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Where Are We in the Doha Round?

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1. A Difficult Birth

The Doha Round of multilateral trade negotiations gestated through an unsettled pregnancy and endured a difficult birth. It continues to suffer from the consequences.

It is important to remember that the previous round—the Uruguay Round—lasted eight years and concluded only in 1994. It led to the creation of the WTO in 1995, and to years of painful accommodation to a radically changed trade regime—one with a large and rapidly-growing developing country membership, a set of agreements wrapped into a single undertaking,[1] a powerful dispute settlement system and a work program that put strains on even the larger WTO member delegations.

Nor were the problems simply institutional. It rapidly became clear that the promised development benefits were more of a mirage than a reality, and that the Uruguay Round had gone well beyond previous negotiations in extending the reach of trade policy far behind the borders, into areas traditionally the domain of domestic decision-making—a process begun in the Tokyo Round in the 1970s but vastly expanded with the Uruguay Round. It soon became evident that it would take years to iron out the difficulties and reach the point where all—and especially the poorer countries—genuinely benefited from the new trade openness.

Yet in the year following the creation of the WTO the pressure was on to return to the negotiating table. Four "new" issues were proposed for the WTO agenda at the very first ministerial conference in 1996, and soon after pressure began to mount for the design of a comprehensive new round of negotiations, in part to address a built-in agenda agreed with the creation of WTO, but also to expand the reach of trade liberalization even further. This pressure reached a peak in late 1999 and a backlash from the developing countries was in large part responsible for the collapse of the Seattle ministerial conference, leaving the multilateral system seriously wounded and confidence in the multilateral trading system at an all-time low.

For the developing countries, the dilemma was always whether to stall further negotiations until implementation issues were seriously addressed, or to agree to them in the hope that some real movement would take place on agriculture and other areas of concern.

If a mandate for a new Round was agreed in Doha in late 2001, there were three principal reasons:

- After the September 11 attacks, the world badly needed a visible success in international cooperation, especially one effected in the Arab world;
- After the debacle in Seattle, another failure in Doha could have seriously damaged the multilateral regime, which might then have become eclipsed by more nimble regional and bilateral trade agreements; and

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[1] Including the General Agreement on Trade in Services; the Agreement on Sanitary and Phytosanitary Measures; the Agreement on Technical Barriers to Trade; the Agreement on Agriculture; the Agreement on Textiles and Clothing; the Agreement on Subsidies and Countervailing Measures; and many more.

- There was already a mandated agenda to continue negotiations on Agriculture and Services, and everyone agreed that these would not advance far except as part of a comprehensive agenda that permits the maximum range of trade-offs.

Even then, developing country skepticism could only be overcome by means of significant promises in the area of development—with the WTO labelling the mandate for negotiations "The Doha Development Agenda."[2]

2. Understanding the Doha Round

For most WTO members and certainly for the larger trading partners among them, the core of the Doha Round revolves around agriculture. Progress on every other topic on the negotiating table depends on real progress in respect of this central goal. Agriculture is the last major frontier for trade liberalization, and it is in liberalizing agriculture that the greatest economic gains are to be found—though whom that benefits is a subject of intense debate. In exchange for concessions in agriculture, the richer countries are seeking market access in the South for their services and for their industrial goods. For the developing countries the demand is for restrictions on dumping of agricultural commodities and abuse of subsidies, and real development benefits from trade, especially for those who are unlikely to gain much from agricultural openness.

The many other issues on the table—probably without exception—are secondary, and will not advance significantly until the end game, when the final touches are put on the multilateral deal. This is important to understand, since it is easy to grow frustrated at lack of progress on the broad agenda. But it is only progress in the handful of key areas noted above —agriculture, industrial tariffs, services, rules and development—that counts at this stage, and nowhere more than in the area of agriculture (though some G90 countries would put development first).

Despite this seemingly straightforward structure, the Doha Round lacks many of the features that made it possible to conclude an ambitious package at the end of the Uruguay Round. The latter, for all the complaints that followed, had the ambition to correct the many and ever more apparent flaws in the GATT system, and to transform GATT into a universal trade management system. It was also easier in the Uruguay Round to identify key "demandeurs" for the different items, and to identify the dynamics of the trade-offs to be made.

3. Doha in the Late Summer of 2005

Rounds always take longer than announced, and progress is always painfully slow, often until the last stages of the negotiations, when everything somehow comes together. Doha is no exception. But even by the low standards of past Rounds, there are grounds for dismay with the situation in mid-2005. There are clearly structural deficiencies in the nature of the bargain to be struck, but there is also a disappointing reluctance of the U.S., EU and others to

[2] This terminology was not formally agreed in Doha, but the WTO began to use it as shorthand and it was later adopted by the WTO Council and brought into wide use in WTO's public information efforts. While the term is generally considered a gimmick, it would be hard now for the Doha Round to reach an outcome that did not include some robust gains for developing countries.

confront the structural adjustment required in their economies—and especially their agricultural sector—made more complicated by the emergence of China and India as global trading powers and by EU expansion, to name only those. When the negotiations broke for the traditional August break and despite the imminence of a new ministerial conference in Hong Kong in December, progress was very disappointing.

While it might be objected that the Doha Round is still only in its fourth year, the intransigence of key players—in particular the EU and the United States—is especially disturbing given the growing protectionist sentiment in the U.S., the perspective of mid-term elections in the U.S. in late 2006, the lapsing of the U.S. President's trade promotion authority in mid-2007, and the continuing political crisis in the European Union.

i) Agriculture

In agriculture, there is now confidence that export subsidies—one of the three pillars of the negotiations in this sector—will be phased out. The question is over what period, and in exchange for what. More important, it remains unclear how far the new disciplines will apply to state trading organizations, food aid, export credits and export guarantees which, cumulatively, have a considerable impact on patterns of commodity trade.

In respect of the second pillar—domestic support—the situation is still unclear in two major areas—whether the overall effect of the measures agreed will actually lead to a reduction in current levels of support, and whether the support that remains is significantly less trade distorting than current measures. In respect of the first, there are proposals to shift certain proscribed (Amber Box) forms of support to categories where they would be permissible (Blue Box), for example the much-used tool of countercyclical payments in the U.S. Nor is it clear that the review of forms of support currently exempt from reduction commitments (Green Box) will look seriously at certain forms of support that have been demonstrated to distort trade. Given these factors, and the fact that the baseline of numbers from which they are working is artificially inflated, the net result could be that allowed spending for domestic support to agriculture could actually increase!

It is in respect of the third pillar—market access—that negotiations are in the deepest rut. Negotiations on improving market access—especially for developing countries—have made disturbingly little progress. Yet it is in this area that by far the greatest gains to the world economy and to development prospects for at least some of the developing countries are to be sought.

Some key issues relating to agriculture are being discussed in the Rules negotiations, and especially the need to "clarify and improve" existing disciplines on dumping (the sale of products at less than production costs), a practice prevalent in the field of agricultural commodities. To date, the U.S. (the principal target of accusations of dumping) has shown little inclination to budge on this point. Another key issue relates to the dominance of world agricultural trade by a limited number of large corporations, an issue hardly addressed at all in the Doha negotiations.

ii) Non-Agricultural Market Access

It is clear that the EU especially—but Switzerland and others as well—is looking to secure significant concessions in other areas if they are to sell agricultural concessions politically at home. They are looking particularly at industrial tariffs and services. In these two areas, too, negotiations are bogged down. Some developing countries apply far higher tariffs than rich countries—a legacy in part of a development strategy based on import substitution. These tariffs can be important to shield infant industries from competition and they can represent an essential source of state income. For many developing countries, reducing these tariffs will not be compensated by a more competitive position in agriculture, especially given the persistence of tariff peaks and tariff escalation in respect of products of export interest to these same countries.

iii) Services

In the services area, the problem may lie with the "request/offer" approach to services liberalization. Under the current negotiation process, member states "offer" service sectors for liberalization, and "request" liberalization of a sector from another member state. To date, the range of services put forward for liberalization has been very disappointing. This may be explained by the fact that developing countries believe they have little to gain from opening their service sectors at present. Nothing prevents them from doing so later, but if they open sectors now, they cannot later withdraw them without penalty. It is also due to rich country recalcitrance in offering freer movement of people from developing countries to provide services on a temporary basis within their borders. But the key problem may lie in the structure of the GATS agreement itself. Its limitations have become clear in the first 10 years of implementation, and are unlikely to be corrected by a blind push for more sectors to be liberalized.

iv) Development

On development, things are also at a standstill. There is substantial divergence of opinion on what measures are good for development, and the different categories of developing countries have greatly divergent ambitions. The developing countries, usually a powerful player in the United Nations, are fractured in the WTO by the wide divergence of situations and trade prospects. The emergence of a powerful group of developing country trading powers (the G20) has introduced a new reality to the Doha negotiations. While it has had the benefit of providing a credible front to counter the U.S.-EU duo, it has had the disadvantage of underlining the very different perspectives of the different developing countries and added credence to the U.S. claim that agreed development concessions should not be offered universally to all developing countries by virtue of that formal status.

Further, the developing countries are subject to the famous Chinese curse, "may your wish be granted." What developing countries need most is access to rich country markets on favourable terms. For this, they will need to make concessions on services and industrial tariffs, even if it is on the basis of less than full reciprocity. If, in addition, they press for tangible measures that will clearly benefit their national development these could, in the end, be achieved at the expense of concessions in the more critical area of agricultural market access.

4. Are We in Trouble?

As noted above, multilateral trade rounds always take long, and nothing really shifts until it all falls together at the end. The Doha negotiations are no exception. Yet when things do fall together, the pattern is rarely surprising—its broad outlines were usually detectable from an early stage of the talks. In the case of Doha, too many fundamentals (modalities, in the obscure language of the WTO) are still undecided, and the gulf between the parties on key issues is still very wide.

Nor can we be sanguine at the prospect of soldiering on for several more years before the political will to compromise can be mustered. For, in the meantime, there are disturbing signs on the horizon. There can be little doubt that protectionist sentiment is on the upswing, especially in the United States (where the CAFTA agreement passed by the slimmest of margins, and only after several last-minute concessions were made to domestic U.S. interest groups), but also in Europe, where the phenomenon is compounded by a deep political crisis in the European Union. If Doha is not given a serious new stimulus in the lead-up to and at Hong Kong, there is a risk that it will fall victim to a combination of U.S. protectionism and European lethargy. We must remember that what emerges as the Doha deal must offer these countries trade benefits that they regard as an improvement on the status quo.

Glacial progress in the WTO has also contributed to a rapid upswing in regional and bilateral trade arrangements, a phenomenon that, if anything, is accelerating. It is clear that countries are looking for prospects for progress that are easier than the complex and time-consuming attempts at the WTO to reach a multilateral consensus. This trend is very bad news for the smaller and poorer developing countries that are either left out from the deals, or are in a weak negotiating position when confronted with powerful trading partners, except where they are able to form regional negotiating groups that carry real weight.

5. Is Doha Looking Like a Development Round?

The short answer is "no." The new-found development-correctness of the WTO after Doha always looked suspicious. Since the talks have run into trouble, it appears little more than a public relations trick. Enough excellent scholarship exists[3] on what the multilateral trading system would look like if development were truly the primordial aim to mistake what we have now for anything like a development agenda.

As we head towards the end-game, it can be predicted that development will be sold even further down the river. Concessions will be made to secure the support of the mass of countries that will gain almost nothing from the Round—exemptions from new disciplines, greater access to safeguards, technical assistance and capacity building, longer implementation deadlines, effective exoneration from disputes, aid for trade, etc. But that

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[3] See Dani Rodrick's : The Global Governance of Trade as if Development Really Mattered, 2001; the UNDP report: Making Global Trade Work for People, 2003; and Aaron Cosbey's A Capabilities Approach to Trade and Sustainable Development – Using Sen's Conception of Development to Re-examine the Debates, IISD, 2004

does not amount to an outcome whose essential purpose is to promote the end of poverty or to advance the Millennium Development Goals.

Yet it is important to move beyond G77 rhetoric to distinguish three types of positive outcomes for developing countries. The first are outcomes where liberalization is to the clear benefit of developing countries. The second relate to the range of special concessions that can be offered to developing countries in compensation for lost preferences, or recognizing the principle of less than full reciprocity. But for many countries that are unlikely to do well under any of the probable scenarios for the Doha round, the answer may lay in "aid for trade"—compensation through assistance in other areas for the concessions they make in the field of trade. In the end, it is in this third area that the principal "development deal" may have to be made.

The negotiations have now touched upon the essential issues—the issues that determine the shape and character of economic life in the most powerful trading nations. Any other consideration—and that includes the impulse to give disadvantaged countries a fair deal—are secondary and will remain so, whatever window-dressing is rolled out to help sell the final outcome.

6. The Wider Picture

If there are grounds for optimism, they do not emerge from a close examination of the current Doha negotiations, although a watered-down deal based on agriculture and NAMA, with a significant aid-for-trade package, is still possible. To the extent that such grounds are detectable, it is by pulling back and looking at some of the longer trends. Some of the most significant are:

- A growing acceptance that trade policy cannot be pursued in isolation from other broadly-held social goals. Calls for greater policy coherence are louder and sharper, and even the hard-line trade people are beginning to accept that the trade regime must fit comfortably in a wider framework of economic, social and environmental policies.
- A consequent effort to interpret trade law in terms of the wider wishes of States, as expressed in policies, conventions and programs in different fields such as the environment.
- A genuine attempt by some scholars to work out what trade liberalization will mean in reality and not simply in theory, and to insist that agreements bring about real and measurable benefits.
- A timid growth in the seriousness of both the debate on and the commitments to address poverty and its causes, in which trade policy is under increasing pressure to prove its contribution. Recent action by the G8 on aid and debt offers an example of this—although it will be convincing only when it represents true additionality.
- A growing sense that global security depends among other things on offering all countries reasonable prospects for development.
- The emergence of new trading mega-powers such as China, India and Brazil, their organization into new power blocs (such as the G20) and the growing significance of the regional arrangements they are crafting (for example the China-ASEAN

agreement, and India's rapprochement to that bloc). The real questions are: will these trends support or undermine sustainable development? And will these changes require a new design for the multilateral trading system?

7. A Final Note

Protectionist waves rise and fall, but when they rise, they can endure a long time. By digging in their heels, the EU, the U.S., EFTA, Japan, Korea and others can probably preserve something akin to the status quo long enough for protectionism to make real change impossible. That would be a disaster, not only for the developing countries, who would find themselves locked into a massively unfair system of commodity exchange, but for the same countries that, today, are showing such limited flexibility.

The EU—to take that example—cannot afford the level of support that it gives its farmers, and there is increasing criticism of the way that support is distributed among the EU member countries. As competition with China and India grow, the EU will only be able to compete if it undergoes serious reforms and makes far better use of public funds than at present.

There is still a chance that Hong Kong will break the log-jam and that an acceptable package could be assembled by late 2006, the date that everyone appears to agree is the effective deadline for the Doha Round. Genuine concessions by the U.S. or the EU, or an agreement between them to put a new package on the table, could provide a genuine stimulus to negotiations. Once the tipping point is reached, positive progress can be achieved at impressive speed. For that, the rich countries will have to make concessions in the direction of a trading system that, overall, is deemed to be fairer than the present one is.

The WTO was described by the late Konrad von Moltke as a mechanism for countries to do what is economically necessary but politically difficult. Reform of agricultural trade is extremely difficult politically, but it is economically essential. The Doha Round should not be remembered as a missed opportunity.

Annex: A brief glossary of terms

Amber Box	A set of agricultural support measures deemed to be trade distorting and scheduled for elimination
Blue Box	A set of agricultural support measures that, while trade distorting, are linked to production limitation programs and are therefore subject to lighter disciplines
CAFTA	The Central American Free Trade Agreement—a recently-adopted free trade agreement between the United States, Guatemala, Honduras, El Salvador, Nicaragua, Costa Rica and the Dominican Republic
Doha Round	The present set of multilateral trade negotiations underway at the WTO, the mandate for which was agreed at the fourth WTO Ministerial Conference in Doha, Qatar, in November 2001
Dumping	The sale of products at less than the cost of production
G20	A group of 20 agricultural exporting developing countries that formed a bloc to oppose the U.S.-EU proposal on agriculture to the fifth WTO Ministerial conference in Cancun, and that remains an important force in the agricultural negotiations. Key members include: Brazil, Argentina, Chile, China, India, Pakistan, Thailand, Indonesia, South Africa and Egypt
G90	An informal group of some 90 least-developed countries and developing countries, mostly from Africa, the Caribbean and the Pacific
GATS	The General Agreement on Trade in Services, the agreement that is part of the Single Undertaking emerging from the Uruguay Round and that governs liberalization of services trade
Green Box	A set of agricultural support measures that are deemed to be non trade distorting or minimally trade distorting, and are therefore exempted from WTO disciplines
NAMA	Non-Agricultural Market Access—an area of negotiation covering industrial tariffs and other barriers to market access for products other than agricultural commodities

Tariff escalation	The practice of applying higher tariffs to products as they move up the value chain (e.g., low tariffs for raw logs, higher for sawn planks and higher still for wooden furniture)
Tariff peaks	Tariffs that are considerably higher for designated products than they are for other products in that customs category (e.g., for Gruyère cheese but not for dairy products in general)
Trade Promotion Authority	An agreement by the U.S. congress, limited in time, that allows the U.S. President to present trade agreements to Congress for a "yes" or "no" vote, with no possibility of amendment, provided the agreement respects the terms of the Authority
Uruguay Round	The previous round (1986–1994) which led to the establishment of the WTO
WTO	The World Trade Organization