Dialogue on Globalization

FACT SHEET

FES GENEVA

An update on negotiations of WTO´s Doha Development Round: Another missed chance or business as usual?

May 2006

The Doha Development Round (DDR) of the World Trade Organization (WTO) suffered another blow last week, when members had to acknowledge that they would fail to meet a key deadline of negotiations on 30 April. According to the Hong Kong Ministerial Declaration, WTO members were to establish modalities in the agriculture and non-agricultural market access (NAMA) negotiations, which are critical areas for a successful completion of the DDR, by this date. WTO Director-General, Pascal Lamy, had announced in a much noted statement in March that missing this deadline would be a "huge collective mistake". On 24 April, he told journalists that "we may have missed the deadline but we are not in deadlock". Unless the modalities in agriculture and NAMA are cleared by July, it will be impossible to agree on final terms by June 2007, when the US President's trade negotiations mandate ("Trade Promotion Authority") expires. Why are the DDR negotiations so difficult?

The Doha Development Round: Dealing with a global membership

In 2001, the DDR was launched with the ambitious goal of serving especially the interests of developing countries. China celebrated its accession to WTO in Doha, and thereby joined the group of fast-growing developing countries in this organization that have become major players in the world economy. They bring their own offensive and defensive strategies and make negotiations more complex and difficult than before. This became clear at the Fifth WTO Ministerial Conference in Cancun, which basically failed due to the confrontation between developed and developing countries. At the Sixth WTO Ministerial Conference in Hong Kong, members advanced slightly by fixing a timetable for negotiations with detailed deadlines.

The negotiations´ progress: Changing gear and methods

Lamy reiterated in his speeches that three areas hold the key to the rest of the negotiations and called them the "triangle issues", i.e. agricultural domestic support, agricultural market access and NAMA. However, the chairs of the corresponding negotiation groups made clear that an agreement on modalities was still out of reach. Thus, a high-level meeting ("Mini-Ministerial"), envisaged for the end of April in Geneva, was postponed.

Agricultural Domestic Support and Agricultural Market Access: Who moves first?

The four core areas in agricultural negotiations are the formula for overall reductions in domestic support; the criteria for trade-distorting subsidies that are allowed if they require farmers to limit production ("blue box"); the approach to tariff cuts; and the criteria and limits on sensitive products. The Chairman of the Agriculture Negotiation Group, Ambassador Crawford Falconer of New Zealand, stated on 21 April that "we have not achieved full modalities … clear and simple". The basic difficulty is that the EU did not top up its existing offer on cutting agricultural tariffs and the US did not offer further reductions in agricultural domestic support. Falconer proposed six weeks of continuous negotiations to move towards consensus without any formal deadlines and on the basis of reference papers. He had already circulated such papers for the other issues, where agreement was closer, i.e. new criteria for subsidies that do not distort trade ("green box"); disciplines on state trading enterprises, food aid and export credits; and the terms for special products and the special safeguard mechanism.

Non-Agricultural Market Access (NAMA): Searching for numbers

The three core areas in NAMA negotiations are the tariff reduction formula; the flexibilities granted to developing countries to shield some products from the full force of tariff cuts; and the treatment of unbound tariff lines not currently capped in the WTO. While negotiations on tariff reduction relate to bound tariffs only, developed countries urge to extend negotiations to applied tariffs as well, which are already fixed at much lower levels. In the Hong Kong Ministerial Declaration it was agreed that the so-called Swiss formula[1] for cutting tariffs shall be applied, taking fully into account the special needs and interests of developing countries. However, members refused in the last meeting to discuss specific numerical values. The Chairman of the Negotiation Group on Market Access, Canadian Ambassador Don Stephenson, stated on 26 April, that "on the core modalities, there was no progress … in fact, we seemed to be at risk of going backwards". Instead, members turned to secondary issues such as non-tariff barriers and sectoral tariff liberalization initiatives. The basic difficulty is that the G-20 group of major developing countries, headed by India and Brazil, did not offer further cuts in industrial tariffs.

The NAMA negotiations are strongly opposed by trade unions from developing countries, which raised concerns on the negative implications of the agreement for employment and industrialization in their countries.

The negotiations´ process: Are developing countries really part of the game?

A number of smaller developing countries have recently complaint about not having been invited to a series of high-level ("green room") meetings. Pascal Lamy always advocated and continuously stresses the need for a transparent, inclusive, bottom-up and Geneva-based process. However, he also admitted that "green room" meetings are useful to sort out solutions, since it is simply impossible to involve all 149 members in all aspects of negotiations. The basic problem is that the "triangle of issues" is interrelated strongly with the "triangle of members", i.e. the US, the EU and the G-20. Their brinkmanship rather than high level of ambition shows that the political will to move substantially is still missing. Nevertheless, there is consensus among trade representatives that the negotiating groups must move now to a process of intensive and continuous negotiations on a text-based discussion.

The developmental aspect: Are developing countries really the winners?

Recent studies that projected different DDR scenarios for developing countries came to similar and rather pessimistic conclusions. First, they state that the global cumulative impact on sustainable development of the Doha Development Agenda is rather modest and vary substantially across countries, not only between developed and developing countries, but also between developing countries themselves. In this regard, the net-food importing countries and countries affected by preference erosion are expected to face losses. Second, the short- and medium-term adjustment costs could be considerably high, especially in developing and least developed countries, where the loss of tariff revenues might exceed the projected gains. Third, since Brazil and China – the countries where most of the world's poor live – seem to be net winners, they would have the potential to reduce poverty significantly, given adequate (distribution) policies. Some of the poorest countries and regions, especially Sub-Saharan Africa, are faced with income losses or trivial gains. For those regions, the "Aid for Trade" initiative might be a useful instrument to overcome their supply-side constraints.

In other areas of negotiations, such as anti-dumping; subsidies and countervailing measures; services; and trade facilitation, some progress has been made. On 1 May, Lamy commented on the possibility of concluding the DDR successfully: "This, in my view, remains doable, but only if a sense of urgency – which I feel is not always shared by you all – starts appearing in each and every delegation."

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

[1] The Swiss formula is a special kind of harmonizing method, which means higher cuts for higher tariffs, based on a certain coefficient.