

# How to revive Doha with some chance of success

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## SUMMARY

This Policy Brief concerns the troubled state of the Doha Round. The classical model for a multilateral trade negotiation (as developed from the GATT years and commonly called a Round) would include trade liberalisation through tariff reductions and elimination of non-tariff barriers, with an expectation of active participation by around 40 countries who would collectively account for 90% of world trade. Many GATT members were thus peripheral to the process. Among other consequences this led to skewed results with much less progress in areas where developing countries had a major interest, but where the main players had a defensive attitude such as agriculture and textiles.

The Doha Round began with a similar model and two major differences: first, following progress in tackling other types of barriers, there was heavy emphasis on the need to deal with trade distortions (especially the effects of export and domestic subsidies in the agricultural sector in the USA and in Europe), and second, the active number of participants had swelled to potentially 120 or more.

Over seven years – November 2001

to December 2008 – the negotiations limped along with moments of progress amid long periods of stalemate or failure (deadlines not respected, discussions collapsed with no result). A strong concentration on two sectors, agriculture and NAMA tariff cuts, failed to produce an agreed outcome; and also failed to generate the needed progress in other areas such as services, rules or intellectual property as well as leaving developing countries extremely dissatisfied.

This is where matters stand. This paper seeks to argue that it would be futile and self-defeating to simply try to resurrect negotiations from the same point where they collapsed. No major participant is going to abandon its positions in that way; there would be reiteration of previous positions and the current impasse would simply be strengthened. It recognizes that everyone is reluctant to give up on the investment in time and talent that has led discussion to the point it has now reached; but the plain fact is that there was no consensus to conclude on that basis, and contrary to many reports, there were multiple points of divergence

of views, any of which could have proved the undoing of a deal.

So, where to go next? This paper seeks to establish two broad principles as guidelines for further action. First, that it will be necessary to proceed with developing countries in a way that is different from the DDA, in order to increase their sense of ownership in any final result and to secure consensus from that vital section of the WTO membership. Second, that a rapid closure is necessary, both to assist in meeting the global economic problems that all countries face and to move on to a different set of negotiating issues in the trade area in response to new challenges (climate change, energy security, food supplies). To achieve this, a simplification of some of the main access objectives may well be required. Reduced ambitions that can be achieved; clearer targets that can be accepted, with flexibility for countries built in rather than negotiated ad hoc; a result that is still balanced and attractive to members – that is the new road map for Geneva.

## INTRODUCTION

“If you want to go there, you would do better not to start from here”

*(old Irish folk tale: the reply given to a visitor seeking directions on how to get to Cork)*

AFTER A COLLAPSED effort at Seattle in 1999, the Doha Round was finally launched in 2001. Another collapse in Cancun in 2003 resulted in a truncated agenda with competition, investment and government procurement being abandoned. Nonetheless, the design of the negotiation was still basically what the EU and the US had proposed in 1996 in Singapore, with an ambitious attack on industrial tariffs, improved access in agriculture coupled with reduced subsidies in that sector, and expanded opportunities for trade in services as the core objectives.

The Round was also supposed to have an important development component to be pursued in each sector of negotiation. This was in practice mostly a ‘selling point’ to persuade developing countries to join in the agreement at Doha. With the putting in place of a single undertaking at the end of the Uruguay Round – meaning, amongst other things, that all members would have the same rights and obligations as each other – the concept of special and differential treatment (in the sense of different obligations) became virtually impossible in the area of rule making. This led to the pursuit of asymmetrical results in negotiations on access, where individual countries could still undertake different levels of commitment; and in practice this meant resistance from this large part of the membership to the ambitious tariff cuts and, even more so, to elimination of duties in certain sectors which the Americans and Europe hoped to secure.

Against this background the Round limped through 2004 and 2005 making minimal progress and failed in 2006 to produce an outline deal which could have been presented to the US Congress within the timetable for ‘fast track’ approval. The USTR, Bob Zoellick, had explicitly espoused bilateral trade deals after Cancun ‘with those who were willing’; others followed suit, especially in Asia. The single-minded pursuit of a multilateral agreement was lost. Much attention was given to automatic formulae for cutting tariffs and/or subsidies, leading to variable ‘coefficients’ in the tariff area and multiple ‘bands’ for agricultural subsidies; and ever more sophis-

ticated ‘modalities’ for applying such reductions according to the existing profile of each country, and its capacity to agree to improved access, were elaborated – in vain. In the development field, Europeans failed to persuade America, Canada and Japan to adopt a ‘duty-free, quota-free’ import regime for Least Developed Countries on a non-reciprocal basis: they preferred to offer it as a part of the final deal . . . .

Regular six-monthly statements by political figures of their determination to conclude the Round – after informal meetings among the principal negotiators, at successive meetings of the G8 and in IMF/World Bank conferences – and to secure an ambitious, balanced result, have never been implemented. A large group of Trade Ministers meeting in Geneva in July 2008 failed to reach agreement, and little progress was made thereafter, to the point where plans to hold a further meeting later that year were abandoned.<sup>1</sup>

This failure – seen to be a virtual collapse – was magnified by several factors and a total change of circumstances. In July it came to be tacitly recognized that nothing would be achieved until after the US Presidential election, followed by similar democratic exercises in 2009 in India and in Germany, a new European Parliament and a new Commission. This was closely followed by the realization that the global economy was entering an unprecedented deep recession and that the financial sector worldwide was in need of major surgery and repair. Except for a few voices in Australia and Brazil, no serious negotiator expected progress in 2009; and even some of them have been quieter after the WTO estimated that world trade would fall by 10% this year (by 14% in developed countries).

## FLAWS IN THE ARCHITECTURE?

IF WE LEAVE to one side the failure of negotiators to carry out the professed intentions of Ministers, their political masters - or more likely the absence of received instructions to conclude at any specified moment - we have to come back to questions about the negotiating agenda and whether it was ‘fit for purpose’. Was it ever realistic to expect the participants to achieve all the objectives that were set in Doha in November, 2001?

So how was that agenda set and who designed the ‘grand

bargain' with multiple objectives which offered some gains for everyone? The first thing to say is that it was a close descendant of the Uruguay Round, with its strong emphasis on improved market access, opening up of sectors such as agriculture, textiles and clothing, and bringing trade in services into the mix; together with intellectual property issues and some review of the multilateral trade rules. This reflected the standard approach of the 1980s and 1990s on better access, and was in line with the aims and objectives of the WTO. The Doha model adopted these same priorities while adding some more new issues.

But it was also a product of the leadership of the time. Before and during the Uruguay Round the leaders group was the so-called 'Quad' - US, EC, Japan, Canada - with general support from the OECD countries; but after 1995 with the establishment of the WTO, an exponential expansion of the WTO membership and the impact of globalisation in the world economy things began to change. Not so much perhaps in Singapore (1996) or even in Seattle (1999) - although agricultural exporters did walk away from that conference; but the change was visible in Doha, and even more explicit in Cancun. Emerging economies such as Brazil and India, China, with South Africa, Mexico and Chile not far behind, began to take centre stage and exercise their clout.

This negotiating agenda was designed to suit the aims of the major players in 2001 – the developed countries. It had always offered some gains for developing countries, if only the benefit through the application of the MFN principle from tariff cuts by others. As a matter of fact the leading developing countries had played more and more of an active role in the Uruguay Round; but it was essentially a selective role in which they played little part in the overall tariff and agriculture solutions<sup>2</sup> and were obliged to accept the new WTO Agreements through the Single Undertaking concept: if you become a WTO member you accept ALL the results of the Round. No picking and choosing, all or nothing.

Although the negotiations were also labelled 'the Doha Development Agenda', this concept was widely presented without explanation of what it could mean and then misinterpreted (especially by NGOs with their own agendas). It resulted in unrealistic expectations, and by

any measure it was not a real substitute for a design which would leave them dissatisfied. A short selection of the views of developing countries follows:

- “(The) Doha Round has raised much expectation for most of the developing countries when it was launched in November 2001. By all indicators, the Doha Round was the most ambitious in the history of the multilateral trading system under the aegis of GATT/WTO. The intended objective is to address the prevailing imbalances in the world trading system, as manifested in many WTO agreements.”<sup>3</sup>
- “The WTO could have focused its energies on brokering a deal to stop the dumping of EU and US farm produce on developing country markets, one of the very worst abuses of the international trading system. But this did not happen. Instead of a development agenda, the talks degenerated into an unapologetic market access agenda.”<sup>4</sup>

In fact, the WTO did give top priority to agricultural reforms and to eliminating the trade distortions that resulted from export and domestic subsidies; but this was intended to be offered on a reciprocal basis, as was the negotiating tradition, and only if there was a parallel deal to secure significant new market access for industrial products into the markets of emerging economies. This led, perhaps inevitably, to a situation where offers and proposals in other parts of the negotiation were put forward conditionally, or worse, held back until progress on the key issues had been made. Frequently that would mean stalemate.

The major proponents of the Doha Round, the European Community and the United States, have insisted throughout the period of negotiation that the outcome must be “ambitious and balanced”. Obviously all participants want to achieve maximum gains but this needs to be assessed realistically against what other participants can bear. Compared to the real participation of many countries in the Uruguay Round, the bar was surely set too high in Doha.

The counter-argument, that so much time and effort has been invested in the negotiations since 2003 that this effort cannot be abandoned, is quite understandable. Ne-

gotiators in Geneva are entitled to take pride in what has been done, and if the process is looked at as part of a long-term historical evolution from GATT c.1970 to WTO in 2020, much needed education of many new members has been accomplished. But clinging to past efforts carries force only up to the point where it becomes clear that the alternative option is for 100% of the deal to be abandoned.

### **ANALYSIS OF FAILURE: IN 2005 AND 2006, AND 2007, AND 2008**

TO ARGUE THAT the design of the Round was flawed is not to say that it was doomed from the start. In the past it had always proved possible to build together enough elements that appealed to the members to have a successful result, and in principle this could have been the case after Doha. However the omens, almost from the start, were not promising. As early as 2003 the deadline for agreement on ‘modalities’ in the agriculture negotiation was missed<sup>5</sup> and later in the year in Cancun the discussions began to fall apart, prompting references to a sick patient and the need for intensive care. So what went wrong?

As already mentioned, the major importance attached by certain members to the problem of agricultural subsidies (Brazil, Argentina, Australia<sup>6</sup>), coupled with the persistent argument that less distortions would benefit all countries with any agricultural output, led to an almost exclusive focus on this sector of negotiations. At the start, a number of issues were mentioned as core areas – agriculture, NAMA, services, rules and pro-Development policies – but as time passed this was narrowed down to the first three, and eventually to an almost exclusive concentration on agriculture. But the slow rate of progress here impacted negatively on all other sectors and slowed down the pace of negotiations as a whole, with many countries unwilling to advance very far elsewhere when the agriculture modalities were still unknown.<sup>7</sup>

Admittedly it was complex. Export subsidies included other policy measures which could have equivalent effects, such as export credit or food aid policy, but these were not always susceptible to the same methods for reducing distortion. Domestic subsidies included a series of colourful images (blue, green and amber boxes) but the definition of their content was complicated and the con-

cept lent itself to policy shifts which changed the commitment. But this excessive focus was, in retrospect, a mistake – allowing countries to make progress elsewhere conditional on acceptable results in agriculture and in reality providing a convenient safe haven for those not ready to engage.

In summary form, some of the difficulties that followed the adoption of an agenda that was flawed are set out below:

- The concept of an automatic tariff cutting formula, applied by all in principle with no exceptions, was a hypothesis that could not be sustained by the majority of the membership. ‘One size fits all’ for both developed and developing participants was unrealistic; the tariff profiles of the first group were too different from most of the second, and even among developing countries there were wide variations in situation. Pretty soon the original Swiss formula with different possible coefficients entered the scene. Automaticity led inevitably to demands for ‘flexibility’; and since the impact of a given formula was widely different for individual participants, individual solutions began to emerge.
- More specifically, the different patterns of bound and applied duty rates presented a host of problems. Negotiations were traditionally aimed at reducing bound rates; but in the context of post-Uruguay situations this either led to reducing high rates of duty (giving improved predictability on future rate changes, but no new access) or to pressure to lower low rates which countries were unwilling to do. Ultimately, a set of proposals had to be elaborated which effectively amounted to individual formulae tailored to each specific case.
- A similar problem of measurement presented itself in seeking the reduction of domestic subsidy payments in agriculture.<sup>8</sup> Looking at the main subsidy users, there are wide differences in the analysis depending on whether you show payments in absolute terms (Billion dollars) or on a per caput basis; a complex sliding scale, with different targets for reductions for all participants had to be found. Beyond that, there are divergences of view as to how trade-distorting

various types of subsidy scheme are; at one end, strict controls and major subsidy reductions required, at the other end, payments that are neutral in trade effects and permissible, and in between there are schemes that may or may not have distorting effects, depending on factors such as world prices.<sup>9</sup>

- **Services.** The approach to negotiations was the same as in the Uruguay Round. That is, each country was expected to make offers of liberalisation or market opening. This reflected the fact that service barriers are behind the borders in domestic regulations, and countries wished to preserve their sovereignty in such areas. But in negotiating terms, this is a suicidal mission; each party has only limited knowledge of the intentions of others on which to base a judgment. Many developing countries have not responded, or only in a minimal way; and in the prevailing atmosphere of ‘show me your intentions in agriculture, and I will then see what I can do on services’, offers have been disappointing.
- **Rules.** The principal areas for discussion were changes to the Anti-dumping Agreement (and to a lesser degree, to rules for other contingency actions); and the drafting of some disciplines to apply to subsidies in the fisheries sector. The latest draft on the AD agreement is in fact a recital of points where parties disagree rather than any proposed text to bridge their differences.
- **Singapore issues.** Since the Cancun meeting in 2003, these subjects were excluded from the negotiation, which altered the balance of interest for some of the participants. Only ‘trade facilitation’ continues to be discussed, but even on a subject like this, where it is clear that all participants would gain – and developing countries in particular – from less obstructions in customs clearance and from lower transaction costs, it has been difficult to catch and keep the necessary support for an agreement.

All these issues are an indication that the architecture adopted at Doha was not adapted to the needs of all its members. To judge by the negotiating positions adopted by developing countries – demands for more lenient ‘coefficients’ and for ‘flexibilities’, and pressure for special

provisions (exemptions) and broad safeguard provisions for agricultural products - the collective ambition and the balance were badly misjudged by the leadership of the time. One must of course allow for hyperbole, especially in the heat of difficult negotiating sessions; but the underlying message is, in retrospect, clear. Witness the positions adopted by India and China in July 2008 – see following paragraphs.<sup>10</sup>

India, on Lamy’s proposed outline deal: “I reject everything,” Kamal Nath declared. “I cannot put the livelihoods of hundreds of millions of people at risk . . . If the [Indian] government wants this, they’ll have to find a new minister.” Lamy: “Kamal, please stay and listen to the others.” He said he would have nothing to add, “My silence will be my contribution.”

China refused to cut its 40% import duty on cotton to help the Americans. “We have a political problem, 10 million cotton farmers, mostly in the western province of Xinjiang.” China also declined to give more access for wheat and corn. In the industrial area, China said substantial cuts had already been made during the WTO accession process: “We cannot go back now and say, ‘we will make further tariff cuts’”, according to one participant in the meeting.

## SO WHERE DO WE GO NEXT?

THE SUPPORTERS OF the ‘maxi’ negotiating outcome have always resisted any suggestion that ambition might be scaled back. While this can be understood in a negotiating context, it is somewhat extra-ordinary that nothing could be abandoned over more than five years.<sup>11</sup> If the technique has been to focus on core issues, and hope that solutions on them would provide an acceptable overall outcome while forgetting more peripheral issues, that too has been badly handled. Allowing the cotton subsidy to remain undiscussed in July 2008 was a major political error. To imagine that the rules negotiation could be brushed off to one side is a similar case.

The quotations above also demonstrate that, contrary to the public assessments offered by WTO that a deal was very close and that 80% of the negotiating work had been completed, a large number of issues in fact remained to be resolved and had been pushed to one side or hidden in

the background while other issues were being addressed. Even if one could assume that some of those were not 'vital issues' for the countries concerned, and would drop away in the context of a final deal, this seems to show that consensus was far from being 'almost achieved'.<sup>12 13</sup>

The later decision NOT to convene a further meeting of Ministers at the end of 2008 suggests the same conclusion, and the current efforts at 'refocussing' the negotiations also suggest that much more remains to be done before the Round can be concluded.

It is admittedly easier to pinpoint flaws and failures in the process, especially after the event, and critics have to respond to the question: would another approach have yielded better results? As with all hypothetical questions, this is hard to answer and impossible to prove. The dropping of several subjects from the Doha agenda after Cancun altered the balance of negotiating advantage for a number of members, and thus the degree to which the original design could provide an acceptable outcome. Some issues, such as the polarisation of views among members on the question whether preferential rates of duty are essential for development or are an impediment to freer access, were probably not clearly perceived until the Doha process was well engaged.<sup>14</sup>

In a similar vein, as the new leadership group evolved (as the G4 or G6)<sup>15</sup> it proved unable to elaborate compromise positions to which all could join. One reason for this is that India and Brazil were not mandated by their other supporters (S. Africa, Mexico, Chile, China etc.) to negotiate on their behalf and could only express opinions on the attitudes of developing countries as a whole (which were divided, as we have seen) based on their publicly stated attitudes. This worked better to ventilate areas of unhappiness in the search for modalities than to find solutions.

So the case for a different approach in future rests more on the proven ability of the current one to generate disagreements and failure to reach consensus than on any definitive proof that other ideas can or will succeed. Despite all the optimistic statements at political level, and despite all the professed determination to conclude, I have not found any single indicator to suggest that an effort to reopen negotiations on the same basis as before would suc-

ceed. If negotiators start to read from the next page of the book, the dynamics are such that discussions would lead back to an impasse rather than to success. What is required is another approach where entrenched positions on modalities, the minutiae of flexibilities or special products, or special & differential treatment, do NOT have to be defended.

## **A DIFFERENT APPROACH OR DIFFERENT ALTERNATIVES?**

A NUMBER OF commentators on the Doha Round in general, or the events of July 2008 in particular, have come to the conclusion that a different approach is needed if the negotiation is to be successfully revived.<sup>16</sup> I share that view.

One close observer of the WTO and the negotiations has suggested several ways forward, ranging from focussing on a more limited agenda to another look at the 'early harvest' concept, mainly to capitalise on areas nearly agreed upon; and to 'using the economic crisis' (an argument for an early agreement, to help world trade to recover) and to circumventing the need for agreed modalities.<sup>17</sup> The striking thing about these suggestions is that they all imply changes to the current approach. Again, I agree with most of these ideas.

Another analyst, after making a detailed study of the discussions in July 2008, throws doubt on many of the key points by examining a series of 'counterfactuals'. His conclusions relate more to what happened in the past than to what might happen in future in a resumed discussion one year later. Yet his final comments - which address only an agreement on modalities, not the Round as a whole - speak volumes for a different approach:

A beast as cumbersome as the WTO cannot negotiate on the fly. If the Director-General had been allowed to keep the list of issues for ministerial decision small ... had he been able to exclude all the second tier issues, including services ... if the list of open agriculture and NAMA issues had been shorter ... the gamble might have worked.<sup>18</sup>

There is no single recipe which is the best and only path to a solution. It would however, in the author's view, be

futile and self-defeating to simply try to resurrect negotiations from the same point where they collapsed. At the same time, in a deep recession, the WTO needs to finish this round quickly and move on.

These are the two main arguments for going about future negotiations in a different way: to avoid getting bogged down once again in past positions and mired in over-complex technicalities, and to secure an early result which would be beneficial in the context of the recession and the slump in world trade. It would also allow the WTO itself to register some partial success and enable members to move on to other issues, including new ones such as climate change..

What are the alternatives?

- a. Pay more attention to developing countries.
- b. Simplify the deal on access and subsidies (and possibly services).
- c. Create a more radical negotiating framework.

To provide the developing countries (over 100 members altogether) with greater ownership is not easy when they are divided on some major issues. They are not a homogeneous group and have different negotiating concerns. Indeed frequently – as with preferences – they are on both sides of the debate.

The following elements would be worth pursuing:

- Measures such as immediate implementation of DFQF for least developed countries (with limited product exceptions) would not be over costly and would signal a willingness to act other than on a reciprocal basis. India, Brazil and others should also share part of this burden;

- Similarly, a rapid decision to phase out domestic subsidies on cotton (without lengthy debates on the production chain from raw cotton to clothing) would give a further signal that the intention is to implement the development agenda seriously;

- Special and differential treatment cannot easily be fitted to the WTO in the rules area, given the Single Un-

dertaking principle. Specific measures to assist developing countries will have to be looked for in asymmetrical results on market access and on subsidy commitments.

If WTO members decide to aim for a rapid result, thereby helping to ward off protectionist tendencies, there is a clear case for a simpler approach which would avoid further prolonged debates about modalities and the negotiating claims for special treatment which follow from the current proposals.

This could be achieved by seeking “an early agreement on the reapplication of the market access and domestic support modalities of the Uruguay Round. This would not be a ‘substantial’ improvement in market access or domestic support levels and for that reason, if for no other, might be quickly agreed”.<sup>19</sup>

An even simpler alternative would be another familiar concept from previous tariff negotiations, the application of an across-the-board, average tariff cut on all agricultural and non-agricultural products. In this case an ‘equivalent’ rapid solution to the issue of subsidy reductions would need to be found, perhaps based on a basic commitment to bind total payments at no higher than current levels.

Since in both cases the framework is well known, agreement could be secured more rapidly – perhaps in a G20 context, initially - than if the current proposals were to be further negotiated. An overall tariff average affords in addition some built-in flexibility – more sensitive products could be cut less, less sensitive ones more – while keeping to the target for reduction. Endless claims for exceptions could be avoided. Further, if average figures used in the Uruguay Round were applied, this solution would create few difficulties, at least among G 20 countries.<sup>20</sup>

I am aware that implementing an average cut gives also ‘opportunities for evasion’, and indeed one argument for automaticity was precisely to eliminate such inequalities in market access improvements. But history has shown that automatic formulae are a step too far at this moment; the ideal should not stand in the way of a good result.

Among supporting arguments for a change in approach is the important point that the Single Undertaking has cre-

ated an obstacle to progress, and a way needs to be found to circumvent this problem. Initially used as an illustration of the need for all sectors of negotiation to move forward together, broadly in parallel, it became in due course a more negative principle: “nothing is agreed until everything is agreed”. It has been the source of delays due to unwillingness of members to make new offers in non-agriculture areas as long as the commitments in that sector were either unsatisfactory or not sufficiently clearly described. Issues of statistics and definition replaced the substance of the negotiation, and inter-linkage between different sectors took hold.

A two-stage approach, securing early agreement on core access and subsidy issues and allowing the WTO members to continue negotiation on a wider range of matters at a later stage, would achieve this.

Given the impasse that occurred in 2008, and given the strongly entrenched positions held by major players, another different and more radical approach might also have to be considered. This would be especially desirable in a context where all concerned want a rapid revival and conclusion.

Perhaps the US and EU – and others who are ready to follow – should make ‘final offers’, what they are prepared to do on market access (NAMA and agriculture) and on subsidy commitments, and invite the others to make their best offers as well. This means essentially that the phase of exploring how far other partners will go is now in effect closed. Offers would have to be made on the basis of a calculated expectation, and not on mere hope.

There could be a period where the one would ‘criticise’ the other, saying what you offer does not really open new access, does not make any new commitment, does not reduce your actual spending on agriculture subsidies etc; but this would be part of a ‘naming and shaming’ process, not a real negotiation. Offers could then be amended, but after 90 days offers would become final.

In making this proposal, I do not mean to suggest that the traditional bargaining approach, where one party makes an offer and seeks a response from the other to its requests, has suddenly become obsolete and is no longer valid. On the contrary, con-

ditional offers are historically the basis of GATT and WTO negotiations, and that is true whether the deal is symmetrical or nearly so (e.g. between the US and the EU) or asymmetrical as between a developed and a developing country. But times have changed; the rapid rise of the emerging economies over the last ten years has introduced further variables into the deal and the ancient ‘do et des’ principle is perhaps no longer equal to the task of finding a compromise.

## IMPACT ON MAIN PLAYERS IN DOHA ROUND

BEFORE CONCLUDING, it is perhaps useful to reflect on the impact of these alternative approaches on the various parties.

The first obvious point is that the results expected would be partial and modest, compared with the original Doha objectives. The US and EU in particular – but to some extent most of the developed countries – would have to abandon some of their long held aims, in recognition that they could not be fully achieved at this time and that the global economic situation currently requires some action to liberalise trade. This needs to be done now, rather than at the end of 2010 or even beyond.<sup>21</sup>

It is likely under option A that there would be little new market access in emerging economies through reduction of applied rates; but there would be gains in limiting their scope for sudden tariff increases (consistently with WTO rules) and predictability of import duties would be improved at significantly lower levels of duty. This would be worth less as a counterpart – seen from the US and EU point of view – for the commitments that they would make on domestic and export agricultural subsidies. However, there was in any event likely to be a somewhat asymmetrical result.

The outcome on services would presumably be similar to that envisaged in July 2008 when the ‘signalling conference’ was held. The offers from developing participants had been judged to be limited in scope and unsatisfactory.

More specifically, it appears that there would not be a major negative impact from tariff cuts on the basis sug-

gested. Both in NAMA and in agriculture there would be room, in general, for reducing bound rates without affecting applied rates or overall average tariff levels on a trade weighted basis.<sup>22</sup> The exception to this statement is that the main developed countries have bound and applied rates for NAMA products at largely the same level: in that case reductions would follow, but would be limited in size since average rates are already very low.

As regards subsidies, the phased elimination of export subsidies would proceed as envisaged last year. A commitment to reduce payments on domestic subsidies to actual levels (e.g. over recent years), and to bind at that level in future, would take the US a little further than they have offered; but for the EU it would be at about the offered level. How severe the impact of this would be depends on what is done in shifting measures between the different boxes . . . . and, at the very least, the US would have some difficulty in further implementation of the 2008 Farm Bill. At first sight a commitment to staying at current levels of farm support does not seem to mean electoral suicide in any country.

## CONCLUSION

THIS POLICY BRIEF had as its objective to do two things: to suggest, based on the record, that the existing approach will not be able to square all the circles and lead to a consensus in Geneva, and that being so, to suggest some alternative ways forward. At a minimum, some discussion of these ideas would open up a wider debate beyond the current exchanges which have so long been focussed narrowly on a set of parameters which were probably flawed in design. The aims set at Doha have become unreachable in the early years of a new century when the distribution of economic power at global level was starting to change and the needs of WTO participants are no longer what they were in the 1990s.

## ANNEX :

### DOHA – ‘MEDICAL HISTORY’ OF A SICK PATIENT

2003: (Post-Cancun.) P Lamy (then EU Trade Commissioner) speaks of the Round as “not dead, but certainly in need of ‘intensive care’”. (Other observers described it as dead already.)

2004: Headline in *The Hindu* – “Doha, revival or intensive care?”.

2005: (Pre-Hong Kong). Crawford Falconer speaks of negotiations being on ‘life support’.

2006: (After total suspension of talks). Kamal Nath describes the Round as “between intensive care and the crematorium”.

2006: (G20 plus meeting in Rio de Janeiro in September). Celso Amorim “we have taken the patient out of the intensive care unit and now it is in the sick bay.

2007: (After Potsdam, refers to G4). “Why the trade talks collapsed” Oped in *Wall Street Journal* by Jagdish Bhagwati and Arvind Panagariya.

2008: (Final collapse). BBC article asks whether “life can be breathed into the corpse of the round of trade negotiations”

2009: An article in the *FT* by Charles Freeman (on the Obama tariff decision on Chinese tyres) refers to ‘the rotting corpse of the Doha Round’.

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## FOOTNOTES

1. One well-informed observer of the negotiations has written in terms of the need for faith if a Doha Round Resurrection is to be achieved. Without going that far into theologically difficult territory, the author has observed many metaphors in the press that suggested the imminent death of the Round: a patient in intensive care and in need of life support; a corpse in the morgue and transferred to the crematorium, etc. Possibly the press mistook a state of hibernation or an induced 'deep freeze' for a more final departure. One of the first to celebrate death when negotiations were suspended in 2006 was the Indian Trade Minister at that time.
2. That is, the agreement on an overall average tariff cut and on sectoral zero-for-zero deals, and the quantification of non-tariff elements in agriculture and their translation into tariff equivalents.
3. Source: NGO CUTS, India, October 2006
4. Source: J Hilary, Director of policy at War on Want, July 2008. Quoted by Euractiv in "Pros and Cons of reviving Doha", July 2008.
5. "It was an integral part of the agreement reached at Doha that the agriculture negotiations would proceed through the establishment of 'modalities' for further commitments in market access, export subsidies and domestic support. These modalities were to be established no later than 31 March 2003". Harbinson, 2009.
6. The US was also on the attack against EU export and domestic subsidies but without a clear vision of how they would themselves reduce their own.
7. As one commentator put it, the Doha Round was an integrated "work program in nine broad areas with the understanding that the conduct, conclusion and entry into force of the outcome of the negotiations shall be treated as parts of a single undertaking." This inter-linkage between different sectors of negotiation has led to serious delays in the process.
8. Consider the acronyms 'OTDS' and 'AMS', and jargon words such as 'the Amber Box' and 'de minimis support' and you get a feel for the complexities of these problems.
9. There was less difficulty in tackling export subsidies which were to be eliminated. The discussion was therefore about definition of the measures considered to provide export support; and also about the timetable for action.
10. Quotes are taken from Blustein (2008).
11. The last such 'concession' was at and after Cancun when three of the four Singapore subjects were jettisoned to

save the ship. Lamy who was instrumental in that move therefore knows that it is sometimes necessary.

12. To quote from R Wolfe: "In his reports to the TNC on July 23, 26 and 28, the Director-General mentioned at least 32 discrete topics under discussion among ministers or senior officials, which some participants argued was too many (p.9). He adds "some accounts say that the special safeguard mechanism (SSM) for developing countries in agriculture and sectoral negotiations in NAMA were the main obstacles to overall agreement, and that the split on both was essentially between the United States and India. Neither India nor the U.S. stood alone on either issue, however, and these two issues were not the only obstacles to agreement, even if roughly two dozen issues were either closed, or could have been as part of an overall modalities package" (emphasis added).
13. Gallagher and Stoler conducted an Opinion Poll in September 2008 that indicated that "a majority of expert observers (including almost 60% of those located in Geneva) believed there were other issues, not considered in detail in July, which would have led to a breakdown in negotiations even if the contention over a special safeguard mechanism (SSM) had been resolved."
14. Perhaps as a spin-off from the EU-Bananas dispute?
15. G4 includes US, EU, India and Brazil. G6 adds Japan and Australia to the group. Later China was also included.
16. Most eloquently expressed by Gallagher and Stoler (op. cit), based on their analysis that the agricultural modalities proposed would not effectively deliver on the benefits that had been expected in that sector. Blustein (op. cit) also concludes, from his account of the disagreements in July 2008 and the scale of unsettled business, that some change in the negotiating model is essential: "All this bodes very poorly for completing the Doha Round in its present form."
17. Richard Newfarmer in a presentation at a conference at the European University Institute in Florence in May, 2009.
18. Robert Wolfe, op. cit.
19. This is one proposal put forward by Gallagher and Stoler (op. cit) at page 6 and Appendix B. Its principal merit is that it is based on known factors and is therefore simpler to implement and could be agreed rapidly, for example as a first stage agreement with other parts of the Round to be completed later.
20. The data available on average tariff levels (drawn from WTO sources) demonstrate this point. On agriculture, Gallagher and Stoler suggest that most G20 countries would experience no fall in their trade weighted average after a cut of 33%, and there would be no significant disruption to trade policies. (Only Korea and Mexico would face any serious reduction). For NAMA, by my own calculation, about half of the countries could cut average bound duty rates by 33% and still remain above their current applied rates;

for others - where bound and applied rates are very close together - a 33% cut would be of minimal size but it would cover a substantial trade volume. In view of this, a higher average might be considered in this sector.

21. Given the absence of detail in option B, which would depend on further offers by all parties, it is not possible to analyse its impact on the main players. It would certainly be more modest than the outcome under existing proposals in WTO – but they have never been given consensus approval.
22. I acknowledge the detailed material on tariff profiles, and the analysis of the impact of proposed cuts, to be found in Appendix B of Gallagher & Stoler, op. cit.

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