

# **Last Roll of the Dice for the Doha Round?**

Bridges, Weekly Trade News Digest  
International Centre for Trade and Sustainable Development  
September 5, 2007

Trade diplomats from around the world have returned to the bargaining table after a month-long holiday in an attempt to salvage a compromise in the Doha Round of global trade talks. Prospects for a WTO accord remain dim, with officials pointing to wide gaps on tariff and subsidy cuts compounded by an inauspicious political climate in Washington.

Nevertheless, Crawford Falconer, the New Zealand ambassador who chairs the agriculture negotiations, seemed content with the first day of meetings on 3 September, telling journalists that delegates were "all in a mood to roll their sleeves up and get to work."

He was speaking after Members kicked off three weeks of intensive discussions on the depth of cuts to farm tariffs and trade-distorting subsidies, issues that have bedeviled the Doha Round almost from its inception in late 2001. Talks on industrial tariffs, which proved even more divisive this summer, are set to pick up slowly next week (see BRIDGES Weekly, 1 August 2007).

The talks on both agriculture and non-agricultural market access (NAMA) are expected to follow from the terms for a potential deal identified in mid-July by the chairs of the two negotiating committees (see BRIDGES Weekly, 18 July 2007). They put together the draft agreements after Members proved unable to bridge differences on their own.

Falconer's draft agriculture text received a lukewarm welcome from Members, albeit not without some sharp complaints. However, the compromise terms outlined by his NAMA counterpart, Canadian Ambassador Don Stephenson, drew far more polarised responses. This corresponded to the tenor of the debate, though some praised the chair for identifying a 'middle ground'. The NAMA-11 group, which includes Brazil, India, and South Africa, complained that the text was unfairly demanding of developing countries. Argentina and Venezuela went so far as to call it an unacceptable basis for further talks (see BRIDGES Weekly, 1 August 2007). The US and the EU, though more muted, argued the precise opposite - that developing countries should have been required to cut industrial tariffs more deeply. US Trade Representative Susan Schwab warned last week that a refusal to negotiate on the basis of Stephenson's text "could really derail the Doha talks."

The two negotiating committee chairs have steadfastly reminded governments that an agreement will be impossible unless they depart from long-held bargaining stances. Both intend to revise their draft agreement texts on the basis of the upcoming discussions.

Falconer said that he was encouraged by delegates' willingness to dispense with the traditional reiteration of their respective positions, and instead proceed directly to consultations with each other to prepare for technical negotiations. He called on them to only discuss "something different, something new, something fundamentally changed."

The agriculture chair indicated that he would hold three weeks of consultations with a group of roughly 30 delegations representing a wide array of Member interests. These would initially focus on market access issues, first for industrialised countries and then for developing ones. Falconer's draft text included few specific parameters on a number of developing country-specific market access issues, such as the 'special products' that they will be able to shield from the full force of tariff reduction, the 'special safeguard mechanism,' and the linked issues of tropical products and preference erosion. Important developing country groups such as the G-20 and the G-33 in particular have called for more clarity about how they will be dealt with.

A transparency meeting for all Member delegations has been scheduled for 14 September, with a pause for stocktaking to start a week later. Falconer did not hint at when he hopes to present delegates with a revised draft text, although he allowed that a "vague sense of intuition" suggested that clear signs of direction would have to become apparent by mid-October.

One delegate said that the course forward in the NAMA talks was less clear. Some capital-based negotiators were expected to be at WTO headquarters in Geneva next week to discuss how to proceed in light of the disagreements on Stephenson's text although nothing specific had been scheduled thus far. The official said that the gaps in Members' positions on NAMA did not appear to leave much space for an agreement.

### **APEC to call for progress**

In any event, the resumption of negotiations has prompted a new round of exhortations for progress from political leaders, despite the ineffectiveness of similar encouraging remarks in recent years. Pacific Rim leaders meeting at the Asia-Pacific Economic Cooperation summit in Sydney later this week are expected to issue a statement expressing "great concern" about the lack of progress in the Doha Round and calling for the talks to "enter their final phase this year," according to Reuters.

US President George W. Bush told APEC business representatives that "we will show flexibility when it comes to making sure this round is as successful as possible."

Earlier this week, Brazilian Foreign Minister Celso Amorim expressed the conviction that the talks would be successfully concluded. Senior foreign ministry official Roberto Azevedo recently told Reuters that Brazil was "ready to make the necessary adjustments" to its industrial sector, so long as it is able to secure more farm reform in September.

A less cheerful view came from French Finance Minister Christine Lagarde, who told a Paris business audience that "the gap among the parties is too wide." "For now, I don't see it [a Doha accord]," she said.

US agricultural subsidies remain one of the crucial gaps. Washington has come under heavy fire from developing countries for refusing to cap trade-distorting subsidies at a level close to the \$11 billion it spent last year - its formal offer has been a \$22.5 billion ceiling, with \$17 billion broached informally. Falconer's text suggested that this would have to come down to somewhere between \$13 billion or \$16.4 billion, with the higher limit linked to farm tariff cuts substantially lower than those sought by the US.

In an interview with the BBC on 4 September, EU Trade Commissioner Peter Mandelson said that a new farm subsidy offer from the US "holds the key to unlocking" the negotiations, though other players in the talks - including the EU - would also have to make fresh concessions. "I think that the United States has to pitch its offer within [the Falconer text's] range for it to be sellable to the other negotiators in this round," he said. "I think they can do that economically. I think they can get away with it politically. But if they don't, I think I can only see the stalemate continuing and the talks facing collapse." Mandelson warned that a failure to make "some sort of breakthrough this autumn" could condemn the round to the "deep freeze," perhaps never to re-emerge.

Geneva-based negotiators are not optimistic about the signs they see from Washington. The House of Representatives voted in July to largely continue and expand lavish agriculture subsidy practices over the next five years, as key Democrats backed down from reform plans in an attempt to secure fragile support in recently-won rural constituencies. Although the bill faces revision in the Senate, the vote points to the rough ride that will await attempts at subsidy reform.

Moreover, the abysmal popularity of the Republican Bush administration means that it might not be able to convince the Democrat-controlled Congress to grant it 'trade promotion authority' (TPA) even if a Doha Round deal appears to be coming together. Indeed, the Associated Press reports that leading Democratic presidential candidate Senator Hillary Rodham Clinton (New York) has said that she would oppose TPA as long as Bush is in the White House. Trade diplomats from other countries want this 'fast-track authority' renewed to ensure that Congress would have to vote yes-or-no on a Doha Round deal, and not be able to pick it apart.

Delegates widely share the belief that the Doha Round needs to be concluded by early 2008, or else face a lengthy hibernation period as elections in the US and India leave negotiators even more constrained. Argentina will hold presidential elections in late October of this year.

ICTSD reporting; "Bush says Pacific Rim leaders can help advance stalled global trade talks," ASSOCIATED PRESS, 5 September 2007; "Australia, EU urge US to unlock trade talks impasse," REUTERS, 4 September 2007; "Trade diplomats 'roll sleeves up' in

new WTO push," REUTERS, 3 September 2007; "Amid calls for 'urgency,' WTO talks off to a cautious restart," ASSOCIATED PRESS, 4 September 2007.