negotiating mode" on 31 January 2007. The G-4 (United States, the European Union, Brazil and India) conducted bilateral or group meetings to break the impasse in the first months of the year. In April 2007, G-6 negotiators (G-4 plus Australia and Japan) agreed to work towards concluding the Round by the end of 2007. Later on, on 21 June 2007, a G-4 summit in Potsdam, Germany, collapsed over demands made by developing countries for higher cuts in developed country

agricultural subsidies and developed countries demanding for greater cuts in industrial tariffs in developing countries. The prolonged negotiations also saw expiry of the US Trade Promotion Authority (TPA) on 1 July 2007. Serious doubts have been casted thereafter; if whatever is agreed by all, will be acceptable for ratification by US Congress or not. This issue still haunts the negotiators of other members in the WTO, who did not show further flexibility in the negotiations.

Despite these setbacks, the chairs of the agriculture and industrial market access (NAMA) negotiating groups came out with the draft modalities texts on 17 July 2007. These texts represent what the chair of each committee, as facilitators of the talks, believed was the basis for a balanced level of concessions based on the Doha Declaration and subsequent agreements. Despite the criticism these texts received from nearly all quarters, they served as a basis of negotiations for the WTO members. These texts were subsequently revised in May 2008, July 2008 and then the December 2008 modality which evolved after the ministers meeting in July-August 2008 in Geneva.

On 21 July 2008, negotiations started again at the WTO's HQ in Geneva. Before the start of the talks the DG WTO Mr. Pascal Lamy stated that the chances of success were 50:50. Some 40 Ministers were invited for talks to break the deadlock in the negotiations. In the meeting, the US announced that it would cap its farm subsidies at \$15 billion a year, from \$18.2 billion in

2006. However, it linked this proposal with the condition that countries such as Brazil and India drop their objections to various aspects of the Round. The US and the EU also offered an increase in the number of temporary work visas for professional workers. Given the nature of intense negotiations, an impression was created that an agreement is “within reach”. The negotiations which were originally scheduled for only five days went on for nine days, however, despite the extended timeframe the talks failed. This was due to the disagreements on several issues including special safeguard mechanism on agricultural products, cotton subsidy, special protection for the Chinese and the Indian farmers and the African and Caribbean banana imports to the EU. There was insoluble disagreement between India, China on one side and the United States on the other 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. Mr. Pascal Lamy said, “Members have simply not been able to bridge their differences.” He stated that out of a to-do list of 20 topics, 18 had seen positions converge but the gaps could not narrow on the 19th – the special safeguard mechanism for the developing countries. The gaps on these two topics have not been narrowed as yet even after a lapse of more than three years.

For some time again a lull in negotiations continued. After

Lehman Brothers collapsed in September 2008, taking down with it global financial and credit markets, political heads of countries met at various forums to discuss measures to mitigate its impact. These include the G-20 summit (Washington, 15 November 2008 and London 2 April 2009); Cairns Group (Bali, Indonesia, 7-9 June 2009); World Trade Ministers (Paris, 24-25 June 2009); G-8 plus meeting, (L’Aquila, 8-10 July 2009); and APEC Trade Ministers (Singapore, 21-22 July 2009). In two of these meetings, it was decided that the Doha Round should be concluded by December 2010. A topic which generated hot debate related to protectionist measures taken by many developed countries after September 2008 and it was unanimously agreed that such measures would worsen the crisis. In a bid to restart the process of negotiations and to counter the global media which was painting India’s strong negotiating stance as the reason behind the Geneva talks failure in 2008, Indian Commerce and Industry Minister Shri Anand Sharma, in June 2009 (Cairns Group meeting at Bali) extended an invitation to the trade ministers from around 30 key countries, including from the G-20 (a grouping of developing nations), as well as representations from the developed world such as the US and the European Union. On 3 September 2009, a meeting was hosted in New Delhi which was attended by 34 countries and the meeting gave the momentum to the stalled talks as it paved the way for the senior officials to

meet in Geneva on 14 September 2009 to restart the negotiations. The Chair observed that as this meeting was intended to build a broad-based consensus on how Ministers would like to see the process of negotiation fast-tracked, its focus would be on process-related issue rather than specific issues in individual areas of the negotiations.

Projected Gains and Losses from the Doha Round

Several research have been carried out on the possible gains and losses on Doha Round outcome. It has been argued, conventionally, that the reduction of trade barriers allows a more efficient exchange of products among countries and encourages economic growth. Further, that the multilateral negotiations offer the greatest potential benefits by obliging countries throughout the world to reduce barriers to trade and therefore a successful outcome of Doha negotiations will lead to higher economic gains to WTO members as well as globally. For example, a study by the International Trade Commission found that if the tariff cuts from the Uruguay Round were removed, the welfare loss to the United States would be about \$20 billion.⁴ A study by the University of Michigan found that if all trade barriers in agriculture, services, and manufactures were reduced by 33 per cent as a result of the Doha Development Agenda, there would be an increase in global welfare of \$574.0 billion.⁵ Other studies present a more modest outcome predicting

world net welfare gains ranging from \$84 billion to \$287 billion by the year 2015.⁶

Bloomberg estimated the possible gains from the Doha Round as a “rounding error” because the estimates of its benefits are now \$50 billion annually in a world economy of \$54 trillion.⁷ The World Bank projected gains of \$96 billion of which \$16 billion goes to the developing world.⁸ This is less than one cent of benefits per person per day for people in developing countries.⁹ Furthermore, this is 25 times greater estimated gain per capita for developed countries than developing countries.¹⁰ Other studies indicated that the World Bank’s projected gains are overestimated. Hertel and Keeney’s estimated that the gains for the developing countries would be only \$4 billion: i.e. less than ¼ of a cent per person per day. Meanwhile they estimated that developed countries would receive more than 6 cent per person per day. It was predicted that developed countries will receive 23 times greater gains from the Doha Round per capita than developing countries.¹¹ UNCTAD study projected tariff losses for developing countries in NAMA alone to be \$63.4 billion.¹² The predicted losses for developing countries for NAMA alone were projected to be almost four times the projected gains, even under the World Bank’s optimistic assessment. Under the Hertel and Keeney scenario, the estimated losses to developing countries from NAMA alone were 16 times greater than the total projected gains from the whole Round for developing

countries. Furthermore, International Monetary Fund economists noted that middle income countries only recover 45-60 per cent of lost trade tax revenue. Low-income countries recover, at best, no more than 30 per cent of revenue they lose when they lower tariffs.

Sandra Polaski¹³ has observed that many developing countries will require very long phase-in periods and a careful sequencing of sectoral liberalization measures, to take account of the impact of trade changes on their less diversified economies. Special treatment for developing country agricultural sectors will be needed because of the high concentrations of employment in those sectors and the long and difficult process of raising productivity levels and developing new skills among the hundreds of millions of subsistence farmers in the world. For the LDCs, additional measures will be needed to ensure that they are not net losers from the Doha Round. In Hong Kong, developed countries agreed to extend duty-free and quota-free market access for most exports of LDCs; however, their most competitive products can be excluded. The agreement should be extended to include all products of LDCs by a firm future date. The final plan should also eliminate cumbersome rules of origin that block imports of some products from LDCs and reduce their opportunity to achieve economies of scale.

Developments in 2010-2012

A glimmer of hope arose in November 2010 G-20 Seoul

Summit and the APEC Yokohama Summit. In their Declarations, the leaders of the G-20 (and APEC) declared that they will direct their negotiators to “engage in across-the-board negotiations to promptly bring the Doha Development Round to a successful, ambitious, comprehensive, and balanced conclusion consistent with the mandate of the Doha Development Round and built on the progress already achieved.” It was further declared that “2011 is a critical window of opportunity, albeit narrow, and that engagement among our representatives must intensify and expand. We now need to complete the end game.”¹⁴

The Eighth WTO Ministerial Conference was held in Geneva, Switzerland, from 15-17 December 2011. With the talks at a standstill, ministers had arrived in Geneva knowing full well that their three-day meeting was not a negotiating session. In parallel to the Plenary Session, where Ministers made prepared statements, three Working Sessions took place with the following themes: “Importance of the Multilateral Trading System and the WTO”, “Trade and Development” and “Doha Development Agenda”. The World Trade Organization wrapped up a ministerial meeting, deadlocked on the Doha Round of negotiations for a global free trade pact, and some ministers calling for a new path. Conference Chairman and Nigerian Trade Minister Mr. Olusegun Aganga summarized the ministers’ regret at the impasse in a concluding statement. He stated that 153 member states agreed to “more fully explore different negotiating

approaches” and “intensify their efforts to look into ways” to overcome the stalemate.¹⁵ One of the important outcomes of the conference was Russia’s accession to the WTO after a record 18 years of negotiations for accession. Russia applied in 1993 but talks dragged on and its brief war with Georgia in 2008 further delayed its application as Tbilisi was able to veto Moscow’s application by virtue of its WTO membership. Besides Russia, the WTO also welcomed two other countries - Samoa and Montenegro - to its fold, although parliaments in all three nations must still ratify the move. Beyond the expanded membership, there was little progress on the Doha Round, with some ministers blatantly saying that negotiations would not bear fruit if they continued in the same vein - a point also made by the G-20 summit in November. “With this ministerial conference, it is clear that we are turning a page in our decade-long pursuit of the Doha Development Agenda,” said Ron Kirk, US Trade Representative. “Gaps exist not only in non-agricultural market access, but indeed across the broad scope of the Doha agenda. The frank recognition that our current path is simply not leading in a fruitful direction is the only logical place to start if we are to find a better and more productive path for conducting negotiations within this institution.” On Doha Round, the ministerial conference recognized that there are different perspectives on the possible results that members can achieve in certain areas of single undertaking.

In January 2012, at the IBSA meeting, on the sidelines of the World Economic Forum (WEF) annual event, the trade ministers said that developed countries had caused distortions by high-level of protection in the form of tariffs and subsidies in agriculture. Expressing disappointment over impasse in the WTO Doha talks for a global trade deal, India, Brazil and South Africa (IBSA) underscored the need for resisting protectionism in the current economic scenario.

An in-depth understanding of the outstanding issues in the Doha Round is necessary to understand why the talks have not been concluded even after eleven years. The issues are complex and technical, however, some of the important questions that still need to be answered in this regard, are as follows:

- How the different commitments in agriculture are going to be made? Will developed countries give enough flexibility to the developing countries in terms of special products and special safeguard mechanism?
- Will the agriculture domestic support reduction commitments be real or notional?
- How industrial sectors are going to be targeted for deep cuts in customs duties (Sectoral proposal) and what kind of commitments are being expected from the developing countries?
- What is the depth and breadth of services liberalization (especially Mode 3) in developing countries that will

meet to the level of ambition of the developed countries?

- What kind of mechanism will ensure that the barriers to trade in environmental goods and services be reduced to promote the spread of green technologies?
- How are the issues relating to non-tariff barriers are going to be addressed in industrial goods (in NAMA negotiations)?
- Whether additional protection for “geographical indications” (GIs) can be agreed under the WTO’s rules on intellectual property rights, and whether a register can be established to facilitate protection of GIs for wines and spirits?
- Whether new WTO rules will be introduced in relation to the disclosure of the origin of genetic resources and related “traditional knowledge” in patent applications?

The WTO members are divided; even the interests now appear to be varied in the different groups that have been formulated with common objectives. In this entire process, the US is on one side, while the EU is on another and the developing countries like China, Indian and Brazil are at the third corner of the triangle. The likely outcome of negotiations is now beyond anybody’s guess.

Way Forward

Concluding the Doha Round has become necessary for several reasons. If negotiators are not able to achieve a breakthrough, there may be several consequences for multilateral

trade liberalization. In the context of the global crisis, the WTO agreement has provided a cushion against protectionism. It has been established during the recent global economic recession that even though some rise in protectionism was seen, due to the WTO monitoring mechanism and the fear of dispute settlement mechanism, the members did not take measures which grossly violated their WTO commitments. It is beyond doubt that without the WTO agreement, the situation would have been much worse. Therefore, any further commitments to liberalize the economy will provide a cushion against any future protectionism.

Secondly, the deal is expected to bring in some reforms in farm trade by binding subsidy levels in the developed world and eliminating export subsidies. Agriculture is one of the most important and difficult sectors of Doha Round. Around 75 per cent of the population in developing countries lives in rural areas and the vast majority are dependent on agriculture for their livelihood. It is very important to the developing countries due to their food security and livelihood issues; but it is also sensitive for many developed countries. Suppression of global agricultural prices due to the support mechanism distorts trade as well as erodes the comparative advantage of developing countries, therefore elimination of subsidies and domestic support will provide ample export opportunity to the developing countries. Currently, due to the rising prices of agriculture commodities in the international market the effect of

subsidies is reduced, however in future any reduction in global agricultural prices may see enhanced flow of support and therefore this discipline will be important from the developing countries perspective. In order to complete the Round, the developed countries shall have to demonstrate an asymmetrical outcome in agriculture negotiations. Achieving this has become all the more difficult as several developed countries have sought "carve outs" from the general modalities for developed countries in agriculture. These carve outs are not only in terms of sensitive products, but also in terms of calculation of support by using different base years and change in definition of blue box, etc. This conflict has actually made the negotiations very complex.¹⁶

Several economic thinkers felt that the conclusion of the Doha Round would protect the WTO and the multilateral trading system itself, which could be seriously damaged by the failure of a round, especially when this round explicitly designed to integrate the emerging economies into the multilateral trading system. In an interim report of the High Level Trade Expert Group (January 2011)¹⁷ it was indicated that if the DDA is not completed by the end of 2011 it will at best lie in the doldrums for a prolonged period and such an outcome will be greatly damaging to the global economy. While pointing out that the finishing line is close and much has already been achieved they recommended for a final push. They suggested that everyone would gain - both developed and

developing countries alike and the latter particularly so. Apart from the opportunity that will be lost should the DDA not be satisfactorily concluded, such a failure would cause serious damage to the credibility of the WTO and this would damage multilateralism more generally. In fact in some studies the failure of Doha has been projected as a failure of entire WTO system. This may not be true. It is indeed essential that Doha Round concludes, however, putting the entire WTO to the test due to a failure of Doha would mean deriving a far stretched conclusion which is not logical. The success or failure of WTO is not dependent alone on the Doha outcome.

Another area which is now drawing attention of economists relate to the debate of "regionalism versus multilateralism", especially due to the prolonged negotiations. Professor Jagdish Bhagwati¹⁸ has stated that 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 his opinion, the efficacy of multilateral institutions, especially the WTO, is at stake and everything depends on the successful conclusion of the Doha Round. The rise in regional trade agreements has also not gone unnoticed by the Ministers. In their last meeting (December 2010), the ministers stressed the need to ensure that these regional trade agreements remain complementary to, and not a substitute for the multilateral trading system. The ministers

stressed that WTO addresses the systemic implications of the RTAs for the multilateral trading system. It is indeed important to recognize that many WTO members are looking for expansion of their trade through an easier and less time consuming negotiating mechanism – which is being provided by these RTAs. In the process of building global/regional supply chains both in goods and services, it may be important for a few countries to establish these linkages through RTAs as they are better geared to provide framework for liberalization. These events also bring some challenges to the smaller and least developed countries which are either left out of these RTAs or are in a very weak negotiating position with a big trading partner. Regionalism is posing challenge to the multilateralism and the only way by which both can co-exist is, if a synergy and complementarity is built between the two.

It is unclear, how and when the Doha Round will conclude. By an indication it cannot conclude before 2014. This is due to the fact that US elections are next door and with no TPA around, the US President cannot take a risk to agree to the current modalities on Doha. Secondly, the European debt crisis especially in the wake of Greece, Ireland and Portugal to refinance their debt and a possibility of spread to Belgium, Italy, Spain, etc. have brought a lack of confidence and tentativeness to the European negotiators. Their focus is also shifting for an inward solution to the crisis rather than looking at the conclusions of multilateral trade negotiations. Under these

circumstances, it appears difficult that the US and the EU are in a position to show greater flexibility to accommodate the demands of the developing countries. In his report to the General Council on 14 February 2012,¹⁹ Mr. Lamy stated that “the current political environment dictates that the most realistic and practical way forward is to move in small steps, gradually moving forward the parts of the Doha Round which are mature, and re-thinking those where greater differences remain”. He suggested to all Chairs to informally consult at this stage to determine what each of their groups can do, step by step, in an informal manner. While indicating that dogmatism be avoided in the negotiations, he hinted that a consensus appear that certain issues such as those pertaining to LDCs and Trade Facilitation could be part of deliverables relatively soon. While recognizing the grim world economic outlook, he indicated that 2012 cannot be a waste year and the best way to do at this stage is to keep improving the multilateral environment, howsoever marginal, during this difficult period.

As has been stated earlier, the differences between developed and developing countries have been a stumbling block in the conclusion of the talks. Unless the developed and developing countries move from their established positions, it would be difficult to conclude the Round. It is important to remember that the previous round – the Uruguay Round – lasted eight years and concluded only in 1994. With the rise in membership

building a consensus automatically becomes difficult as different countries have different interests. Even with the passage of time, the role of developing countries also changed especially at the Doha Ministerial. Since the beginning of the GATT, the major decision-makers were almost exclusively developed countries. It became clear to the developing countries that the promised benefits of Uruguay Round were more of a mirage than reality and it would take years to iron out the difficulties and reach a point where every member, especially the poorer countries, would benefit from the liberalization of trade. At the preceding Ministerial Conference (Seattle, 1999), developing countries became more forceful in demanding that their interests be addressed. Some developing countries insisted that they would not support another round of multilateral negotiations unless they realized some concessions up-front and the agenda included their interests. Because of the greater influence of developing countries in setting the plan of action at Doha, the new round was termed as the Doha Development Agenda. Therefore, no conclusion of Doha Round will take place without meeting the expectations of the developing countries and addressing their sensitivities. This is an issue that the developed countries must realize and address in order to conclude the negotiations. Any reciprocity or seeking of extra commitments which goes beyond the current modalities will ensure that the Round does not conclude. In order to complete the negotiations, therefore, these

aspects will have to be kept in mind along with the agenda for "Development" - in letter and spirit!

Lastly, even though several criticisms have been made about the 11 years of unsuccessful negotiation in Doha Round, there has been a recognition that an outcome is possible only when there is a push coming from the political leadership. While the political leadership may decide the outcome of the Round, it cannot be insensitive to the demands and expectations of developing countries and any attempt to make the outcome short of expected development agenda will not be able to meet the consensus test. A few have also suggested that the Doha Round is "dead" and the ministers should dump this round. Such suggestions are also not without the risk. A substantial amount of progress has been made in the Doha Round, especially agriculture and NAMA and it would be unpragmatic just to throw away whatever efforts have been put through for reaching at this stage. Even a new round, as and when it will be announced, will have to deal with similar issues and the *de novo* approach is not going to bring good to the entire multilateral trading system. Nor will it be easy to bring new issues on board for starting fresh negotiations. It is, therefore, in the interest of all the WTO members to conclude the negotiations and in the process if some more flexibility is required to be shown, they should not shy away for the sake of global good.

NOTES

- 1 The Ministerial Declaration (WT/MIN(01)/DEC/1), the Declaration on the TRIPS Agreement and Public Health (WT/MIN(01)/DEC/2), and the Implementation-Related Issues and Concerns (WT/MIN(01)/DEC/17) are available through the WTO home page at [<http://www.wto.org/>]
- 2 The final Ministerial Declaration (WT/MIN(05)/DEC), 18 December 2005 is available at [http://www.wto.org/english/thewto_e/minist_e/min05_e/final_text_e.pdf].
- 3 "Congress Blames EU for Doha Failure", *WTO Reporter*, 25 July 2006.
- 4 US International Trade Commission. *The Impact of Trade Agreements: Effect of the Tokyo Round, US-Israel FTA, US-Canada FTA, NAFTA, and the Uruguay Round on the US Economy*, Publication 3621, August 2003.
- 5 Brown, Drusilla K., Deardorff, Alan V. and Robert M. Stern, *Computational Analysis of Multilateral Trade Liberalization in the Uruguay Round and Doha Development Round*, Discussion Paper No. 489, School of Public Policy, The University of Michigan, 8 December 2002.
- 6 Thomas W. Hertel and Roman Keeney, "What is at Stake: The Relative Importance of Import Barriers, Export Subsidies and Domestic Support," in Anderson and Martin (eds.), *Agricultural Trade Reform in the Doha Agenda* (Washington: World Bank, 2005); and Kym Anderson, Will Martin, and Dominique van der Mensbrugge, "Doha Merchandise Trade Reform: What's At Stake for Developing Countries," July 2005, available at [<http://www.worldbank.org/trade/wto>]. The different outcomes in these studies are due to different assumptions and use of different econometric models.
- 7 <http://www.bloomberg.com/apps/news?pid=20601087&sid=a51wW7jx6bfM&refer=home>
- 8-9 <http://www.ase.tufts.edu/gdae/Pubs/rp/RISPolicyBrief36DohaMay08.pdf>
- 10-11 *International Journal of Political Economy*, vol.37, no.1, Spring 2008, pp.50-77, <http://www.ase.tufts.edu/gdae/Pubs/rp/1JPEShrinkingGains.pdf>
- 12 Santiago Fernandez De Cordoba and David Vanzetti, "Now What? Searching for a Solution in WTO Industrial Tariff Negotiations," in *Coping with Trade Reforms* (ed.) Sam Laird and Santiago Fernandez De Cordoba (Hampshire: Palgrave MacMillan, 2006), Table 11.
- 13 Sandra Polaski, "Winners and Losers, Impact of Doha Round on Developing Countries", Carnegie Endowment, copy available at www.CarnegieEndowment.org/trade
- 14 Passage selected from The G20 Seoul Summit Leaders' Declaration November 11 - 12, 2010.
- 15 WTO website (www.wto.org)
- 16 Rajan Sudesh Ratna, Abhijit Das and Sachin Kumar Sharma (2011), "Doha Development Agenda for Developed Nation: Carve Outs in Recent Agriculture Negotiations", Discussion Paper, Centre for WTO Studies, IIFT, New Delhi
- 17 Co-chaired by Jagdish Bhagwati and Peter Sutherland.
- 18 www.eastasiaforum.org/2008/07/31/doha-opportunity-lost
- 19 http://www.wto.org/english/news_e/news12_e/gc_rpt_14feb12_e.htm



Doha Round may be Completed Only by 2014: Dr. Khullar

THE decade-old Doha Round negotiations for greater liberalization of world trade are likely to be concluded only closer to 2014, the Commerce Secretary, Dr. Rahul Khullar, said. He blamed the developed countries for not taking forward the proposal for a package of duty concessions for the benefit of the Least Developed Countries (LDCs).

Speaking at a FICCI function, Dr. Khullar predicted that the near future would see new challenges including many trade disputes due to the grey areas in the WTO rules and said India needs to be prepared for such disputes.

As the Doha Round is deadlocked there would soon be a surge in bilateral trade pacts, he said, adding that other issues that would come to the forefront in the next 3 to 5 years include energy and food security as well as labour and environmental standards.

On the reasons for the delay in the completion of Doha Round talks, the Commerce Secretary said, "In 2012, the US goes into the election mode, and then (we can) look at 2013, as by the time the (new US) administration comes into office... thereafter putting people in place and getting negotiations restarted if by the end of 2013 we have a deal you will be pretty damn lucky. My guess is you are looking closer to 2014 (for the conclusion of the Doha Round talks)."

Despite efforts to revive the Doha Round "some countries are blocking, evading and just not willing to engage," he said.

He added, "It was pretty clear from mid-2009 that until the great recession played itself out, there was going to be no appetite in the developed world

for taking on any trade agreement because they are completely overtaken by the domestic fallout of the disaster that is happening to their economies including falling growth rates and rising unemployment."

The WTO's Ministerial Conference held last week could not break the Doha Round impasse. The Round, which had started in 2001, has already missed many deadlines due to the persisting differences between the developed and developing countries on the extent of liberalization of world trade.

On the Doha Round failing to come out with a package for LDCs, Dr. Khullar said: "the developed world has a lot to answer for that and not the developing nations. When in a comity of 153 members, you cannot even agree to help those at the bottom of the pyramid, there is something really wrong."

Pointing out that India has already extended a duty free tariff preference scheme for all LDCs, he said, "We did our bit. But ask yourself how many of you (developed countries) have done it transparently tariff line by tariff line, apart from empty words."

He also said there will soon be huge pressure on the developing nations including India to cut tariffs.

(The Hindu Business Line, 21 December 2011)

Nations Putting up Legal Barriers as Doha Deal Remains Years Away: Dr. Khullar

THE Doha Round will take at least three years more to deliver a new global trade deal and India has to watch out for a rise in trade disputes in the period as countries would increasingly use litigation to block competitors, a senior government official has said.

“The Commerce Department has to look closely at law, to ensure that not only do we stay within the letter but also spirit of the law...,” Commerce Secretary Dr. Rahul Khullar said.

With the Doha Round of the WTO already in limbo because of the “great recession”, if a particular country cannot get into a bilateral pact with another to improve trade balance, it would want to block exports from that country by exploring all dispute options allowed in the multilateral system, Dr. Khullar said.

It has already started happening, with countries questioning small subsidies or incentives given to industry and imposing sanctions in the form of anti-dumping and countervailing duties.

“Earlier, a country would ignore a small subsidy being given by other nation to say the textile sector, but now everything is being questioned due to internal political and economic pressures,” Dr. Khullar said at a FICCI seminar on the Doha talks.

He said that many of the legal texts in the WTO are worded in a manner which has left lots of grey areas and the dispute settlement body of the WTO was going to have its hands full.

The eight ministerial meeting of the WTO in Geneva last week failed to make any progress in the on-going Doha Round launched a decade back, but some countries agreed to continue the Round and achieve progress in some areas. The US goes into elections next year and a new US administration will come into office in 2013.

“If by the end of 2013, (we) have a deal, you will be pretty damn lucky. My guess is you are looking closer to 2014,” Dr. Khullar said. In terms of issues, energy security and food security will be prominently in. People are going to talk about these issues because these are very important both for developed and developing countries.

“India is a net energy importer. I don’t think that it would not want to get into discussions on energy,” the Commerce Secretary said. India opposed suggestions made by some developed countries at the WTO for negotiating agreements among a critical mass of members.

“The WTO is a very good example of an institution where multilateralism works. We should not destroy and perhaps the only way it will survive

in the new circumstances is by reinventing itself,” he added

(*The Economic Times*, 21 December 2011)

Doha Talk ‘Impasse’ Lingers in WTO

THE Doha Round of global trade talks has once again ended in a complete deadlock at the WTO headquarters in Geneva, even as countries have agreed on continuing the Round and achieve progress in some areas.

While the mood this time was slightly sombre unlike the case with the previous ministerial meetings, a major conflict of interest was seen between the US and China, besides between cotton-producing African countries.

Ministers highlighted the importance of keeping markets open and the need to resist protectionism, particularly in today’s challenging global economic environment. Many ministers sought a stronger message against protectionism, stating that the prevailing economic climate had made it all the more essential, according to a statement issued by the WTO after closing the Round that saw 153 member-countries coming together to hammer out a deal.

A number of ministers expressed concern over the increase of protectionism in agricultural trade in the form of trade-restrictive measures – without scientific or technical justification. Some ministers also aired worries about an increasing resort to private standards and food-labelling requirements.

Said WTO Director General Pascal Lamy, while closing the two-day event: “Ministers deeply regret that, despite full engagement and intensified efforts to conclude the Doha Development Agenda single undertaking since the last Ministerial Conference, the negotiations are at an impasse. Despite this situation, ministers remain committed to work actively, in a transparent and inclusive manner, towards a successful multilateral conclusion of the Doha Development Agenda in accordance with its mandate.”

On the work ahead, while a number of ministers emphasized their openness to different negotiating

approaches, some expressed strong reservations about plurilateral approaches. Many members – according to Mr. Lamy – stressed that any different approaches in the work ahead should conform to the Doha mandate, respect the single undertaking, and be truly multilateral, transparent and inclusive.

CUTS International says the countries should have just declared a moratorium and started everything on a new slate. “The water is becoming murkier,” said Shri Pradeep S. Mehta, Secretary-General of the organization. “The problem is that the US and the EU have now decided to start an open-ended agreement on services...a plurilateral agreement that would not be beneficial for anyone,” he said. Further, the US is unable to do a deal due to Cotton-4 – and not because of China or India. “This time, each country also had a small delegation. But thankfully India was not seen as a spoil sport,” Shri Mehta added.

The Cotton-4 countries, or C-4 countries, imply the four major African producers of the crop: Benin, Burkina Faso, Chad and Mali. These countries had been greatly impacted by the subsidies doled out to cotton farmers in the US and the EU.

Sure, there were some successes in the meeting. Russia, Samoa, Vanuatu and Montenegro were brought into the group and a last-minute deal to seal a landmark reform of government procurement rules was agreed. But the talks started on a sour note when China slapped punitive duties on large cars and SUVs imported from the US in the latest in a tit-for-tat trade spat.

According to experts, the cost of this failure of the WTO is likely to be considerable. The next window of opening for a Doha deal would be available only after a new administration assumes office in the US in 2013.

FICCI laments that it was disconcerting that the conference was not successful in giving direction on the way forward so far as the Doha talks are concerned. “We call upon the ministers to step up their efforts to break the deadlock so that we could move closer to realizing the significant potential of the Doha Development Round,” added Shri R.V. Kanoria, president-elect of the FICCI.

This year marks the tenth anniversary of the Doha Round of global trade talks that started in Qatar in 2001. Since then, the talks have missed several deadlines.

Indian Institute of Foreign Trade (IIFT) notes that it is good that most countries have agreed to continue the Round. “They have committed that the round is important and that multilateralism is important in global trade,” said Shri Abhijit Das, Head of IIFT’s Centre for WTO Studies. “One has to be patient while making conclusions about the Round. The matter is highly complex.”

As for the government, it has highlighted the need to keep the negotiating process transparent and inclusive. Shri Anand Sharma, Minister of Commerce and Industry and Textiles, articulated India’s strong commitment to the issues affecting the least developed countries (LDCs), besides the small and vulnerable economies that have hitherto remained marginalized from the global trading regime.

The Minister has been of the view that the smaller and poorer nations cannot be left behind. “Thus, it is incumbent upon all member-states to accord highest priority to the concerns of the LDCs,” he added.

(Business Standard, 19 December 2011)

India to Oppose Debate on Farm Export Curbs at WTO

ANY initiative for breaking the deadlock on the decade-old Doha Round talks (for a global deal on further liberalization of trade in agriculture, industrial goods and services) can only be expected after the new US President takes charge in 2013. India, pointing to rising concerns on food security, would oppose any attempt by the developed countries to start a debate on the restrictions imposed by the developing countries on export of food items that result in a spurt in prices.

An official statement said that there will be three working sessions during the Ministerial Conference centred on: “Importance of the Multilateral Trading System and the WTO”, “Trade and Development” and “Doha Development Agenda”.

(The Hindu Business Line, 13 December 2011)

US-China Rivalry Dominates Start of the WTO Meeting

SPARRING between China and the US dominated the start of the WTO biennial conference, with each obliquely blaming the other for deadlock in the Doha Round of trade talks which has all but paralyzed the WTO.

Without mentioning each other by name, China's commerce minister Chen Deming and US Trade Representative Ron Kirk each suggested the other was to blame.

Mr. Kirk said the current impasse in negotiations came down to one single, vexing quandary: The WTO has not come to terms over core questions of shared responsibilities among its biggest and most successful members.

"The world has changed profoundly since this negotiation began a decade ago, most obviously in the rise of the emerging economies. The results of our negotiations thus far do not reflect this change, and yet they must if we are to be successful," he said in a speech at the opening of the meeting.

The rise of developing countries, chief among them China, has tied the Doha negotiations in knots. The trade liberalization effort was originally meant to help developing countries, but those same countries are now trading giants, calling into question the need to give them special help.

But China and other developing countries have refused to give up on Doha. Mr. Chen suggested the negotiations were being held up by US politics and could be resumed after the presidential and congressional elections next year.

"I know that the current difficulties were not just brought about by the current financial crisis. It was also due to the fact that some countries are entering into a cycle of political elections and therefore are not in a position to be flexible.

"It seems a bit like hibernation right now but spring is not far away," he told a news conference.

The ministerial meeting is not expected to make any progress on the Doha Round itself, but diplomats hope it will give some guidance about what to do next, as well as renewing promises to guard against protectionism. But any hope for unity

was shattered even before the meeting began. China slapped anti-dumping duties on US exports of large cars and SUVs, widely seen as the latest volley in a trade war with the US.

Mr. Chen said the duties conformed with WTO rules and were not protectionist, adding anyone who thought they could use the WTO system to challenge them.

"We have to draw a clear line between protectionist measures and normal trade remedies," he said.

In a bid to show themselves as the friend of the poorest countries, despite the failure to agree on Doha, the two had earlier separately unveiled packages of help for Africa's Cotton Four – Mali, Benin, Chad and Burkina Faso.

The US package included \$16 million over four years, while the Chinese deal mentioned \$20 million over three years.

Romain Benicchio, a policy advisor at Oxfam, rubbished the US offer as "largely a face-saving public relations gesture" by the world's biggest cotton exporter.

(The Financial Express, 17 December 2011)

A Few Can't Decide for All at WTO: Shri Anand Sharma

INDIA has formally denounced suggestions made by some developed country members of the WTO or negotiating agreements among a critical mass of members, ignoring the on-going Doha Round of global trade talks that involves all 153 members.

"Plurilateral agreements are a throwback to the days when decisions taken by a few determined the future of the rest. They also lack the in-built checks and balances of a multilateral forum," Commerce and Industry Minister Shri Anand Sharma said at the eighth WTO ministerial conference in Geneva.

Some members, including the EU, Australia and the US, had suggested that some issues could be picked from the agenda of the Doha Round and an agreement reached amongst a handful of countries. Brazil, China and Indonesia, too are against the proposal.

The Doha Round, that was launched in November 2001 for opening up markets further in goods and services, has been stuck for the past few years over disagreement between some developed countries like the US and large developing countries, like India and China over market access issues. While the US wants large developing countries to eliminate tariffs in select industrial goods, these countries are not prepared to budge beyond the mandate fixed by the Doha Round.

With the US elections scheduled in November next year, there is little chance for progress in the Round before 2013 and members are struggling to find issues to deliberate upon till then. The Doha mandate offers us the flexibility to implement agreements reached at an early stage on a provisional or a definitive basis, but in practice that can be difficult, Shri Sharma said.

“We have learnt from the efforts to put together first, an LDC-package and then an ‘LDC plus’ package. There are lessons to be learnt from these attempts. It is a path on which we must proceed with caution, not for a moment forgetting that this is a development round,” the Minister said.

(The Economic Times, 17 December 2011)

India will Not Freeze Import Duties at the Current Levels

INDIA has said it will not agree to freezing of customs duties at the current levels or support ban on food exports proposed by some developed country members of the World Trade Organization including the US, Australia and the European Union.

“It is imperative that the WTO, while taking up the new challenges, does not forget the traditional challenge of development,” Commerce and Industry Minister Shri Anand Sharma said addressing the G-20 coalition of developing countries in agriculture, which includes Brazil, China, Indonesia and South Africa among others.

The meeting took place in Geneva a day before the WTO ministerial meeting kicked off. Ruling out any freezing of the customs duties at the current, Shri Sharma said this amounted to the developing countries ceding their policy space and being denied any recognition for their autonomous liberalization.

Besides unhinging the negotiated formula on tariff reductions, it would force developing countries to take on commitments going much beyond what was envisaged for at the end of the Doha Round.

On the issue of export restrictions on agricultural products, any dilution of the flexibilities available under the WTO regime for imposing export restrictions and taxes was unacceptable, the Minister said.

Shri Anand Sharma is in consultations with both developing and developed countries to evolve a common position on the way forward on the Doha Development Agenda. The ten-year-old negotiation is stuck with the US demanding elimination of tariffs on select manufacturing goods from large developing countries including India, Brazil and China and the countries refusing to play ball.

While speaking at the meeting of the G-33 countries (a coalition of agricultural economies with defensive interests in agriculture, coordinated by Indonesia) he urged for ushering in much delayed changes in the current agricultural trading regime which negatively impact the livelihood concerns of billions of subsistence farmers in the developing world.

(The Economic Times, 16 December 2011)

WTO's Eighth Ministerial Conference Begins

THERE is frenetic activity in Geneva prior to the WTO's 8th Ministerial Conference. The WTO is mandated to hold a biennial conference of trade ministers of all its members.

The conference will review the progress of the WTO, cover important milestones, announce some concessions made to LDCs, welcome Russia, Samoa and Montenegro as its latest members.

There will be no Doha Round negotiations but ministers will cover the Doha talks, which will be put off until 2013 after the US Presidential elections.

The chairperson of WTO negotiations on government procurement, Swiss negotiator Nicholas Niggli, is trying to finalize a deal on opening up government procurement contracts to foreign competition (India is participating only as

an observer) and hopes to come up with a positive announcement by the time the ministerial commences, with the US and EU to accept each other's offers. China will reportedly not to join the GPA this year.

China's successful ten years as a WTO member, and the gains it has made are being publicized by the Chinese delegation, and its minister will be signing an MoU with cotton producing African countries in support of their position.

This ministerial it will be the chairperson of the WTO general council who will be officially issuing a document for the 8th Ministerial Conference to provide "political guidance" on three issues - the Doha Round, the multilateral trading system and the WTO, and trade and development.

This draft document was agreed upon by the members after much debate. The draft language is vague and does not refer to any tough issues in the Doha Round, including those which may be ripe for an early harvest. It is not being issued by Ministers to avoid political weightage.

It will also be ten years that the Doha Development Round was launched at the Doha ministerial by the then US Trade Representative Robert Zoellick and the WTO's Director-General Pascal Lamy, and its progress has been held up by the US. No member wants to throw the towel even though there has been very little progress since 2009.

The document states that the Doha Round is at an "impasse", and that it is "unlikely" that all elements of the round could be concluded in the near future. The impasse, according to the chairman's text, is partly due to "significantly different perspectives" on the results members can achieve in certain areas of negotiations.

The document states that members need to explore "different negotiating approaches" and commit to "advance negotiations where progress can be achieved" by focusing on "elements of the Doha Declaration that allow members to reach provisional or definitive agreements based on consensus earlier than the full conclusion of the single undertaking".

The document does not contain any new issues, such as climate change, environment, and energy security.

Already countries are getting together to find alternate solutions amongst themselves. It is reported that a small group of rich countries (including the EU and the US) are meeting to come to a plurilateral agreement amongst themselves on services trade.

The WTO chairman will also submit decisions taken at the formal general council of the 30 November to the ministers in his text, on which formal decisions will be made by the ministers.

They pertain to the extension of the work programme on small and vulnerable economies, on TRIPS non-violation complaints, on e-commerce, the transition period for LDCs under TRIPS, on LDC accession, and LDC services waiver.

It will make accessions easier for new LDCs to the WTO. LDCs will also get a "service" waiver, by a mechanism to allow WTO members to extend preferential treatment to services and service suppliers of LDCs.

This waiver of Article II of GATS which outlines most-favoured nation obligations is limited to market access concessions, contained in GATS Article XVI.

According to reports the WTO members agreed to restrict the waiver to Article XVI of GATS as a precautionary measure.

One of the main points of dispute arising to the services waiver related to the rules of origin, for MNCs could otherwise establish their presence in the LDCs.

(The Financial Express, 14 December 2011)

India Ready to Block Any Move to Put Farm Tariffs at WTO Meet

INDIA will resist any attempt by developed countries to take away the right of WTO-member nations to restrict export of food items and raise import tariffs beyond existing levels.

Trade ministers of WTO-member countries meeting in Geneva would try and identify issues that could be discussed till the US presidential elections are over next year.

The meeting was also likely to take up proposals to "cherry-pick" issues from the negotiating agenda

of the decade-old Doha Round of global trade talks and sign a plurilateral pact. India will oppose this too, a senior government official has said.

“We have already indicated to the WTO that we are not in favour of any of these issues. However, we have to watch out at the ministerial against any attempt by developed countries to put the items on the negotiating table,” India’s chief negotiator at the WTO, Rajeev Kher said.

The Doha Round of trade talks, launched a decade ago to help poor nations benefit from global trade, is almost paralyzed because of differences between the US and large developing countries such as India, China and Brazil on removal of tariffs on some industrial goods.

Shri Kher said these proposals are harmful for countries such as India as there are a large number of farm items in which import duties at present are negligible, which gives freedom to the country to increase duties to higher levels whenever required.

“If we freeze duties at the applied levels, we will lose our flexibility to increase it in future,” Shri Kher said, adding that developing countries also need to impose food export restrictions when required.

Australia, the EU and the US are at the forefront of the seemingly “innocuous” proposals that would require developing countries to take on commitments that go beyond the Doha Agenda.

(The Economic Times, 12 December 2011)

December Ministerial may Decide Fate of Doha Round Talks

WTO summit will see whether decade-long negotiations would go forward or be brought to an end.

Meeting of trade ministers from all the 153 member-countries of the WTO is an important one. This year is the tenth anniversary of the Doha Round of global trade talks. And, G-20 leaders have (during the 3-4 November Cannes summit) already hinted the Round should be quashed.

Thus, it remains to be seen whether the 15-17 December ministerial at the WTO headquarters in

Geneva would finally sound the end for the Round or whether a map ahead is charted.

Trade experts believe killing the Round would be detrimental for countries like India, China and Brazil, which still have some gains to achieve. Quashing the Round would also deal a big blow to the least developed countries, which would benefit more from a multilateral trade agreement that would help them export more by gaining access into richer markets.

According to WTO Director-General Mr. Pascal Lamy, the coming ministerial would act as a platform where every member would pledge achieving “real progress” by 2012. Mr. Lamy, during his report on the Doha Round to the WTO’s General Council, said the meet should have delegates ready to show political will in breaking the impasse in talks.

However, the latest G-20 summit in France saw leaders clarifying that the current round of global trade talks that started in Doha in 2001 “cannot continue using current methods”, as these had “failed to bring the Doha cycle to a conclusion over the last 10 years”. They are, they said, ready to give it a new approach to strengthen the multilateral trading system and make progress in the areas “of interest to the poorest countries”, according to a communiqué on trade issued at the end of the summit.

The document adds that the G-20 would be launching work on new regulations regarding the questions raised by the crisis. Also, these would go beyond what was mandated in the Doha Development Agenda.

Shri Abhijit Das who heads the Centre for WTO Studies in the IIFT says only WTO can address and resolve some of the core concerns of emerging economies, including reduction in developed-country farm subsidies. “It would be in the interest of the emerging economies to preserve the primacy of WTO,” he said.

Shri Das says the G-20 leaders’ statement should be seen as a strong push to negotiators for being more constructive in concluding the Doha Round.

Officials in the Ministry of Commerce and Industry say the ministerial will see countries trying

to work out some sort of a beneficial package for poor countries. In April, the WTO had circulated a set of negotiating texts on all the areas, which was denounced by the developing countries. Hence, the negotiations had been taking place on the basis of the texts circulated in 2008, to US resistance.

The Doha talks, says a senior official from the Ministry who is involved in the negotiations, can come to a meaningful conclusion only when countries start scaling back their ambitions and adhere to only what was agreed to in 2001, that had development as the core objective for poorer countries. "For God's sake, it was a development round – and not where countries would indulge their mercantilist ambitions," he said.

"Any failure of the multilateral process will not only impact developing countries, but hurt the credibility of an institution, the WTO," says T.S. Vishwanath, Principal Adviser, Trade Policy, at APJ-SLG Law Offices. Mr. Lamy, who had been

spearheading the talks as the DG of WTO for the last six years, had been asserting for the last couple of years that 80 per cent of the job is done.

The negotiating process, according to Dr. Biswajit Dhar, Director-General of RIS, the New Delhi-based think tank, says the Doha talks have become hostage to dominant interest groups in the major economies.

As for the Indian industry, it has taken a wait-and-watch approach. FICCI Secretary-General Dr. Rajiv Kumar says "The next task will be to draw the work plan for 2012 towards the conclusion of the Doha Round, with a balanced outcome in accordance with its development-led mandate."

The Round has been the longest of all multilateral trade negotiations. Prior to this, the Uruguay Round went on for eight years under the GATT.

(Business Standard, 12 December 2011)

Focus WTO ADVERTISEMENT TARIFF

	Casual One insertion	Contract for	
		3 Insertions	6 Insertions
Full Page	Rs 2,000	Rs 5,000	Rs 10,000
Half Page	Rs 1,200	Rs 3,240	Rs 6,480
Inside Cover Page (iii)			
Multi-colour	Rs 3,500	Rs 9,450	Rs 18,900
Single-colour	Rs 2,500	Rs 6,750	Rs 13,500
Back Cover Page (iv)			
Multi-colour	Rs 5,000	Rs 13,500	Rs 27,000
Single-colour	Rs 4,000	Rs 10,800	Rs 21,600

MECHANICAL DATA

Overall Size	: 28 cm x 21½ cm
Print Area	: 24 cm x 18 cm
Kind of Paper Used	: Sunshine super print for Text and Imported Art Card for Cover
Mode of Printing	: Offset
Ad material	: Ad material for typesetting/ Ready CD for outputting
Periodicity of Publication	: Bi-monthly
Commission Allowed	: 15% to the Advertising Agencies

Note: No block is required.

Please send the advertisement material to:

The Editor
Indian Institute of Foreign Trade
B-21 Qutab Institutional Area
New Delhi-110016
e-mail: akanungo@iift.ac.in



BOOKS/ARTICLES NOTES

ARTICLES

In Geneva, the Door to a Deal on the Doha Round Stays Open by P.K. Vasudeva, *Business Standard*, 25 December 2011.

THIS year marks the tenth anniversary of the Doha Round of global trade talks that started in Qatar in 2001. Since then, the talks have missed several deadlines. Efforts to reach an agreement during the Doha Round of trade talks have been blocked for years as the countries fail to make concessions on lowering agriculture subsidies and industrial tariffs. Ministers including US Trade Representative Ron Kirk have said the Round needs a new approach after a decade of unsuccessful attempts to bridge gaps among 153 nations.

The highlights of the three-day ministerial meeting in Geneva on 15-17 December were the accessions of Russia, Samoa and Montenegro, and a 42-nation agreement that opens up government-procurement contracts – valued at as much as \$100 billion – to more foreign competition.

“We have set a good example in these three days,” said Nigerian Trade and Investment Minister Olusegun Aganga, chairman of the ministerial conference. “We have sent a strong collective message that the WTO is more than ever important to the world. We have seen constructive dialogue among ministers, which has improved the WTO’s atmosphere.”

Efforts to reach a global trade deal won’t progress until the negotiations address changes that have occurred since the Round began, Mr. Kirk said. Exceptional growth, especially by China, “presents us with one of the biggest challenges confronting our work on trade and development,” he said. “A one-size-fits-all approach does not accurately reflect the realities of the world we live in,” Mr. Kirk told

ministers. “Developing countries are not the same, and pretending that they contribute to the deadlock in our discussion on many of these important issues [may be unproductive].”

While a “meeting of minds” is important to advance the Doha Round, it’s not enough, said WTO Director-General Mr. Pascal Lamy: “We need a joining of hands so we can undertake the hard work required on a number of issues”. The conference underscored the fact that the WTO must move the negotiating agenda forward to remain relevant and that such a move will be gradual, Mr. Lamy added. “We leave this ministerial, which was not a high-ambition ministerial, with a better sense of priorities for the next years,” he said.

“While the Doha Round is indeed stuck, it is important to recognize that the WTO is about more than Doha,” said Christopher Wenk, senior director for international policy at the US Chamber of Commerce. “All of the bad press over the years about the lack of progress on Doha has left a stain on the WTO, and that is a shame.”

Ministers also discussed the need to keep markets open and resist protectionism, “particularly in this challenging economic environment,” Mr. Aganga said. Some ministers pressed for the removal of all recent protectionist measures and a halt to any new ones, he said. They highlighted the importance of keeping markets open and the need to resist protectionism, particularly in today’s challenging global economic environment. Many ministers sought a stronger message against protectionism, stating that the prevailing economic climate had made it all the more essential, according to a statement issued by the WTO after closing the round that saw 153 member-countries coming together to hammer out a deal.

A number of ministers expressed concern over the increase of protectionism in agricultural trade

in the form of trade-restrictive measures – without scientific or technical justification. Some ministers also aired worries about an increasing resort to private standards and food-labelling requirements.

Cotton, within the context of the Doha talks and global trade security, was also discussed by the Cotton-4 (C-4) countries – Benin, Burkina Faso, Chad and Mali – on the sidelines of the conference. Mr. Kirk and a European Union delegation led by Agriculture Commissioner Dacian Cioloș met separately with officials from Africa's four main cotton-producing nations, which together account for about 15 per cent of global exports. These countries had been greatly impacted by the subsidies doled out to cotton farmers in the US and the EU.

The failure of ministerial talks hinges on the fact that rich countries cared only about their own interests and had little, if any, concern for those of poor nations. For example, when it came to the question of agriculture, the former were not prepared to compromise on the issue of subsidies. When the Doha Round negotiations collapsed in October 2008 at the WTO headquarters in Geneva, the reason was that the US and the EU were unwilling to scrap huge subsidies they give to their farmers.

Moreover, the developed countries were implacably opposed to a proposal to help poor farmers in developing countries to counter the effects of floods of subsidized imports which undermine their agricultural production and worsen their livelihoods. It is encouraging, however, to note that developing nations are not ready to accept any pact that perpetuates unfair trade practices and does not address their development priorities: jobs, food (and land) security, a secure environment and rapid rural progress. This stance must be maintained to the end – because “no deal” is better than a “bad deal”.

As for the Indian government, it has highlighted the need to keep the negotiating process transparent and inclusive. Minister of Commerce and Industry and Textiles Anand Sharma articulated India's strong commitment to the issues affecting the least developed countries (LDCs), as well as to the small and vulnerable economies that have hitherto remained marginalized from the global trading regime.

According to experts, the cost of this failure of the WTO is likely to be considerable. The next window of opening for a Doha deal would be available only after a new administration assumes office in the US in 2013.

Logjam Called Doha Round by Ranabir Ray Choudhury, *The Hindu Business Line*, 21 December 2011.

THE eighth Ministerial of the WTO, held in Geneva, has once again shown that, when it comes to acting on development issues with a fallout on trade, the international community is struck by an inexplicable inertia in the realm of actual decision-taking, as opposed to making commitment after commitment on what should be done. In other words, the Ministerial has pumped up the “ambition” without, however, taking concrete measures to flesh out the resolve.

Concrete Steps

Indeed, what precisely was done at Geneva that can be described as adding to the corpus of meaningful decisions to liberalize international trade? Perhaps, the most significant was the deal regarding the Government procurement, followed by the streamlining of accession processes for the least-developed countries, which has to take effect. Then, there was the admittance to the WTO of four new members, namely Montenegro, Samoa, Russia and Vanuatu. These were among the important “concrete” steps taken, which are being flaunted as new feathers in WTO's cap.

But beyond this, nothing was achieved which can mark out the eighth Ministerial at Geneva as forming an important milestone in the progress of trade liberalization for the benefit of development generally. Even so, there was all-round appreciation and recognition of the fact that, especially in today's economically-regressive circumstances, a lowering of trade barriers is absolutely indispensable if, *first*, the global economy is to be prevented from being sucked into a severe depression and, *secondly*, if the prospects of all-round development, particularly among the developing economies, are to be strengthened so as to be sustainable in the decades ahead.

Current Impasse

A result of this was the admission by the WTO membership (as part of a consensus) that there was a need “to more fully explore different negotiating approaches while respecting the principles of transparency and inclusiveness” in view of the stark, “regrettable” fact that the negotiations to conclude the Doha Development Agenda (the Doha Round) “are at an impasse”. The Ministers also acknowledged that “there are significantly different perspectives on the possible results that members can achieve in certain areas of the single undertaking”, the important upshot of which was that “it is unlikely that all elements of the Doha Development Round could be concluded simultaneously in the near future”.

Perhaps, expectedly, the Ministerial chairman’s statement, referring to the Doha Development Agenda, beats around the bush, taking refuge in declarations of intention instead of laying bare the precise nature of the stumbling block in the way of implementing the Doha Round. Thus, the Ministers once again committed themselves “to work actively, in a transparent and inclusive manner, towards a successful multilateral conclusion of the Doha Development Agenda in accordance with its mandate”; also “to advance negotiations, where progress can be achieved, including focusing on the elements of the Doha Declaration that allow members to reach provisional or definitive agreements based on consensus earlier than the full conclusion of the single undertaking”. It was also reiterated once again that members “will intensify their efforts to look into ways that may allow members to overcome the most critical and fundamental stalemates in the areas where multilateral convergence has proven to be especially challenging”.

The Durban meeting on climate change has shown that the developed countries will extract their pound of flesh in concessions from the developing economies before agreeing to move forward towards a better future. It is clear that the Doha Round will succeed only if the Durban route is followed. It remains to be seen if the developing economies, especially the stronger among them, will succumb and play ball.

India Still Needs A WTO by Suman Bery,
Business Standard, 13 December 2011.

THE Ministerial Meeting of the WTO is likely to acknowledge that, after ten long years of trying, negotiations under the Doha Development Mandate are unlikely to reach closure in their present form. Such meetings of trade and commerce ministers take place every two years, and represent important opportunities to provide political guidance to the WTO. Despite the generally low expectations from the upcoming ministerial meeting, it does provide a useful opportunity to reflect on India’s role and stake in the global trading system.

In a forthright message to ministers a month ago, which followed the meeting of G-20 leaders in Cannes, WTO Director-General Pascal Lamy indicated that the deepest divide in completing the Doha Round is over market access for industrial products. As he notes, underlying the current impasse are different views as to what constitutes a fair distribution of rights and obligations within the trading system. In the view of some, “emerging economies have attained a level of competitiveness and efficiency in key sectors that warrants treating reciprocity as parity in obligations,” while others emphasize that emerging economies still face formidable development challenges in many areas of their economies. He concludes: “It is clear that progress in multilateral trade negotiations, as is the case in climate change negotiations, will require a political response to this political question.” And while this concern is largely directed at China, now the world’s largest exporter of goods, other large emerging markets such as India and Brazil will face equivalent pressure.

Mr. Lamy also points out that negotiations are only a part (although no doubt the most visible part) of the work of the WTO. Other elements include implementation of agreements, dispute settlement, monitoring and surveillance, and capacity building. This framework deserves at least part of the credit for the relatively low resort to protection in the present economic crisis. An important issue facing leading members of the WTO, including India, is whether these other roles will continue to retain their potency if the

WTO ceases to be a principal venue for negotiating market access.

This is not by any means to argue that India, or emerging markets as a group, carry the principal responsibility for the progressive marginalization of the WTO; far from it. Even as the WTO came into existence in 1995 to replace its highly successful predecessor, the General Agreement on Tariffs and Trade (GATT), the US had just signed the North American Free Trade Agreement (NAFTA), partly to counter the steady expansion of the European Union (EU). With the major exceptions of agriculture, textiles and automobiles, tariffs on other traded goods were already very low, shifting attention of the rich countries to behind-the-border measures inhibiting goods trade, and to intangibles such as trade in services and intellectual property.

For the moment, and for most countries, including India, the negotiating action has moved elsewhere – mainly to various forms of preferential trade arrangements (PTAs), either bilateral (e.g. India-Japan) or plurilateral (India-ASEAN; India-EU). In common with other Asian countries (including Japan), India was a confirmed multilateralist and has only entered into the PTA game seriously since the middle of the last decade. The impact of these PTAs on the multilateral system is a hotly-debated topic, with protagonists on both sides: those who argue that such agreements pave the way for broader and deeper liberalization, and those who assert that they distort the pattern of global trade and are inherently discriminatory.

In its *World Trade Report 2011*, the WTO reviewed the experience with such arrangements, and came to some surprising conclusions, at least to a non-specialist like the author. It argued that border measures (such as tariffs) are in general so low that they are increasingly less relevant as the motivation for such PTAs. Rather, PTAs are increasingly being used to provide stability and comfort in such areas as regulation, or intellectual property protection, which are a prerequisite for deeper integration than just trade.

Since it has proved difficult to make progress on these issues on a multilateral, most-favoured nation basis, countries are resorting to

agreements outside the WTO to achieve these goals. The most recent example of this is the US initiative to participate in the so-called Trans-Pacific Partnership, which is explicitly designed to address a more ambitious liberalization agenda than is possible within the WTO. Initially a pact between relatively small members of the Asia-Pacific Economic Community – Singapore, Chile, Brunei and New Zealand – the negotiations have widened to include the United States, Malaysia, Peru, Vietnam, Australia and, most recently, Japan. It is too early to judge how successful these negotiations will prove to be, and indeed whether once concluded the agreement will be passed by the US Congress. But the signal being sent by the US is unmistakable: it is serious about establishing a template in Asia that will deepen market access and integration in both directions, and more reluctant powers, notably India and China, could be at a disadvantage as their economies evolve in more sophisticated directions.

India faces an equally daunting challenge with respect to China's role in Asia. On the basis of multilateral, most-favoured-nation (MFN) disciplines, supported by excellent infrastructure and a favourable exchange rate, Asia's production networks have been reshaped over the last decade to feed into final assembly in China. India's manufacturing employment would be enormously boosted were it to become better integrated into such Asian networks; indeed this is one of the hopes of the national manufacturing policy that was recently approved. This process would stand a better chance if there were a solid institutional structure to underpin it, but for political reasons a bilateral accord seems unlikely any time soon. India may be better served in joining some ASEAN-linked accord (such as the proposed Comprehensive Economic Partnership for East Asia), despite being overshadowed by China in such a forum.

What then of the WTO? As a middle-ranking trading power that is likely to expand its footprint, India's long-term interests are best served by a strong, empowered WTO. Our politicians could not prepare Indian public opinion for the need for compromise and negotiation when a deal was on offer in 2008, so there was no domestic basis for accepting it. If such an opportunity recurs, we should seize it.

Think Before You Meet by T.S. Vishwanath, *Business Standard*, 8 December 2011.

THE Ministerial Meeting of the World Trade Organization (WTO) was held recently. Unlike in the past, there seemed to be very little excitement about the outcome of the meeting.

The lack of enthusiasm is obvious, given the fact that as of now there seems to be very little on the agenda for taking the Doha Round forward. Most analysts are clear that it will be very difficult to move forward on the Development Round launched a decade ago at Doha (Qatar) unless some of the large developed countries build political consensus within their boundaries to support the conclusion of the negotiations.

The mood of the member countries on the current impasse in the talks was reflected in a recent statement by Mr. Pascal Lamy, Director General of the WTO. He said there is a need for some "soul-searching" to address the failure of coordination in global trade issues. "There is a big problem in the way international trade cooperation works, or more precisely, does not work," Mr. Lamy said at a conference.

The difficulty in moving forward by countries was reflected at a meeting of the leaders of G-20 and Asia Pacific Economic Cooperation forum; it was acknowledged that the Doha negotiations won't be completed under the current path. The leaders reiterated the oft-repeated call for a fresh approach to achieve at least some aspects of the agenda.

An important development at the Ministerial in Geneva would be the inclusion of Russia into the WTO fold. Moscow joins Vanuatu and the Samoa Islands in entering the multilateral trade body.

Further, the member countries reiterated their commitment to the multilateral process and sought to end protectionism. They are also expected to pay lip service to the need to focus on development to push the case for small and vulnerable economies. They may also make a statement on cotton.

It is clear from the current impasse that the WTO as a body that can create new trade rules to increase market access for countries is losing sheen. However, the multilateral body remains an important player in ensuring that trade rules keep

multilateral trade fair. The dispute settlement body of the WTO has been instrumental in some very important decisions impacting global trade. Similarly, the trade review process of countries is an important instrument to monitor and measure the level of trade openness in countries.

Good work has been done in several areas in terms of taking the negotiations forward under the Doha Round. This includes nearly all areas of negotiations covering agriculture, industrial goods and services besides some of the other important areas under the Round.

Given the current state of the global economy, two issues that the WTO may want to fast-forward are trade facilitation and non-tariff barriers. Addressing these will improve trade flows across the globe. This will also bring down the cost of doing business and help the large number of small and medium sectors play a more important part in global trade.

The current state of play at the WTO shows there is a need to reinvent the process of negotiations. This calls for some political consensus. The Ministerial at Geneva provided the setting needed for global trade ministers to step back and take some important decisions to ensure that the multilateral trade body remains a significant platform to keep global trade fair and free.

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

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

The article discusses the US initiative to explore support in order to skip the 'modalities' involved in the Doha rounds for agriculture and market-opening for industrial goods. It also points out that instead of finalizing these 'modalities', which deals with the level of tariff and subsidy cuts by both developing and developed countries as part of their Doha Round commitments, the US wants members to start scheduling the commitments in both agriculture and market-opening for industrial

goods. It further explains that the countries like China and India have not agreed on the triggers to facilitate the Special Safeguard Mechanisms to curb unforeseen surges in imports of agriculture items. The mandatory sectoral tariff elimination proposals that stipulate zero-for-zero tariffs in chemicals, industrial engineering and electrical and electronic products are not agreed by the developing countries like China and India. The members' commitment on the unresolved drafts will leave the loopholes as major trading members like the European Union, Japan, China, India, South Africa, Argentina, and Brazil, among others, are bound to face a situation where fresh demands will be made on them.

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

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

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

THE article points out that the trade negotiators for last few years could not sort out the differences on the key issues of the negotiations and the process has witnessed the loss of credibility of the groups and organizations like G-7, G-20, APEC, World Bank and the IMF by a succession of toothless and

increasingly vacuous demands that the negotiators settle their differences and wrap up the Round. The WTO has suffered more in seven years of fruitless, arcane negotiations, petty bickering and blame-games of national trade ministers.

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

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

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

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

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

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

are desperate for the trade deal. India alleges the United States and Europe for keeping farm subsidies inflexible and other trade barriers high and says that American farm subsidies keep American farm products competitive against imports.

Although India and Brazil support phased-in reductions of tariffs on manufactured goods, United States and Europe view that India and Brazil have become hardliner because of fear of imports from China and other export-driven economies. There have been suggestions by a new bloc of exporting countries led by Chile, Colombia, Costa Rica, Hong Kong, China, Mexico, Peru, Singapore and Thailand that tariffs for the most protected products should be in the range of upper teens to the low twenties. The article also mentions that Brazil, which is flexible than India will gain the most from future trade deal due to its character of a superpower exporter of industrial goods, wide range of food products, sugar, fruits and vegetables.

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

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

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

The article explains that the agrarian crisis due to the WTO rules and the World Bank Structural Adjustment Programmes could not force India to fall in line with the US on the WTO negotiations.

Cargill Agreement, international law for trade in agriculture and Trade Related Intellectual Property Rights Agreement has been the reason for removal of Quantitative Restrictions in agriculture products and creation of seed monopolies. Removal of Quantitative Restrictions will not only affect farmers from subsidized import surges but also from the price surges due to food monopolies and speculation. The article also mentions that without the right to maintain Quantitative Restrictions (QRs), SSMs are not at all favorable for the common farmers and removal of QRs is equivalent to destruction of embankments and levees that protect regions and communities from flooding.

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

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

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

THE article is divided into three parts. The views in the first part outline the different aspects of the annual trade report that was published by new Obama administration. The article points out that the policy statement of the US Trade Representative (USTR) promises to toughen the social accountability clauses and labour and

environmental standards in the forthcoming trade deal. It says that such steps may increase the protectionist demands and the cost of production of US imports. The report also prioritises the review of implementation of existing FTAs and bilateral investment treaties (BITs) and stricter enforcement of existing multilateral agreements before the WTO's Dispute Settlement Body.

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

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

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

the negotiating table with more credible offers, it is for India's national interest to hold on to the tariff tools.

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

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

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

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

The article points out a steep reduction in the tariff on non-agricultural products in the draft modality paper of NAMA negotiating group chairman Don Stephenson and included the contentious issues like tariff elimination in wide

range of sectors in fixed period and liberalization of trade in 'remanufactured' products. This was argued by India industry on the ground that unrestricted entry of used products largely from the developed countries would harm their domestic producers.

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

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

THE article traces the success of the WTO and mentions some important facts regarding the change in the tariff, which declined to one-tenth while there was a twentyseven-fold growth in the volume of world trade from its inception. But the critics claim that WTO is under threat due to the struggles of un-concluded Doha Development Agenda on multilateral system. The article also points out the importance of G8 countries statement in this regard but raises question about the promises that have been made in the meeting.

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

shortsighted-ness of governments, firmly set time frame and negotiating flexibility to break the deadlock can help in successful conclusion of the Doha development agenda with the vision of G8 leadership.

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

Doha Round of WTO Crucified

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

THE article at its outset states that the reason for the failure of Doha Round negotiation was the insufficient benefit for the major negotiating countries compared to the huge losses, which would have hurt their people economically at the point of global slowdown and US rejection to the developing countries' demand to use the special safeguard measures (SSM) in order to protect their farmers from sudden import surge of agricultural commodities.

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

describes that on numerous contentious issues in the NAMA negotiations, China and India are pressurized to make more concessions.

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

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

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

Highlighting the differences between different countries on the tariff reduction, the article states that the talks on the Doha Round of the WTO got stuck because none of the parties concerned had moved sufficiently enough to secure a high quality agreement. While the EU indication to reduce the tariff and the US farm bill with some cuts in subsidies has come to the light but it is not up to the mark as expected by many developing countries. Taking the reference of the Australian Trade Minister, the article says that current year is a window of opportunity and if it is lost, it will take some time to resurrect the Doha Round talks, as neither India nor Brazil had indicated a willingness to open up their markets substantially for non-agricultural products. The article also points out that the proposal referred to as five-plus-five put by Australia would enable the Americans and the Europeans to make more substantial cuts together without facing the domestic difficulties.

The article mentions about the Australian bilateral trade and free trade agreements with Singapore, Thailand, the US and New Zealand, ongoing discussions with Association of South East Asian Nations (ASEAN), China and Japan and a

preliminary discussions with Korea on the same issue. India's negotiation with ASEAN on free trade agreement will enable both India and Australia to build on acceptable agreements into the future. On the issue of supply of uranium to India the article on behalf of the Australian Trade Minister's view, mentions that countries that have not signed the nuclear non-proliferation agreement and did not have bilateral arrangements to prevent on-sale of uranium to other countries will not get the supply.

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

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

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

Slowdown in exports has significantly affected the Indian and Chinese export market and the growing reports of factory closures in China and India due to decline in export indicates that there is significant decline in the future orders as well. It points out that deceleration in Indian export by 12 per cent has forced exporters to re-negotiate the prices and orders with the buyers and such slowdown has started a retaliatory war of mostly non-tariff trade protectionism. The entire process has initiated an imposition of protectionist measures such as export subsidies and bans, higher anti-dumping and other safeguard duties, and a general tightening of technical standards of imported products, even the free trade nation like the US has significant barriers to trade in the form of tariffs, quotas and steep regulatory barriers and it is further pushing to make them more onerous. Assessing the impact of tariff on global trade the article explains that the conclusion of Doha Round negotiations can keep the trade engine running by preventing policy rollback and can help to fight the fear of increasing tariff by many countries. It also predicts that

maximum allowed raise in tariffs by all countries can double the average global rate of duty and the effect can shrink global trade by 7.7 per cent, causing a 1930s-style trade deceleration.

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

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

Looking Beyond the Doha Round by C.R.L. Narasimhan, *The Hindu*, 11 September 2011.

MOST ardent optimists have cast doubt on the successful conclusion of Doha Development Round of trade talks under the aegis of the World Trade Organization (WTO).

Even as the last flicker of hope is in the process of getting extinguished, time has come to take stock of the future of multilateral trade and indeed of the WTO itself. What went wrong in the round of talks that promised so much and has delivered so little? Not to be overlooked is the fact that all the 153 member countries are outwardly at least professing their commitment to the Doha Round.

Such commitments have, however, been symbolic. They have not been enough to take the

talks substantially forward. The Doha Round of trade talks having an ambitious development component was launched in November 2001 in the Qatari capital soon after the terrorist attack on the US. With its emphasis on rule-bound multilateral trade, the Doha Round aimed to bring about stability and orderliness in world trade and thus provide an antidote to the chaos and uncertainty and nervousness that had begun to afflict the global economy. It sought to enable poorer countries export more by gaining greater access to developed markets while it was expected that the latter would reduce their various subsidies, "market support" programmes and so on that distort global trading rules. However, during the last ten years, the talks have missed many deadlines. Last year, the G20 countries urged a completion of the Doha Round by the end of this year (December 2011). That, of course, seems highly implausible now.

WTO's Director-General Pascal Lamy was not saying anything new when he said recently that the Doha Round talks had reached a deadlock. Rather than pitch for what seems to be a lost cause – the completion of the Doha Round within a timeframe – the accent of Mr. Pascal Lamy and others with a vested interest has now shifted to emphasizing the advantages of multilateralism.

Among the points the WTO Director-General made during his recent visit to Delhi are:

- (1) All member countries (of the WTO) should continue to repose faith in multilateralism. Governments should recognize the contribution of multilateral trading during the recent crisis, through smooth flow of goods and services between countries and peaceful settlement of trade disputes, to capacity building in developing countries.
- (2) At a time when the global economy is limping towards recovery and many countries are deep under sovereign debts, the multilateral trading system could be "the only tool to fight poverty, generate employment and create jobs".
- (3) The WTO is an insurance policy against protectionism and it did work during the crisis. But over the last several years the Doha Round is inextricably linked to the WTO. If the Doha Round prolongs, there is a risk of the WTO itself losing its credibility.

A multilateral trade agreement governed by rules and procedures will give member countries access to WTO's highly acclaimed disputes settlement body through which the smallest member country can direct the richest to stop trade distorting practices. The failure to complete the Doha Round would inevitably lead to a dilution of the WTO and the rule of law which the organization has helped foster in international trade. The sad fact is that despite member countries being fully aware of the risks to world trade in allowing the Doha Round to lapse, nothing much can be done to resuscitate it at this stage. Many countries have contributed to its failure by refusing to work out a fair package but a large part of the blame should vest with the US and a few other rich countries.

Time has come to look beyond the Doha Round. Trade ministers from all the 153 member countries will meet in Geneva between 15 and 17 December to draw a map for sustaining the multilateral system in future. Will that be an occasion to officially call off the Doha Round?

Doha Talks Going in Rounds

by C.R.L. Narasimhan, http://www.thehindu.com/opinion/columns/C_R_L_Narasimhan/article2766271.ece

THE Doha Round of trade talks launched in the Qatari capital ten years ago has had a chequered history. A meeting of trade ministers under the aegis of the World Trade Organization (WTO) was held in Geneva in mid-December. On the eve of the ministerial meeting, there were very few expectations over the Doha development round.

Meetings of trade ministers are normally held once every two years to give crucial political direction to trade talks. This time, the only outcome that every one expected was that the meeting of trade ministers would finally and formally acknowledge, after ten years of tortuous negotiations, the Doha Round of talks was going nowhere and that in its present form it is unlikely to reach a closure anytime soon. Therefore, there was no disappointment when the Geneva meeting ended without breaking the impasse. The communique at the end of the meeting acknowledged the fact that the Doha Round was for all practical purposes dead. At the same time, it urged member countries to "more fully explore

different negotiating approaches while respecting the principles of transparency and inclusiveness." These words, like many forming part of declarations at previous meetings, do not amount to anything tangible. What is certain, however, is that without formally giving up their commitment to multilateral trade as embodied by the Doha Round, each member country privately agrees that the Doha Round is dead and to further trade links seek more practicable avenues such as bilateral and plurilateral preferential trade agreements.

The Positive Areas

The Geneva ministerial meeting did achieve something positive in certain other areas, however. It reached an agreement on government procurement and on streamlining the accession process for the least-developed countries. The trade ministers also admitted Russia – the only big economy that remained outside the WTO so far – and three smaller countries into the WTO. But as the lack of progress on development-related trade issues, the yawning gap between precept and practice continues to bedevil the WTO and its members.

The Doha Round of trade talks launched in the Qatari capital ten years ago has had a chequered history. Moving in fits and starts, the talks reached a dead end in July 2008, when another ministerial meeting, also in Geneva, collapsed in acrimony. The differences with the US over a special safeguards mechanism for agricultural products had reached a boiling point. In India, the then Commerce Minister Shri Kamal Nath was projected as one who stood up to the might of the US "for the sake of marginal and subsistence farmers whose livelihood would be compromised by unbridled imports of agricultural products." In much of the western press, however, Shri Kamal Nath was branded as a deal-breaker, the one who put the Doha Round to sleep.

Talks Back on Track

Now under Commerce Minister Shri Anand Sharma, India has tried to put the multilateral trade negotiations back on track. A mini-ministerial was held in New Delhi. But the deadlock in trade talks has persisted. One very basic point about trade negotiations, especially multilateral ones, ought not to be missed. Inherently of long durations, these tend to involve many political leaders from each country.

Also, even successful negotiations have outcomes that will be seen after many years. Taking these together, it is fairly certain that the trade ministers, who negotiate, will not be the ones to see the benefits of a concluded trade deal. In the early years of negotiations, however, commerce ministers and officials will have to deal with several pressure groups and lobbies. These partly explain why the Doha Round was severely handicapped right from the start.

What Next?

With all the failures behind it, it seems naive to even speculate on the resumption of the Doha Round, leave alone its successful culmination. Yet, that is what all countries must wish for.

Failure to conclude the Doha Round, at least at some future date, will lead to a further erosion in the authority of the WTO. That would be highly regrettable. Apart from negotiations, the WTO has created fair and equitable machinery for overseeing the implementation of agreements, monitoring and surveillance, capacity building and dispute settlement. These have brought the rule of law to world trade and dispute settlement mechanism especially enables the smallest country to take on the world's biggest economy.

Preferential Agreements

The WTO's initiatives in these agreements have checked protectionism. It would be unfortunate for India if, as a consequence of losing its pre-eminence in negotiations, the WTO becomes less effective in these roles. The failure of the Doha Round has made many countries, including India, to enter into other forms of preferential agreements, either bilateral (India-Japan) or plurilateral (India-EU, India-ASEAN). These are easier to conclude and the benefits from them can be reaped quickly. However, many trade economists feel that these would stand in the way of future multilateral agreements.

For almost the past decade of negotiations under the Doha Round, if there is one point of agreement among countries, it is the less than stellar role of the US. Time and again, it has been alleged that the US has been lukewarm in its efforts to move the discussions forward.

The US naturally figures in any discussion on the future of the Doha Round. Even a likely date of resumption of talks will depend on how soon a new administration gets into stride after the elections. Already the US is in an election mode and a new set of key officials dealing with trade may not be keen to restart a multilateral round of trade talks. That is why India's Commerce Secretary Dr. Rahul Khullar does not think it will be possible to start afresh before 2014.

The Doha Round: Where We Go from Here

by Roderick Abbott, http://www.europesworld.org/NewEnglish/Home_old/Article/tabid/191/ArticleType/ArticleView/ArticleID/21914/language/en-US/TheDohaRoundWherewegofromhere.aspx

THE Doha Development Round is gripped by a profound sense of inertia, and the EU no longer seems able to push it forward. Roderick Abbott examines the factors behind the impasse and argues that the WTO must now adjust to changed circumstances if it is to save Doha.

In the spring of this year it still seemed possible to some observers that the Doha Round might be completed before the end of 2011 (*Europe's World*, Spring Issue, 'What Europe should do to save the Doha Round' by Ricardo Meléndez-Ortiz and Trineesh Biswas). There was hope. They thought that although the EU was not itself key to the problems which have created the impasse, it could nevertheless play an important role as to mediator between the opposing camps.

Since then the realistic scenario for the Doha Round has totally changed. The chances of an ambitious and comprehensive deal have completely evaporated, and after some sharp disagreements over the content of a smaller, more limited package, even that also now looks extremely unlikely. It looks as if there will be no concrete outcome from negotiations to present to trade ministers by the end of the year; and even a future work programme comprising a mix of continued efforts on the Doha agenda with some new policy areas to be studied, seems to be so divisive as to be unachievable.

How have matters sunk to this? It is clear to most observers outside Geneva that the Doha Round and some of its central elements have been overtaken by events. The rapid rise of China to

become No. 3 in world trade, if you take the EU as a single player, and the shift of economic growth to Asia and to the emerging economies has moved the goalposts. What seemed a reasonable enterprise when the WTO's latest trade liberalization effort was launched in the Qatari capital of Doha in 2001 is now clearly out of date. But the WTO itself has yet to come to terms with these changed circumstances.

To pinpoint just one factor that has led to the present outcome, it would be an absence of leadership both at political level and in the negotiations. The G4 that was the US, the EU, Brazil and India became a G6 with Japan and Australia and later a G7 when China joined in 2008, all with the idea that a central group could lead the Doha effort. It could not and did not, and the G20 did no better. It could even be said that the United States and China have both lost their Triple-A (AAA) status in the trade policy market and have been downgraded. Some experts even talk of "junk bond status", which may be harsh, but 'default' is certainly a word that sums up the present situation.

So how has the WTO gone from there to here? And what options are there now for the WTO's work programme in 2012 and 2013?

To answer the "how" question we must go back to January of this year and the weeks before the annual Davos forum. Negotiators in Geneva at that time looked ahead with relative optimism; the G20 meeting in Seoul seemed a sign of new political impetus offering a window of opportunity to conclude the Doha Round, and WTO Chief Pascal Lamy had begun an intensive programme of reviewing all the work done and looking for solutions.

By the end of March, though, hopes of any "grand bargain" were fading, and the fundamental positions amongst participants were no closer than in mid-2008. Mr. Lamy circulated complete texts of all chapters of negotiation just before Easter, but after the holiday his verdict was: "the Round was still 'doable' in 2011 - but for one chapter on industrial tariffs" where, after consultations with all parties, he concluded that "a clear political gap exists ... and is not bridgeable today."

This was the first major shift in attitudes on what could and couldn't be achieved in 2011. Much

of the intensive work had been crawling over previous texts, but with no great appetite for proposing compromises neither in the strategy nor in the detail. The G20 declarations were now seen to be window dressing without the political will at the highest levels to give any ground. Washington continued to be the prisoner of the US Congress and of the search for an over-ambitious result, whilst Brazil, China and India found comfort in sheltering within the solidarity of the G70 group of developing countries.

By the end of May there was general agreement that a comprehensive Doha deal was not possible, and confused debate ensued about the best alternative. This has been variously called "Plan B", a scaled down deal, an early harvest, and a three-track approach (quick, gradual and even slower). Some called for a salvage operation, and a package for least developed countries was proposed, which might be enlarged to LDC-plus. A common thread in these ideas was that the Doha mandate could not be abandoned altogether, but needed to be tackled across the board with further negotiation running on beyond December as necessary.

This was never likely to be sustainable, and it was not long before more cracks in the edifice appeared. During June divergences among all members continued to grow, and at the end of July Mr. Lamy addressed the Trade Negotiations Committee as follows: "I have to share with all of you what I sense is a collective assessment that the LDC-plus package as we framed it in May is not taking shape as we would have wished." Some say that a formal decision was taken to call off efforts to reach agreement; but this is based on "G7" views, with the EU dissenting, and many other members still support something more than a minimal three item LDC package. Even that is not yet agreed.

What happens now is anyone's guess. Some governments still don't fully accept that Doha is a wreck and that the ship has sunk. Yet it is clear that it cannot be completed in its original design. To take the metaphor of salvage literally, it usually means recovery of whatever can be found, without the luxury of any real choice; but that is a difficult prospect before governments who still wish to respect the original Doha principles, the all-or-nothing mandate and the all-at-once "single undertaking".

Unless there is a change of attitudes the outlook is gloomy. Will governments be ready to make U-turns? Are they ready to abandon some of the Doha principles which have become an excessive constraint on the WTO's potential to act? Will the US give up on its ambition and settle for less, given the elections in 2012? Do China and others really believe that the 2008 deal can be had without further action by them? Do they understand that in a zero sum game they will be the big losers? Do any of them actually care if it all collapses? Perhaps there are just too many other priorities: the reduction of public debt, the correction of budget deficits and the need to address climate change, to name but a few.

If in December trade ministers have nothing agreed and capable of being adopted, they will have to discuss a future WTO agenda. And even if there is a limited deal, it must certainly contain some references to further work or continued negotiation.

Mr. Lamy has urged all parties "to have a broad conversation about the future of Doha", but it might equally be about the future of the WTO. One observer has called the current climate one of "mistrust and entrenched positions", and while this refers to the detailed negotiations it could also describe the stand-off between the major players.

The Doha Round is said by some to have a stranglehold on the WTO's freedom to move forward, so that the best outcome would be to call a halt to the original agenda, with or without a deal, and begin on a new work programme updating the WTO with issues like climate change, food security, currency exchange rates and new international rules to regulate foreign investment. The core Doha agenda, which is at the heart of further liberalization, would only gradually be revisited - and perhaps in different ways.

Others feel that the core agenda of securing more open access to markets and reducing distortions to trade must continue to be central to the WTO, even if it takes some time before governments recover their will to address these problems. Some recommend a WTO effort to rebuild confidence and counter the impact of the global recession, but this will not be easy.

Saving the WTO from the Doha Round

by Simon J. Evenett, <http://www.isn.ethz.ch/isn/Current-Affairs/ISN-20> April 2011

THE recent bleak news on the Doha Round of trade discussions has thrown its future into doubt once again. This column discusses ways to salvage the talks and the WTO itself, arguing that it is time to start thinking about changing the way the organization does business in order to reflect the changing circumstances of the 21st century.

The recent news from Geneva on the Doha Round is depressing (WTO 2011, Callus 2011). The US tried to organize agreement to suspend the Round among the leader group of nations (the so-called G11, i.e. the US, EU, Japan, Canada, Australia, China, India, Brazil, Argentina, South Africa and Mauritius); this was rebuffed. WTO Director-General Pascal Lamy is holding bilateral meetings with all the big players (US, EU, Brazil, India and China are the linchpin players now). Depending on what he hears, he may alter the official timetable for concluding the Round by the end of 2011.

At this point, it is worth taking stock of the basic issues to see if there is any hope.

It is said that Robert Zoellick - when he was President Bush's US Trade Representative - used to ask this question on any ongoing or potential negotiation: "What is the basis of the deal?" This is a useful place to start. As I have been writing since 2007, as far as the Doha Round is concerned, I see no basis for a deal. Rather than needlessly pick on the Americans as some observers have, I would put the point differently.

- There are a small number of countries (notably the US) who can't do a low-ambition deal; and
- A large number of countries that can't do a high-ambition deal.

Domestic developments in the main trading parties account for this outcome - until they change, the impasse continues. I am not a big believer in "political leadership"- politicians only act when it serves their interests, like the rest of us. Their actions are determined primarily by political incentives. Courage doesn't come out of thin air.

- Even if the Doha Round has not formally failed, for all but the most committed trade policy types it has already.

Recall the scathing *Economist* cover page: Doha-ha-ha. Also, former President Bush caught on microphone referring to the "Doha thing" at the G8 St Petersburg summit in 2006. Whatever sweet talk goes on at these G20 meetings, given the track record of impasse, how many smart advisers to heads of government are going to waste any capital recommending to their boss "one last push on Doha"? Once a prime minister or president has been around the block for a couple of years, they've probably come to the conclusion that the Round is "all hat and no cattle" as they say in Texas (translation: "all talk and no action"). After all, if anyone understands domestic political constraints, it is heads of government.

Why Not Let the Doha Round Linger in Limbo?

The damage done to the credibility of the WTO of this ongoing impasse should not be discounted. It is time, as Ernesto Zedillo argued a few years ago, to save the WTO from the Doha Round. The impasse is undermining the perception that the WTO is a place where governments can do serious business. Whether the WTO has sunk yet to the level of UNCTAD is, for me, an open question. With that in mind, I would offer the following suggestions:

- Salvage what we can from the Doha Round.

Surely the trade facilitation negotiations can be wrapped up and implemented. This is not a call for an Early Harvest because there won't be a Final Harvest. Think of it as like "triage" after one of those long-fought World War I battles. As for the rest of the negotiations, if no one has the guts to pull the plug on them, then let them wither on the vine.

- Identify and encourage "bottom-up" negotiations on areas where enough WTO members want to move forward.

We need to understand why, for example, the negotiations on government procurement have done so well (outside of the Doha Round setting) and whether similar negotiations in other areas of government policy can be encouraged. With the spread of regional trade agreements, there may be provisions in those accords that, when implemented, don't violate most-favoured-nation tariffs and could be included in a plurilateral or multilateral

accord. Some of the “multilateralizing regionalism” literature had useful things to say here.

- Review whether the deliberative functions of the WTO could be extended.

Director-General Mr. Lamy refers to this as the “missing middle” of the WTO, and I think he always had a good point here. These functions could be a very useful way to inject the trade policy perspective into significant international and national policy debates (for some specific ideas here, see Evenett 2009).

This will not be all plain sailing. The Aid-for-Trade discussions and the deliberations over the Singapore Issues showed some of the pathologies trade diplomats will have to overcome if they are to make the deliberative functions work best. Again, there is plenty for analysts and ambassadors to think through here.

- Enhance the collection and dissemination of data on contemporary trade policies and trade flows.

These global public goods orient discussions around facts and less around perception. Plus, these facts provide an important basis upon which policy-relevant analysis can be conducted. Some scholars raise issue of the value of tariff bindings, about which we know very little empirically speaking. Quite frankly, beyond tariffs, our knowledge of the incentives created by trade policy instruments is desultory. If you doubt this, pick up any survey of the literature on non-tariff barriers. For far too long trade negotiators have gotten ahead of the underlying knowledge base (which is as much of a criticism of the producers of such knowledge as it is the users.)

Now, for trade diplomats and scholars whose views are influenced by the Uruguay Round outcome, the above suggestions seem a far cry from “how we do business in the WTO.” This is true. But I must confess that for far too long I bought the arguments about the singular importance of binding legal obligations. The extent to which governments circumvented the rules during the global economic crisis (especially in the areas of discriminatory subsidies, discriminatory government procurement, discriminatory export finance, etc.) has taken the shine off binding accords for me.

Indeed, perhaps the Doha Round is such a disappointment precisely because the Marrakesh accords were so grossly oversold. The once-dominant legal-contractual view has not served us well; it has blinded us to the necessary political foundation for trade reform.

It is time to recognize contemporary realities. Much trade reforms have happened; trade rules are being written; and nations are cooperating on trade liberalization - just not in the WTO. It is time to start thinking about changing the way the WTO does business to reflect the circumstances of the 21st century.

Questions over Future of Doha Intensify as Ministerial Draws Nearer, *Bridges Weekly Trade News Digest*, Volume 15 , Number 30, 14 September 2011, <http://ictsd.org/i/news/bridgesweekly/113911/>

AS the WTO returns from its summer recess, members are actively looking at what options remain for the struggling Doha Round of trade talks, especially given the fast approach of December’s WTO Ministerial. While some WTO members, such as the US, are suggesting that the global trade body’s membership acknowledge that the Round is “deadlocked,” others are urging the exploration of other possibilities.

Prior to the August break, trade officials had agreed that the earlier plan to pursue an LDC-plus package - one that had deliverables for Least Developed Countries (LDCs) - for the December ministerial was no longer feasible (see *Bridges Weekly*, 28 July 2011). With members unable to reach consensus on what non-LDC issues, or even what LDC-specific issues, might be included in such a package, the decision was made to change tracks and focus on non-Doha issues for the ministerial, along with a post-December work plan for Doha.

Much of the stalemate being seen in the trade negotiations stems from a long-running dispute between the US and emerging economies, such as Brazil, India, and China, over industrial tariffs, along with disagreements over cutting farm subsidies in developed economies. In the former case, the US has asked for mandatory participation in “sectorals” - the cutting of tariffs across an entire industry - insisting that emerging economies take

on greater responsibilities to reflect their larger role in the global economy.

The agriculture dimension of the embattled Doha negotiations featured prominently in the meeting of Cairns Group ministers. The group of 19 agricultural exporting countries met from 7 to 9 September in Saskatoon, Canada, to assess the state of play of the talks and urge WTO membership to push forward toward a successful conclusion of the Round.

In a 9 September interview with LiveMint, a business news website that partners with *The Wall Street Journal*, WTO Director-General Mr. Pascal Lamy urged that it was time for members to recognize that the industrial tariff issue is holding up progress in other negotiating area. "The question is whether through smaller steps we can get to a final global deal," he said.

Frustration over the industrial tariffs issue also surfaced in recent statements from the EU and the US officials. US Ambassador Mr Michael Punke, in a hearing on 12 September before the US Senate Finance Committee, told committee members that "the Obama Administration, with the strong support of Congress, believes that China and other emerging economies must shoulder new responsibilities to reflect this change. So far, they have been unwilling to do so."

EU Trade Commissioner Mr. Karel De Gucht, in a statement made to the EU Parliament and European Commission president on the same day, also brought up the sectorals issue. He noted that the root cause of the impasse was "fundamentally divergent expectations regarding the reciprocity of commitments that developed and emerging countries should take in opening their markets: one side asked for almost full harmonization of commitments, while others insisted on far-reaching and preferential treatments."

Mr. De Gucht added that the EU remained in between those two extremes, and even made a proposal to that effect - one that, he found, "got large support from the concerned industries [but] there was unfortunately not enough traction around the negotiating table to negotiate further on the basis of this - I believe - good proposal."

Next Steps for Doha Unclear

As one developing country official told Bridges, "the situation is very confused on the Doha track." Members are now working with the Director-General on both non-Doha issues and a plan for Doha itself.

Over the summer break, various conflicting viewpoints on the general future of the Round have emerged. These viewpoints, the official noted, range from abandoning the Doha talks entirely, to freezing the Round and "taking time off" in response to the financial crisis, to abandoning the "grand design" under the single undertaking principle - under which nothing is agreed until everything is agreed - and instead addressing issues "piece by piece." Some members also blame the mandate of the talks themselves, set in 2001, for being outdated.

As a result, the official stated, it becomes "inevitable" that the Doha discussion will shift to a more "holistic approach," and delegations will have to "prepare and structure that discussion" for ministers in advance of the December gathering.

Mr. Punke, at the US Senate Finance Committee hearing, took a decidedly pessimistic tone when discussing the US's view of the future of the trade talks. "What we are doing today in the Doha negotiations is not working," he said. "That is not a value statement, but a simple assessment of the facts. After ten years, we're deadlocked." He added that whether the WTO's membership can "acknowledge the reality of our situation will be the first test of whether we can devise a credible path forward that will expand market access and strengthen the institution."

According to observers, delegates are being forced to acknowledge that pushing the Round through to a conclusion anytime soon is less and less of a realistic outcome. "The air of pessimism is all pervasive, at the moment, because it's hard to find anyone who seriously believes that much will come before the ministerial," Simon Evenett, a trade professor at the University of St. Gallen, told Bridges. "All you can say about the current situation that is good is that reality has finally intruded, and the people are able to see just how far we have to go," he said. "The fantasy is over and the stark reality is laid before us."

While consensus on how to resolve the Doha stalemate is lacking, many observers agree that any progress will depend largely on political leadership from members.

In a speech to CUTS International in New Delhi, Mr. Lamy told the audience that ministers will “have to talk turkey” at the December ministerial. “The debate is not about whether we bury the Round or whether we fix another artificial deadline to conclude it. If we are clear that the issues in the Doha Agenda need to be fixed, the challenge before us is to find the political courage and the pragmatic steps which will lead our members to have an honest negotiation,” he stated.

While talks on non-Doha issues for the ministerial appear to be in the early stages, some countries are putting together proposals on areas such as “21st century issues” - food security, climate change, etc. - and currency issues, among others.

Miserly Progress Made on Doha Trade Talks

by Alan Beattie, 12 December 2011

<http://www.ft.com/cms/s/0/f3e7dbb2-24b6-11e1-bfb3-00144feabdc0.html#axzz1ICLRGy3S>

THE spirit of trade talks past evokes an easier, simpler time, when there were fewer big economies and fewer issues to worry about. There have been eight completed multilateral trade “rounds” - in which a range of issues are negotiated simultaneously, culminating in a single agreement - since the inception in 1947 of the General Agreement on Tariffs and Trade, the WTO’s predecessor. The rounds were, in the main, focused on industrial goods tariffs and were stitched up by a small number of rich countries before being imposed on the rest.

The last of these, the “Uruguay Round” of 1986-1994, expanded its reach further into services and intellectual property rights, and encountered more resistance in consequence. But these were still the days when the likes of India and China were insular, stultified economies. China did not join the WTO until 2001, at the same meeting that launched Doha. Russia will join only at this week’s meeting, the last of the big economies to come in from the cold.

The spirit of trade talks present is an altogether more troubled apparition, in existence during a decade in which emerging economies radically

changed the balance of global economic power. Doha lurched from its 2001 launch to a failed ministerial meeting in the Mexican resort of Cancún in 2003, at which aggrieved developing countries succeeded in booting out of the round discussions on the European Union’s cherished project of harmonizing rules on regulating monopolies, protecting foreign investors and opening up government procurement to foreign competition.

Since then Doha has mainly involved a futile standoff between the rich countries, particularly the US, and developing nations, particularly India. Washington has wanted more access to the markets of big emerging economies for its farming and manufacturing exporters, and those countries have demanded the US first dismantle its own agricultural subsidies.

If a general vote were taken among the WTO membership to cast the character of Scrooge, the US would almost certainly be the winner. “The US would like Doha buried, all the negotiating papers shredded and burnt and the Round wiped from the history books,” says one participant.

So why has Doha done so badly? Those who launched the Round point to lack of political will since. Robert Zoellick, World Bank President, who as US Trade Representative in 2001 was instrumental in creating Doha, has faulted lack of leadership - including, latterly, the administration of George W. Bush of which he had previously been a member. In a speech in July he urged members to “double down” on Doha, increasing their ambition rather than giving up.

Others, including some from Mr. Zoellick’s current institution, point to intrinsic flaws. Bernard Hoekman, Director of the World Bank’s international trade department, told a seminar in Washington that the bank and others had overhyped the Round. When it came to sharing blame, he said, “I can point to myself and my organization.” The bank produced ambitious estimates of how Doha could boost economic growth and reduce poverty. “Those became a focal point for expectations, and expectations were overblown.”

Previous trade rounds had largely cemented into a multilateral agreement the measures that countries had already undertaken on their own,

Mr. Hoekman pointed out. It was overoptimistic to expect governments to make big policy concessions in Doha- particularly given the WTO's "single undertaking" approach in which commitments on industrial goods, farm goods, services, intellectual property, restrictions on domestic trade law and other issues are all bound into one multi-stranded pact.

Businesses in some sectors, particularly services, felt their interests were being downgraded in favour of pushing for an agreement in the politically intractable area of agriculture. Many eased off from lobbying once the so-called "behind the border" issues including investment protection and government procurement, favoured by the EU and US, were kicked out of the Round in 2003. For its part, the US says emerging economies such as India and China refused to make politically difficult commitments to liberalization that were commensurate with their rising economic importance.

Washington's frustration may provide a clue to the spirit of trade talks yet to come. One way forward is to take issues individually, rather than as a single undertaking, and leave laggards behind. A coalition of the willing could negotiate a "plurilateral" agreement among themselves, restricting the benefits just to the signatories rather than the usual WTO pattern of extending these to all.

Such a model exists: although the issue was dropped from the Doha agenda, a "government procurement agreement" with 15 members including the EU, US, Japan, Singapore, Hong Kong and Taiwan is in force. "It is now going to be open hunting season for plurilaterals," says Hosuk Lee-Makiyama of the European Centre for International Political Economy, a Brussels-based think-tank. "A range of agreements has been put on hold while waiting for Doha to end."

Trade in services, which has largely been neglected in Doha, is the obvious candidate. A group of economies including the US and EU is already discussing a plurilateral deal. Their discussions centre on a wish-list of measures including commitments on telecommunications and financial services deregulation and new rules to promote the free flow of data in information

technology, protect foreign investors' rights and constrain subsidies to state-owned enterprises.

A move to break up negotiations into separate pieces will face opposition, not least from poorer WTO members. Roberto Azevedo, Brazil's WTO ambassador, says: "Developing countries are concerned that giving up on the single undertaking means giving up on the Round's development aspect and particularly agriculture."

No large developing country is likely to join a services pact, at least at the beginning. Even India, which has an interest in securing overseas markets for its software and business services companies, would be likely to face too much domestic opposition to deregulation. Just last week, Delhi had to backtrack on plans to liberalize the retail sector after fierce opposition from small shopkeepers.

But nor can emerging markets necessarily stop such a deal. WTO rules say a smaller group of countries would be able to create a plurilateral agreement as long as it covered most of the services sector. Bob Vastine of the US Coalition of Service Industries, who strongly backs the initiative, says that to gain momentum, trade talks need to create a deal that countries will feel the need to join for fear of being left behind economically.

"You need tension in the system, and that is why Doha didn't get traction," says Mr. Vastine. "The hope is that we can create a trading bloc attractive enough to bring other countries in." With the rich nations - the US, the EU, Canada, Japan - and a few enthusiastic emerging market countries such as Chile on board, "you can get to 70-80 per cent of global services trade pretty quickly".

The world is not ready to leave Doha behind just yet. For one, the EU, which professes a strong commitment to the multilateral system - while at the same time negotiating bilateral deals with the likes of South Korea - is not prepared to give up. Like Scrooge when confronted with grim reality by the spirit of Christmas present, the European Commission refuses to accept, at least in public, that things are that bad. As Mr. Karel De Gucht, Trade Commissioner, said recently: "Doha will not be declared dead, because we are one of the physicians and we are not ready to do so."

Second, there is some doubt about the worth of setting up plurilateral groupings that exclude the big emerging markets. The government procurement agreement has been successful as far as it goes, but a deal excluding China's giant state purchasing budget is like *A Christmas Carol* without the ghosts.

Governments are moving slowly towards the same "Bah, humbug" attitude to Doha that Scrooge first had to Christmas, gradually accepting that the Round should die and decrease the surplus population of futile multilateral initiatives. But it is very far from forming a replacement that will allow its members to gather happily around the WTO negotiating table to declare: "God bless us, every one."

The Future of Doha and the WTO: A CEPR Trade Seminar* by Viv Davies
(<http://www.voxeu.org/index.php?q=node/6431>)

The Doha Development Agenda (DDA) has made very little progress in ten years. If it fails to be completed, the impact on world trade and the global economy could potentially be very damaging, with serious implications for the credibility and future of the WTO. Many commentators suggest that the Doha Round is dying of political neglect and that its revival requires the immediate intervention and committed support of G20 leaders; others argue that gaining such support at this very late stage is unrealistic. CEPR held a high-level trade seminar in London on 14 April 2011 to discuss the issue.

The Doha Development Agenda (DDA) has made very little progress in ten years. If it fails to be completed, the impact on world trade and the global economy could potentially be very damaging, with serious implications for the credibility and the future of the WTO. The High Level Trade Experts Group *Interim Report*, published

in January 2011, presented four basic arguments for completing the Doha Round – (1) an insurance policy against future protectionism; (2) reform of farm trade; (3) new market access; (4) reinforcing the WTO system. Two of the authors of the High Level Trade Experts Group *Interim Report*, Peter Sutherland and Richard Baldwin, were speakers at the CEPR event in London.

Richard Baldwin opened the meeting on an optimistic note by making the argument that the Doha Round is not completely dead. He outlined the current state of play, in which he suggested that the fate of the Doha Round revolves around the US and China, and in particular whether or not the US would be prepared to accept moderate increases from the package that was presented in December 2008. He outlined what he saw as 3 action phases going forward:

- Phase 1: Pre-29 April 2011 ("last hope arguments")
- Phase 2: If Doha is suspended, May 2011 – April 2013 ("down time")
- Phase 3: Post-April 2013 ("next window")

As a means of mapping the path to the future, Mr. Baldwin asked the participants to consider what Phase 3 might look like – would it be an "omelette world", i.e., one in which the WTO needs to be broken up and refashioned into something better, or a "Humpty Dumpty world", in which the WTO becomes so fragmented that it would be impossible to reconstruct or even to make a case for its continued existence? Considering the potential implications for the WTO in this way is therefore an important priority during both Phase 1 and Phase 2. An omelette world in Phase 3 would require careful management (and a good deal of prayer) in order to avoid international trade conflicts; a Humpty Dumpty world in Phase 3 would imply a continued DDA but with additional benefits or greater gains required for countries such as China, Brazil and India than are currently on offer. Under either scenario, completing such a deal this decade would be unlikely. Of critical importance, however, will be to stress to the US that prevarications and good intentions on their part will not be enough in 2013, as it was in 2010 – US negotiating tactics have eroded all remaining goodwill.

Under either scenario, during Phase 2 it will be important to drive home the changed nature of

* CEPR, in collaboration with the UK Department for Business Innovation and Skills (BIS), recently organized a high-level seminar in London on 'The Future of Doha and the WTO'. Principal speakers included Richard Baldwin, Gary Horlick, Peter Sutherland, Lord Brittan and Alan Winters. The meeting was chaired by Ken Warwick and involved around 50 participants comprising UK government economists, business leaders, journalists and senior representatives from the UK NGO community.

trade; unlike the 1970s it is currently about trade, investment and services – international commerce is now multi-dimensional and complex. China is the US's new "Saudi Arabia" – but in industrial inputs rather than oil. We must also consider the real threat of the re-emergence of regionalism and regional trade agreements.

Completing the DDA during Phase 1 is important because we need to lock China into "something", so that it will take a responsible leadership role in line with its economic weight. *Secondly*, this is the best market access that the US is likely to get into China, India and Brazil this decade – the Trans-Pacific Partnership alternative that is currently gaining coinage in the US will simply not succeed. *Thirdly*, it will counter the "China bashers" in the US, by showing that China is a country that we can do business with – it would curtail the current tendency towards aggressive unilateralism. *Finally*, it would save the Dispute Settlement Mechanism.

Essentially the focus, particularly for the US administration, should be on the systemic losses that would result from not completing Doha (i.e., the greater part of iceberg below the waterline) than on the perceived export gains (i.e., the tip of the iceberg). And a final consideration: the Chinese symbol for both *harmony* and *compromise* is the same.

Gary Horlick's theme was "US Trade: The Trans-Pacific Partnership and US Trade Negotiations". Prof. Horlick chose not to talk about DDA as he thought there was an obvious lack of political will to revive it. He considered USTR's position as being a rational one in that they simply do not see sufficient market access gains, and that Prof. Baldwin is correct in stating that if there are perceived gains there will be progress – if not, then there won't. Instead, what Prof. Horlick wanted to discuss was what will happen with or without Doha, from a US point of view.

There will always be a WTO with the fundamental purpose of ensuring bound tariffs and providing dispute settlement procedures (even if these are very protracted – "businesses don't have five years to get their money back"). The other US alternative is Free Trade Agreements (FTAs), such as NAFTA and others, though it is difficult to measure the economic impact of FTAs on the US

economy. The problem with FTAs for the US is that there are no real dispute resolution mechanisms.

Prof. Horlick suggested that the WTO peaked in 1992, since which time there has been very little progress. From a business point of view it is an imperfect body; it stops export subsidies but it has not been successful in preventing the massive subsidization of a number of industries; anti-dumping definitions are economically irrational; "standards" and other areas are not going anywhere; and "buy national" has not been prevented during the recession. The members of the WTO are those who are responsible for the stagnation rather than the WTO itself.

What's changed? The US walks away from NAFTA dispute resolution after losing a case to Canada; there appears to be a "half-life" to US agreements in that they only seem to last for a certain amount of time. The WTO (and especially Doha) has been disregarded, especially during the financial crisis, which is a situation that is far from reliable for business.

Where are we now? In 2001, there were essentially three dominant economic bodies – the US, EU and Japan. If any two of those developed an FTA it would greatly disturb the *status quo*. A lot has happened in ten years; there are now four big economies (US, EU, Japan, China) and realistically we would have to include Brazil and India. Essentially there are now enough players to suggest that trade policy has become "game theory". If there are any deals made between any two of these six players, the other four are compelled to react. For example, the US is currently ending its FTA with Korea because the EU did – a situation which would not have occurred ten years ago.

In summary, with or without Doha, the US is considering its position in a "game theory" world, and Trans-Pacific Partnership (TPP) has been the result. It began as the P4 in 2004, but has grown considerably as a perceived workable alternative to the WTO. The Obama Administration took up the idea as a viable trade policy model, particularly as it included an Asia dimension. In 2008 it was thought that if the TPP included the core eight countries, then by 2012-13 others would join, and there are logical reasons to expect this. Already many countries want to join the TPP, and Prof.

Horlick is of the firm opinion that the idea will be actively pursued and developed during what he considers will be Obama's second term in office. In terms of market size the TPP could represent around 30-35 per cent of world GDP. The process is less about competitive liberalization and more about assembling a bloc that will be big enough to impress China. For many countries there will be no choice but to join the TPP; economies such as China, the EU, India, Africa, the Middle East and Russia would be extended the offer of membership, but they would be unlikely to accept.

The agenda for TPP is extremely ambitious and is not restricted to traditional trade negotiation, but includes such considerations as "time to customer" and harmonizing domestic regulatory frameworks. US trade policy is now very focused on TPP because it will be its own big bloc with a highly ambitious agenda.

Peter Sutherland, the first of three respondents, flatly rejected the notion of the TPP. His view was that the WTO and all the rounds that preceded it have played a fundamental role in bringing about a global integrated economic community that is increasingly borderless. It has brought countries such as Japan and former command economies such as India into a recognition of the market economy principles that provide the basis for global integration. Mr. Sutherland recalled his time as Director-General of the WTO when China was committed to being a member of the world trading system under the auspices of the WTO. In Mr. Sutherland's view there is no question of the world trading system not operating within a structured global multilateral system, i.e., the WTO. In his opinion the idea of super-regional trading agreements, such as the TPP, should be dismissed as nonsense. The reality of such a venture will be an increasing number of bilateral trading agreements that will fracture and fragment the global economy rather than unite it.

Mr. Sutherland found it deeply disturbing that there appears to such a lack of concern in Washington regarding the potential collapse of the Doha Round and the consequent implications for the credibility of the WTO. When the successes of the WTO - particularly in terms of the dispute settlement mechanism and the contents of the Uruguay Round - are considered, it puts the

organization in an extremely positive light compared with the failures of other multilateral efforts of cooperation such as, for example, nuclear proliferation and climate change.

Failure of the Doha Round will create a dangerous situation for the WTO as well as for the fairness of the world economy more broadly, and for equality of opportunity, including for the least developed countries. In Mr. Sutherland's view, Prof. Richard Baldwin was correct in suggesting that we are currently on the verge of the failure of the Doha Round; we have also failed to provide sufficient impetus to the leaders of the global economies to make a success of the Round and have now reached the point where the failure or success of the Round is largely in the hands of the US. China could have been more flexible and given more, as could have other BRICS, such as Brazil in particular. No round has ever been completed without active leadership from the US, and they are similarly crucial in this Round.

Mr. Sutherland does not like the idea of an alternative in the form of a "Doha light" - it will be a failure and be perceived as such. There is now a month left in which we can get the Round over the line. The Humpty Dumpty world is the preferred scenario, but in the intervening period the pursuance of TPP-type agreements would simply serve to fracture the global economy. Mr. Sutherland concluded by suggesting that Mr. Pascal Lamy has a huge responsibility over the coming weeks and that he should "play a high-risk game".

Lord Brittan argued that if the Doha Round does not come to fruition it would pose a systemic risk to the future of the WTO. What was created in the WTO as an institution is larger and more important than any trade round; it is the cornerstone of the trading system, the guardian of the trading rules and the source of the enforcement of those rules - and that is something, in Lord Brittan's view, that is too precious to put at risk. Any failure would indicate a failure of the members of the WTO rather than a failure of the institution as such.

As to where we currently stand on Doha and the WTO, Lord Brittan considers it to be "extraordinarily tantalizing", in the sense that during the six months that he was working as Mr.

David Cameron's trade advisor, he met most of the people who were leading on the Doha negotiations, each of whom suggested that they had something substantial in terms of trade liberalization that they could put on the table in addition to what was currently on offer. This suggests that the means of reaching an agreement is there, though the question remains of how to move to the end game and make it happen, and clearly the key to moving this along or not is the US.

In Lord Brittan's opinion there has been no progress because: (1) there are large numbers of people in the US who are of the opinion that trade is not necessarily a good thing; and (2) there is the illusion in the US that alternative agreements to the Doha Round are a viable substitute or "as good".

Lord Brittan concluded by suggesting that the US is not immune to pressure, and that countries like the UK could be exerting much more pressure than they currently have been - it appears that there is little evidence of any effort to do so.

Finally, on China - Lord Brittan argued that China would be ready to move substantially, but not to take the initiative. China has not yet got used to the idea of a leadership role in international relations. It is used to the idea of being a major participant, but it is not yet ready to push and to advance, even though in Lord Brittan's opinion it has more to gain than many other countries. The Chinese are very farsighted and fully understand that what is happening now won't go on forever; they also realize that access to markets is something that is important for them. But they are not yet in position to play a leadership role in these matters. In the absence of the US playing that role, it is currently unknown whether the situation can be salvaged by Mr. Pascal Lamy. However, even if the Doha Round was to fail, it would not necessarily herald the collapse of the world trading system; it signifies more a case of missed opportunity.

Alan Winters began by commenting that the GATT and the WTO had been immensely important

to the welfare of the world economy, but this is not what is in question. Prof. Winters also agrees that if the Doha Round fails, it does not necessarily mean the collapse of the world trading system. The question for Prof. Winters is how long the erosion will take before reaching serious levels? Dispute settlement processes would continue, but if the WTO's role was simply about policing the rules, then the future credibility of the WTO as an institution would fall into question. From Prof Alan Winters' perspective it also appears that there is a significant lack of understanding of the seriousness of the situation within the US.

One point that had not been yet made, according to Prof. Winters, was that whilst clearly the big decisions have to be taken by unitary governments, such as the US, China, India, and so on - and potentially the EU might also have a role to play here - it should not be forgotten that there are over 140 other members of the WTO who should also be consulted on their views, as they too have a strong interest in the preservation of the system, and in the credibility of being able to take out a case against the US, for example, and win. In Prof. Winters' is opinion it is important to have a clear view of what we would do should Doha fail, and not to be necessarily resigned to three years of inaction and indecisiveness.

One of the important messages that should be sent to the US is that *discrimination* is at the root of many current problems and is the issue we should be fighting against. A question to ask in this respect is whether the route of TPP would be discriminatory in the sense of countries deciding which of the major players it would be in their interest to sign up with, rather than to consider themselves in a sufficiently benign environment that it wouldn't become necessary to sign up with anyone, apart from the multilateral system itself.

Prof. Winters concluded by suggesting that the debate needs to be raised above mere mercantilism, above mere economics, and located more broadly within a foreign policy framework.





DOCUMENTS

Eighth Ministerial Conference of the WTO

15-17 December 2011

Address by

Shri Anand Sharma

**Hon'ble Minister of Commerce, Industry and Textiles,
Government of India**

PLENARY SESSION (15 December 2011)

It gives me great pleasure to be in the midst of this distinguished gathering along with my Ministerial colleagues for the Eighth Ministerial Conference of the WTO.

When we had last assembled in Geneva for MC7 there was a ray of hope that the global economy had finally emerged from the shadow of a grim recessionary period. Yet, the events of the last two years have brought out the stark reality that the fundamental fault lines in the global financial architecture still remain. We have been concerned by the fragile nature of recovery and the prevailing uncertainty especially in the Euro Zone. We have a peculiar situation where the harbingers of free trade have themselves started looking inwards. In the challenging backdrop of global economic downturn, all countries must eschew protectionism which can only be counterproductive as it will deepen the recession and delay recovery. The need of the hour is enhanced economic engagement and free flow of trade.

In a global economy almost relentlessly under siege, the WTO has an important role to play. We welcome the accession of Montenegro, the Russian Federation, Samoa and Vanuatu. Their inclusion is a welcome affirmation of faith in the multilateral trading system.

India welcomes the LDC related decisions for adoption at this Ministerial. While this is less than what we have strived for over the last several months,

these decisions will send out a positive signal about WTO's commitment to the Development Agenda.

India has always accorded high priority to the Services Waiver for LDCs and we welcome the decision in this regard. We support the proposed streamlining of accession process for LDCs which is a step forward on the LDC accession guidelines adopted in 2002. The LDC request for an extension of their transition period under Article 66.1 of the TRIPS Agreement has our support.

India is concerned at the current impasse in the DDA negotiations. While the last few years of the Round have been disappointing, we cannot cast aside the mandate that was so arduously negotiated. Nor can we abandon the processes that make the WTO a uniquely democratic institution.

The WTO negotiations have always used a combination of approaches but always within the principles of transparency, inclusiveness and multilateral consensus-based agreement. We must not deviate from these tried and tested principles.

The negotiations must take place in accordance with the mandate of the Doha Development Agenda, which means that decisions have to necessarily be based on multilateral consensus, regardless of the format in which negotiations take place.

I have heard suggestions for negotiating issues amongst a critical mass of members. This path is fraught with risk. Plurilateral agreements are a

throwback to the days when decisions taken by a few determined the future of the rest. They also lack the in-built checks and balances of a multilateral forum.

The DDA mandate offers us the flexibility to implement agreements reached at an early stage on a provisional or a definitive basis. However, in practice that can be a difficult exercise as we have learnt from the efforts to put together first, an LDC-package and then an 'LDC plus' package. There are lessons to be learnt from these attempts. It is a path on which we must proceed with caution, not for a moment forgetting that this is a development round. Therefore, development issues, those particularly of interest to LDCs such as DFQF, Cotton, should be the foremost priority in any early harvest.

The decision on duty-free quota-free market access to LDCs requires full implementation. Despite our domestic sensitivities, India was the first developing country to extend duty free quota free access to all LDCs in line with the WTO's Hong Kong Ministerial mandate. India's Duty Free Tariff Preference Scheme for LDCs came into effect in August 2008 with tariff reductions spread over five years. This Scheme covers about 92.5 per cent of global exports of all LDCs and provides duty free and preferential tariff access on 94 per cent of India's tariff lines. We now propose to expand the coverage of the scheme further in line with the mandate.

We would urge all developed members to commit to duty-free and quota-free market access as per the Hong Kong Ministerial Declaration on priority basis, preferably within July 2012.

On the issue of Cotton, there is an urgent need to fully implement the Hong Kong Ministerial Decision for the developing world, especially the Cotton 4 countries of Africa.

What we have on the table today reflects years and years of hard work and a delicate balance of trade-offs. We must build on the progress already achieved and persevere in our efforts to reach a fair, balanced and equitable outcome to the Round.

While we continue these efforts, let us not forget that the WTO is much more than the Doha Round. The work that goes on from day to day in its regular committees and bodies is the grease that keeps the wheels of the multilateral system turning smoothly. It is important to ensure that this work goes on smoothly and in as efficient a manner as possible.

It is easy to put good ideas on the table but difficult to convert them into solutions for the benefit of the poor and needy. This is a development round and the poor countries have the most at stake. I appeal to you to ensure that we secure what has been settled and to continue in our common endeavour to reach an understanding in the larger interests of the multilateral trading system. If we fail today, we are unlikely to get the same opportunity for a long time to come; if on the other hand, we are able to fulfil the promise held out by the DDA, the WTO will not only endure but grow stronger.

Thank you.

(www.wto.org)

Committee on Agriculture Special Session

Revised Draft Modalities for Agriculture Sensitive Products: Designation

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

AG/W/3) were the result of convergence to the point where I felt such progress could be captured.

2. Rather than propose a single solution to the designation of Sensitive Products, this working document sets out the issue and indicates a way forward which could, hopefully, operate as a platform to get to closure. My reason for issuing

this, and the other working documents, in this more formal format is to ensure that it is distributed in the same way and at the same time as the fourth Revised Draft Modalities for Agriculture itself.

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

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

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

6. *Either:*

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

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

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

Or:

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

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

8. However, this is not, of course, just a question of numbers for Sensitive Products viewed in clinical isolation from everything else. There would be questions as to whether or how this affected those observing the default number and how it affected other elements in the text.

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

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

² Iceland, Japan, Norway, Switzerland

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

Committee on Agriculture Special Session

Revised Draft Modalities for Agriculture Sensitive Products: Tariff Quota Creation

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

2. Paragraph 83, second option would be deleted.

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

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

5. Tariff lines not currently subject to tariff rate quotas can be declared sensitive and be newly subject to a tariff quota provided that the number of these lines does not exceed 1 per cent of tariff lines for any Member¹; that the 1 per cent is taken out of the maximum entitlement of sensitive tariff lines for the Member concerned; that the lines concerned are subject to provision of an additional 2 per cent of domestic consumption beyond what would be otherwise required under paragraph 74; that the in-quota tariff rate is zero; and, as for all other sensitive product tariff lines, that they are scheduled and applied *erga omnes* on a most-favoured-nation basis. The lines concerned shall be transparently specified in full tariff line detail and

with the access amounts provided in the attachment as an integral part of these modalities.

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

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

8. In the case of Norway, it shall abide by the provisions regarding 2 per cent additionality above except where, according to Attachment Ai(G) it has designated sensitive products at a seven digit level and allocated the entire aggregate domestic consumption to these three product categories. In this case it shall, as its contribution, provide an additional 0.5 per cent of domestic consumption for the whole TRQ for these three product categories. The access amounts shall be specified in full detail at tariff line level in the attachment and constitute an integral part of these modalities.

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

Committee on Agriculture Special Session

Revised Draft Modalities for Agriculture Special Safeguard Mechanism

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

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

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

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

The SSM shall become applicable when, within that twelve-month period, the trigger levels, calculated in

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

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

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

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

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

If the SSM is not triggered until within [2/4] months of the end of any given twelve-month period it may, however, be applicable into the next 12-month period provided that this is for no more than [2/4] months

and that the maximum period of application and conditionality for reapplication is also respected.

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

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

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

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

compatible with effective functioning of the SSM.]

[In the event that an SSM should be applied for three consecutive twelve-month periods, the standing group of experts shall, on request by an affected Member, evaluate whether or not the measure is effectively functioning as a measure to deal with import surges of an inherently temporary nature that is not disrupting normal trade or whether it is a response to an underlying more structural problem. They shall render their views and opinions including non-binding recommendations as appropriate.]

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

- (a) Status of LDCs: Irrespective of a "general" solution, it has been the working hypothesis (no-one has objected) that LDCs will have a more flexible arrangement as was originally conceived in Rev. 3, although the triggers and remedies were never settled and LDCs had sought greater flexibilities than in the Rev.3 text.
- (b) Status of SVEs: If there is a "general" solution found, is it to be assumed that this is applicable to all developing countries including SVEs?
- (c) Status of "Under the bound rate": Consultations subsequent to July indicated that a number of Members had areas in Rev. 3 that they disagreed with as regards "under the bound rate" paragraphs. But it was recognized that this could not be progressed one way or another until "above the bound rate" was resolved. It is not clear how far reaching any changes might prove to be here.

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

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





SELECT PUBLICATIONS

PUBLICATIONS

1. **India's Regional Trade Agreements: Impact on Indian Economy**, Vijaya Katti, Sunitha Raju and Rajan Sudesh Ratna, 2010, ₹375
2. **अंतरराष्ट्रीय व्यापार : अवधारणा, नीतियों, प्रक्रिया**, डा० रवि शंकर, संतोष कुमार वर्मा (सम्पादक); 2005, ₹125/-

OCCASIONAL PAPERS

1. **Competing for the Indian Market: Local Firms vs. MNCs**, Aneel Karnani, 1996, ₹50 (*out of Stock*)
2. **Foreign Direct Investment in India: Facts and Issues**, B. Bhattacharyya and Satinder Palaha, 1996, ₹50
3. **Regional Trade Enhancement: SAPTA and Beyond**, B. Bhattacharyya and Vijaya Katti, 1996, ₹50
4. **Towards Economic Integration through Regional Trade Blocs**, Satinder Palaha and H.L. Sharma, 1996, ₹50
5. **Duty Free Access to India within SAPTA Framework**, B. Bhattacharyya and Somasri Mukhopadhyay, 1996, ₹50
6. **India's Trade Liberalisation Since 1991: A Statistical Appraisal**, B. Bhattacharyya, Somasri Mukhopadhyay and Bimal K. Panda, 1996, ₹50
7. **Indian Garments Industry in the Post-MFA Period**, Satinder Bhatia, 1997, ₹50
8. **Impact of Economic Reforms on India's Major Exports: Policy Guidelines**, H.A.C. Prasad, 1997, ₹50
9. **Intellectual Property Rights in the Present Indian Context**, Shahid Alikhan, 1997, ₹50
10. **India's Competitiveness in Export of Garments in the MFA Phase-Out and Post-MFA Phase-Out Periods**, H. Ashok Chandra Prasad, 1997, ₹50
11. **Democracy and Human Rights**, Justice P.N. Bhagwati, 1997, ₹50
12. **Currency Turmoil in South East and East Asia: Impact on India's Exports**, B. Bhattacharyya, 1998, ₹50
13. **Chinese Response to Asian Economic Crisis: Implications for India's Trade**, B. Bhattacharyya, 1998, ₹50
14. **Trade and Environment Issue in the WTO: Indian Experience**, B. Bhattacharyya and L.D. Mago, 1998, ₹50
15. **Advent of Euro: Implications for India**, B. Bhattacharyya and Vinayak N. Ghatate, 1998, ₹50
16. **Non-Tariff Measures on India's Exports: An Assessment**, B. Bhattacharyya, 1999, ₹50
17. **Export Product Diversification in the US Market Indian Experience**, B. Bhattacharyya and Prithwis K. De, 2000, ₹50
18. **Export Performance: Increasing Competitiveness through New Sources of Productivity Growth**, B. Bhattacharyya, 2001, ₹50
19. **Dispute Settlement System under World Trade Organisation**, Sumitra Chishti, 2001, ₹50
20. **Impact of WTO on Marketing Cooperatives**, B. Bhattacharyya, 2002, ₹50
21. **Food Trade, Trade Flows and Trade Policies: A Comparative Analysis of World and India**, Sunitha Raju and Tamanna Chaturvedi, 2004, ₹50
22. **Rules of Origin under Generalised System of Preferences as a Market Access Barrier to Indian Textiles and Clothing Exports: With Special Reference to US and EU Markets**, K. Rangarajan, 2004, ₹50
23. **Development of an Enduring Involvement Scale Using Flow Concept in Hypermedia Computer Mediated Environments**, Anshu Saxena and D.P. Kothari, 2005, ₹50
24. **A Review of India-Sri Lanka Trade Cooperation**, Biswajit Nag, 2006, ₹50
25. **ASEAN-India FTA: Emerging Issues for Trade in Agriculture**, Sunitha Raju, 2010, ₹50

Orders for publications may be sent to:

Section Officer (Publications)

Indian Institute of Foreign Trade,

B-21 Qutab Institutional Area, New Delhi-110016

Phones: 26965124, 26965051, 26966563, 26965300

Fax: 91-11-26853956, 26859520, 26867851

E-mail: publications@iift.ac.in

