Doha Round: What next?

The key is whether Washington is able to convince Congress that wrapping up the talks is good for America

See Chak Mun
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THE Doha Round of multilateral trade negotiations will enter its 10th year by Nov 14, 2011. In comparison, the Uruguay Round took only eight years to conclude. What has gone wrong?

Cottoning on: The debate at the Doha Round often follows a North-South Divide. The developing countries see the Singapore Issues as a Trojan Horse, if not bargaining chip, of the EU. This became rather apparent in 2003 when the then EU trade commissioner Pascal Lamy decided to drop three of the Singapore Issues at the Cancun WTO Ministerial Conference

The Uruguay Round did leave behind some unfinished business such as agriculture and rules in trade in services (eg subsidies and emergency safeguards). Nevertheless, the EU proposed an ambitious Millennium Round which would include

deep cuts in industrial tariffs (known as Non-Agricultural Market Access or NAMA) and more liberal applications of Geographical Indications (to cover processed food products such as Parma Ham and Roquefort cheese) in order to compensate what the EU would lose in the agriculture negotiations, and

negotiations on Investment, Competition, Transparency in Government Procurement and Trade Facilitation (the so-called Singapore Issues as they were accepted by the WTO Ministerial Meeting in Singapore in 1996) so that the rest of world would be more in line with the EU internal market competition model.

However, the majority of the developing countries held a different view. Their general belief was that firstly, the developed countries had gotten more than their fair share of the bargain at the Uruguay Round (ie Services and Trade-related Intellectual Property Rights or TRIPs), but they had yet to fulfil their Special & Differential Treatment promises (the so-called Implementation issues).

Secondly, it should be a Development Round (whatever it really means), where the developed countries should take on more trade liberalisation commitments, whereas the developing countries should be allowed to protect their vulnerable industries and subsistence farming sectors.

In his May 2010 Jan Tumlir Lecture, former WTO director-general Peter Sutherland said: 'In any event, Doha was founded on a notion of historical unfairness.'

Thus, it was a bad start from the very beginning. In fact, the debate at the Doha Round often followed a North-South Divide. The developing countries saw the Singapore Issues as a 'Trojan Horse', if not bargaining chips, of the EU.

This was rather apparent when the then EU trade commissioner Pascal Lamy decided to drop three of the Singapore Issues (that is, except Trade Facilitation) at the 2003 Cancun WTO Ministerial Conference.

To fulfil the objectives of an ambitious Doha Round, a formula approach has been accepted both in the Agriculture and NAMA negotiations in order to provide a balanced and expeditious across-the-board trade liberalisation by the developed and the developing countries.

The trouble is that with the formula approach, there are now demands for exceptions or exemptions for sensitive or so-called Special Products and Special Safeguards Mechanisms (SSM) in agriculture, as well as flexibility for the developing countries to exclude some of their sensitive products from the deep NAMA tariff cuts.

In other words, each country could seek to have its own product carve-outs, and that would include emerging economies such as India, China and Brazil. For instance, under the SSM, China and India could impose additional tariff restrictions once the import level for some Special Products has surged above a certain figure, say 120 per cent over the average import volume for the past three years.

The US sees this as a great loophole as key emerging markets such as India and China could make use of such flexibility and exemptions to protect their vulnerable products in which the US has special export interest such as cotton and chemicals.

If there is no additional market access forthcoming, say, for US cotton exports, the US government would be unable to persuade the American cotton producers to accept cuts in its cotton subsidy programme.

Moreover, without major market access concessions from the key players such as China and India, the US administration would find it difficult to obtain fast-track approval from the US Congress for a Doha Round negotiated package. This was precisely what happened at the July 2008 WTO Ministerial Conference. India and China refused to budge. Mr Lamy thought that, with his valiant efforts and his compromise formula, he could clinch a deal. But success slipped through his fingers at the final hour.

What is more troublesome for the Doha Round is that, unlike the Uruguay Round, there is currently an absence of any major business group in the US that would actively seek the support of the US Congress for a Doha Round deal.

Two reasons have been suggested. Firstly, the US services industry especially the financial industry is bogged down by the current world financial crisis. Secondly, the business groups have already gotten what they want from the Free Trade Agreements.

At the risk of over-simplification, the key factor now is whether the Obama administration would be able to convince the US Congress that the conclusion of the Doha Round would be good for American business and workers. In other words, it would create more jobs for the American people as part of President Barrack Obama's fiscal stimulus plan to bring about recovery of the US economy.

For this, the Obama administration may have to negotiate a special trade deal with the Chinese in an overall package that would invariably involve an easing of pressure on the China yawn.

With the Republicans now in control of the US House of Representatives after the mid-term elections and who are supportive of trade liberalisation, this may offer a window of opportunity for Mr Obama to obtain fast-track authority from the US Congress.

If the other key players such as India, China and Brazil do see it as really an endgame, they are more likely to move to conclude the Doha Round.

The writer is a former Singapore ambassador to GATT and the WTO