



## WTO's Doha Development Agenda: Suspension of negotiations reveals the underlying problems of the Round

The 24th of July was a black Monday for the current negotiations on the Doha Development Agenda (DDA), when WTO Director-General Pascal Lamy recommended a "time-out" and the indefinite suspensions of the negotiations across the Round as a whole. The day before, the G-6 group of key trading partners (Australia, Brazil, EC, India, Japan, US) was again not able to bridge the gaps on agricultural domestic support and market access, which have been the main stumbling blocks of the negotiations for several months. Many WTO members blamed the US for the failed negotiations due to its inability to commit itself to deeper cuts in agricultural domestic support. The highest decision-taking body of the WTO, the General Council, supported Lamy's recommendations at its meeting on 27–28 July. Notably, the negotiations were not formally suspended to avoid that some members could block the resumption of talks in the future. This means that negotiations could continue without formal decision, whenever the political climate becomes more favorable. However, it is already clear that the Round cannot be concluded by the end of the year, missing the most important deadline set by the Hong Kong Ministerial Declaration.

### What are the difficulties? – Reactions of the stakeholders

The reactions on the suspension of negotiations varied among the different stakeholders. EU Trade Commissioner Peter Mandelson affirmed that the EU had been willing to show further flexibility in market access and directly blamed the US for not having moved on the issues of farm subsidies. On the other hand, US Trade Representative Susan Schwab stated that she was very disappointed that the promised flexibility and increased market

access offered at the G-8 summit in St. Petersburg a week before did not materialize in Geneva, reaffirming that a "Doha Lite" had never been an option for the US. While this kind of brinkmanship has constantly interfered real negotiations, the reactions of major developing countries and NGOs hit the mark more precisely by questioning the negotiating logic at its heart. India's Commerce Minister Kamal Nath e.g. described the status of the Round "between intensive care and the crematorium" and mentioned that there is not only a gap in numbers but also a gap in mindset. He criticized the logic that subsidy cuts should be paid for in market access. "First of all, trade-distorting subsidies should not be there and, if developing countries are asked 'please pay us to remove these distortions', I'm afraid that's not going to work." This position was strongly supported by NGOs and trade unions, which called for a refocusing and rebalancing of the negotiations. The International Confederation of Free Trade Unions stated that "[...] any trade talks that don't encompass changing unfair trade practices simply cannot succeed in the current international context".

These reactions show that the process of "serious reflection" that Lamy proposed in parallel with the suspension of the negotiations already started, encompassing various dimensions: Reflection on what is at stake, on the negotiation power and tactics, and on what is supposed to be at the heart of the Round, i.e. development. The difficulty of finding consensus showed the immense power of domestic pressure groups, such as the EU and US farming lobbies, but also the increased negotiation power of developing countries. Rajiv Chaudhry, member of the prestigious Evian Group, recently stated that "we live in a world where three billion people are simply no longer

prepared to accept that 'poverty is destiny'. Benin, on behalf of the African group, stressed that developing countries would lose most if the Round collapsed. Bangladesh, on behalf of the LDC group, mentioned that while many economies could afford a breakdown, LDCs could not. Thus, both groups called for an early resumption of the talks. The basic problem is that developing countries clearly need a strongly reformed multilateral trading system to use trade as an engine for development, but not at whatever price. Lamy described the prevailing mood of the developing countries as a "feeling of frustration, regret and impatience".

### **The way forward: What are potential threats and realistic options?**

While Lamy stated that all are losers he urged WTO members at the same time to preserve what is already on the table and the result of five years of negotiations, such as duty- and quota-free market access for least developed countries. He mentioned in an open letter to trade ministers titled "What now, trade ministers?" that two things threaten the multilateral trading system: The shift towards bilateral and regional trade agreements and the threat to increasingly use WTO's dispute settlement mechanism to achieve results that could not be reached by negotiations. While the former trend already started a decade ago and occurred in parallel with the multilateral negotiations, a further push is probable since trade negotiators are paid for negotiating and presenting results. However, one should not overestimate the danger of this trend for multilateralism, particularly not when considering its long-term development effects. The increasing threat to use WTO's dispute settlement mechanism, however, has to be taken more seriously, especially since Brazil was successful in 2004 to sue the US and EU regarding subsidizing cotton and sugar contrary to WTO rules. Oxfam mentioned recently that several countries, such as Chile, Argentina, Kenya and Thailand could raise dispute cases against the US and EU on e.g. rice, corn and milk subsidies. The Brazilian government considers imposing retaliatory tariffs on US imports in cotton. The EU announced on 29 July that it would initiate a WTO dispute mechanism against India concerning its duties on wines and spirits. Notably, dispute settlements can be won by small countries, such as the island of Antigua, against major trading states like the US.

The key players remain committed to reanimate the talks, but are also intensifying other trading options at regional and bilateral level. Susan Schwab announced shortly after the suspension of the negotiations that the US will seek to revive the round by bilateral talks with major trading partners, such as Brazil, and is looking for a limited extension of the Trade Promotion Authority (TPA), which expires in June 2007. US Congress might be easier persuaded to extend the TPA if a DDA framework agreement is reached by early 2007. The EU wanted to carve out and further discuss development issues, i.e. special and differential treatment, trade facilitation and aid for trade. This, however, is not feasible due to the principle of "Single Undertaking". To make the recommendations of WTO's "Aid for Trade" Task Force effective, financial commitments are needed, which have to be materialized e.g. at the World Bank / IMF annual meeting in September.

Since there is no timetable fixed to resume negotiations, speculations are circulating. Some trade observers assume that the Round could continue in a few months, especially after the US midterm elections in November. In this context, the next G-6 meeting, taking place at the Cairns Group summit in September in Australia, will bring more clarity. Others suggest that no progress could be reached before 2009 due to presidential elections in Brazil, France and the US. These speculations show that the suspension of the official negotiations bears the risk that small countries – and their development concerns – are left out of the informal consultations. Moreover, if a profound refocusing of the DDA negotiations was to happen, a substantive change of mindsets would be needed. However, given the overall circumstances (e.g. the lagging behind of the implementation plan of the Millennium Development Goals), it is unclear if the political will to such a shift is achievable.

A broader question should be asked: Is WTO's decision-making structure adequate to agree on fairer WTO rules in a sense that they foster sustainable development of all member states? The answer to this question has to be found in the next months and years and will be discussed at WTO's Public Forum in September with the promising title "What WTO for the XXIst Century?"

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