The Suspension of Doha

by Ronald Stewart-Brown

The suspension of the WTO Doha round negotiations was announced on 24 July, shortly after the August issue of The European Journal *had gone to press, but we are pleased to enclose this immediate commentary.*

On 24 July, following a weekend meeting of the G6 countries[1] in Geneva, came through the news objective observers of the Doha round negotiations had been dreading for several months. WTO Director-General Pascal Lamy had seen no option but to suspend the talks.

Although responsible countries like the US will make every effort to re-launch the round, it is difficult to imagine how negotiations can succeed in time for the requisite legal texts to be finalised by the agreed deadline of 31 December. A full six months would be needed to steer the necessary Bill through the US Congress before the US government's Trade Promotion Authority expires in mid-2007. With growing protectionist sentiment in the US, few are optimistic about the prospects of renewal.

But without that authority the rest of the world would no longer see the US government as a credible negotiating partner. The necessary legislation could no longer be steered through Congress as a single package. Instead it would have to be negotiated through clause by clause. For the foreseeable future the Doha round therefore appears finished. Five years of intensive and monumentally complex global negotiations look set to have been wasted.

Nothing would change immediately. The fruits of the Uruguay Round, including the WTO itself and the WTO Agreements that provide its legal foundation, will remain in place. Its effective dispute settlement system will remain available to every WTO member, as will the offices of its outstanding secretariat. But a huge opportunity to advance the multilateral trading system would have been lost. The first ever failure of a trade round would be a bitter blow for all who understand the benefits of freer and fairer trade.

There will be plenty of time to reach a balanced judgment on the consequences, including the many millions in the developing countries whom Doha's failure would condemn to continuing poverty. But it is none too soon to reflect on the causes.

With hindsight the seeds of the disaster were sown by the EU's disappointing response on 28 October 2005 to the ambitious agricultural tariff and trade-distorting domestic support reduction proposals the US had tabled on 10 October. In essence the EU's relatively unambitious offer to reduce agricultural tariffs by a headline average of 39 per cent was hopelessly compromised by its proposal to designate up to 8 per cent of its tariff lines, and an undefined but certainly much higher proportion of its total agricultural imports by value, as 'sensitive products' that would be excluded from general tariff cutting disciplines.

In the words of US Agriculture Secretary Mike Johanns on 5 March, *there had been excitement everywhere in Geneva following the US offer,* but following the EU's response it had been *"almost like the air had been going out of the tire ever since."* That surely was when the spirit of the Doha round was spoiled and the negotiations lost their sense of constructiveness and trust. The general mood only worsened with the monolithic intransigence of the EU's negotiating stance at Hong Kong in December.[2]

Crucially the EU never formally announced which products it would designate as sensitive, let alone the so-called tariff-rate quotas within which it would be willing to import such products at less than prohibitive tariff rates. Without such information, EU Trade Commissioner Peter Mandelson's final indication that the EU would be willing to increase its headline average agricultural tariff reduction close to the 51 per cent level requested by the G20 group[3] was effectively meaningless.

As recently as 1 July EU Agriculture Commissioner Mariann Fischer Boel was telling journalists in Geneva (including this one) that the EU would be willing to increase beef imports by 800,000 tonnes per annum (*beef being presumably one of its intended sensitive products*). But only over the weekend of 22-23 July did the US team learn that what the EU actually had in mind was a tariff-rate quota for beef of 160,000 tonnes (just 2 per cent of annual EU beef consumption) with the possibility it might later decide to import a further 640,000 tonnes if it felt it needed to.

Neither Fischer Boel nor Mandelson could be seen as negotiating in good faith, and it was entirely understandable that US Trade Representative Susan Schwab finally gave up. It was impossible to see how the EU could plausibly claim to be honouring the commitment it had made in 2001 at Doha to *"substantial improvements in market access"* on which the agricultural lobby in Congress had conditioned its agreement to the proposed US reduction in trade-distorting subsidies.

To be fair, the EU is not the only culprit. Behind it have sheltered the staunch agricultural protectionists of the G10 group including Japan and the EFTA countries. Latterly also, in an increasingly sour atmosphere, the developing countries started to seek considerable license through the agreed 'special and differential treatment' (S&DT) principle that less should be expected of developing countries than developed ones. Thus on 29 June the NAMA 11 group[4] proposed a massive 25 per cent differential between the Swiss formula coefficients for non-agricultural tariff reductions that should apply to them and to the developed countries. *And the G33 group*[5] *were seeking* 'special product' concessions that WTO figures suggested would block 95-98 per cent of advanced developing countries' domestic agriculture markets to imports.

If the Doha round finally does collapse historians will no doubt analyse the causes endlessly. But there is a strong *a priori* case that the first and by far the most important was Mandelson's weakness in failing to overcome the protectionist influence of what the *Financial Times* has described as the *"13 or 14 agrarian EU Member States periodically orchestrated by France to prevent bigger cuts in European farm tariffs."*

In his closing press statement at Geneva Peter Mandelson dared single out the US as having failed to show appropriate flexibility in the final weekend's negotiations. In refraining from using stronger adjectives than *"false and misleading"* to describe that statement, Susan Schwab was personifying diplomacy on the heroic scale. The EU's average agricultural tariff rate and its aggregate trade-distorting domestic subsidies, respectively twice and three times the comparable US levels, will now remain in place.

Notes

1 The G6 group consist of Australia, Brazil, the European Union, India, Japan and the USA.

2 The WTO Ministerial Conference at Hong Kong was reported on by this author in "Doha Round in the Balance after Hong Kong" published in *The European Journal, February 2006 (Volume 13: Number 2).*

3 The G20 group of developing country agricultural exporters have been pressing for ambitious agricultural reform in developed countries. They are led by Brazil and also include Argentina, Chile, China, Indonesia, Mexico, the Philippines and South Africa.

4 The NAMA 11 group have been seeking to maximize developing countries' S&DT concessions for non-agricultural tariff reductions. They are led by Brazil and India and also include Argentina, Egypt, Indonesia, the Philippines, South Africa and Venezuela.

5 The G33 group describe themselves as 'Friends of Special Products', a category created for developing countries to negotiate more flexible treatment based on criteria of food security, livelihood security and rural development needs. Their members include India (the most prominent), China, Indonesia, Nigeria, the Philippines and Turkey.