

Doha Development Agenda Needs Confidence Building Measures

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Despite valiant attempts by Pascal Lamy, Director General, World Trade Organisation (WTO) to get the most important players in the Doha Round discussions to converge on modalities for market access in agriculture and industrial tariffs and agriculture subsidies, December 2008 has come and gone without any progress. The present US administration is constrained by the Congress warning it against rushing into a deal, perhaps led into this stupor by the demands of some manufacturers and cotton farmers for more open developing country markets, and the new administration is not yet ready to start thinking about Doha seriously. India is perhaps overly careful in conceding any ground due to impending national elections in 2009, and China appears to be seeing itself as already a martyr due to the commitments made in the accession process eight years back. And, we have not even talked of the rest of the 'most important players' and their concerns.

Geneva-based trade diplomats from developed and major developing countries have learnt their lessons well from past negotiations. They play the game theory to the hilt in the typical mercantilist way that trade negotiations are traditionally conducted. But perhaps they are not monitored closely enough by their political decision makers to make them see the wood for the trees in the current global economic scenario. What is fate of the Doha negotiations in this situation?

The Other G-20 Needs to Step in

Convergence necessarily means give and take and so long as the result is a 'win-win', reason should demand a closure of the deal. The differences in this round are primarily two: first that it was finalised as a message to the world in a particular global context post 9/11, rather than a deal pushed by trade interests alone, and second that more players in the developing world have started to work on the elements of the round with data and analysis rather than gut feelings backing their arguments. So, the trading community amongst the demanders of the round is not backing the governments, and the developing countries know when they are getting into a bad deal. Hence, if closure of the deal remains in the hands of the technical experts manning the trade offices in

governments and there is no oversight by statesmen with larger global objectives driving the convergence, we have the possibility of the impasse continuing longer.

The global political leadership did gear up recently to start facing up to one challenge, the current financial crisis. The G-20 meeting cobbled up by the US President in Washington in November 2008 may not have decided much – it would have been too much to expect from such an initiative in its first meeting – but a good roadmap was set out, and by April 2009, action should follow. On the Doha Round, in fact, there was the clearest indication of all of them wanting a deal on modalities by December 2008. They just appear not to have followed it up with clearer direction to their trade negotiators. That could hurt their credibility even before they start systemically cracking the financial crisis.

To salvage their role as able decision makers for the world economy, the G-20 leaders can step in even now and initiate some confidence building measures. Two such measures are important until the impasse in Doha negotiations continue: building trust of the developing countries and backstopping any protectionist action. They need to do it outside the Doha context for many reasons.

Dynamics of Negotiating a Trade Deal

Doha Development Agenda (DDA) has a well-known history, and two of the components of that history are relevant here: the development dimension and the need to get European Commission (EC) on board with a roadmap for moving the African, Caribbean and Pacific (ACP) preferences closer to non-discriminatory trade rules. Therefore, some timelines in the text of the Doha Ministerial Declaration complicated matters for negotiators trying to sequence their demands and others' offers, such as:

- early harvest possible both on temporary and definitive basis;
- commitment not to impose duties on electronic transmissions until the Cancun Ministerial;
- Dispute Settlement Understanding (DSU) negotiations to be concluded before Cancun;

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EXTRACTS FROM G-20 DECLARATION OF NOVEMBER 15, 2008
Commitment to an Open Global Economy

We recognise that these reforms will only be successful if grounded in a commitment to free market principles, including the rule of law, respect for private property, open trade and investment, competitive markets and efficient, effectively regulated financial systems. These principles are essential to economic growth and prosperity and have lifted millions out of poverty, and have significantly raised the global standard of living. Recognising the necessity to improve financial sector regulation, we must avoid over-regulation that would hamper economic growth and exacerbate the contraction of capital flows, including to developing countries.

We underscore the critical importance of rejecting protectionism and not turning inward in times of financial uncertainty. In this regard, within the next 12 months, we will refrain from raising new barriers to investment or to trade in goods and services, imposing new export restrictions, or implementing WTO-inconsistent measures to stimulate exports. Further, we shall strive to reach agreement this year on modalities that leads to a successful conclusion to the WTO's DDA with an ambitious and balanced outcome. We instruct our Trade Ministers to achieve this objective and stand ready to assist directly, as necessary. We also agree that our countries have the largest stake in the global trading system and, therefore, each must make the positive contributions necessary to achieve such an outcome.

We are mindful of the impact of the current crisis on developing countries, particularly the most vulnerable ones. We reaffirm the importance of the Millennium Development Goals (MDGs), the development assistance commitments we have made and urge both developed and emerging economies to undertake commitments consistent with their capacities and roles in the global economy. In this regard, we reaffirm the development principles agreed at the 2002 United Nations Conference on Financing for Development in Monterrey, Mexico, which emphasised country ownership and mobilising all sources of financing for development.

We remain committed to addressing other critical challenges, such as energy security and climate change, food security, the rule of law, and the fight against terrorism, poverty and disease.

As we move forward, we are confident that through continued partnership, cooperation and multilateralism, we will overcome the challenges before us and restore stability and prosperity to the world economy.

- establishment of a multilateral system of notification and registration of geographical indications for wines and spirits by Cancun,
- an early harvest on implementation related issues and concerns of developing countries, and
- decision whether Singapore issues (and that includes trade facilitation) are to be negotiated to be taken at Cancun (so, after the early harvest on Geographic Indications, for example).

These timelines have got a lot more complex as the negotiations progressed and there is a room full of arguments every Geneva-based negotiator will use to push his negotiating priority and area of interest before anything else can even be seriously discussed. In fact, since the original timelines envisaged completion of the Round by January 01, 2005, one of the issues the Ministers had to address at the Hong Kong Ministerial was to set out a new timetable. This timetable was decided at Hong Kong, but on a set of priorities not necessarily the same as those that defined the original timetable set at Doha. New priorities, and a new sequencing of issues, informed the post-Hong Kong negotiators' idea of convergence.

Some major issues fell off the negotiating table. The Cancun Ministerial and the July Framework Agreement removed all but one of the Singapore Issues from the negotiating agenda.

Agriculture became the number one issue and cotton subsidies came to be a key aspect of the development dimension within agriculture negotiations.

The Hong Kong Ministerial also introduced commitments by developed countries to eliminate export subsidies in agriculture by 2013, and to grant Duty-Free-Quota-Free (DFQF) market access to the least developing countries. Certain decisions were taken to integrate into the negotiating rubric efforts of some other international agencies better equipped to handle development issues to decide how to provide aid for trade (AFT).

Hence, the timelines determined at Cancun, in the wake of the July Framework, and at Hong Kong for making progress on various issues were having a markedly different sequence aimed at achieving convergence. For example, modalities on agriculture and non-agricultural market access (NAMA) as a matter of sequence would precede agreement on some other issues, such as Dispute Settlement Understanding (DSU) negotiations, register for wines and spirits and redress of implementation-related issues and concerns. The palliatives provided to the developing countries, to the ACP and the EC, were no longer as relevant as they were when the Round was launched at Doha. The early harvest now envisaged was modalities. It appears from the remarks of DG WTO at the December 2008 General Council meeting of the WTO that a new early harvest is now envisaged.

A Plan of Action on Confidence Building Measures for DDA to Conclude

Negotiators rearrange their priorities based on the sequence they are faced with. So, the focus of many of them became how to get the best deal within modalities. And the failed Ministerial in 2006, and again in July 2008, followed by a decision not to even invite Ministers to Geneva in December 2008, are pointers that a deal on modalities alone is not a comfortable 'package' for all. There is little convergence, at the same time, amongst WTO members as to what is a comfortable package. This calls first for some confidence building measures, before a deal is stitched up again. Hence, shifting the discussion out of the WTO and within the G-20 context, where Doha will be seen as part of a larger set of confidence building measures required to stabilise

the financial sector and hence the economy, may make sense now. Modalities can come later. The G-20 could take on the political challenge posed now, and handle the need to backstop protectionism and to instil confidence in developing countries. Some of these confidence building measures could be:

- a) AfT-related action should be taken immediately through the High Level Forum established by the G-20 Ministers through the Organisation for Economic Cooperation and Development-Development Assistance Committee (OECD-DAC) process supplemented as necessary by the UN as a MDG-related action through the Millennium Project spearheaded by the UN Secretary General and supported by the UN Development Group. The WTO housed Enhanced Integrated Framework (EIF) process

Report by the Chairman of the Trade Negotiations Committee to the WTO General Council on December 18, 2008

Since I last reported to the General Council in October, the Trade Negotiations Committee (TNC) has held one formal meeting which marked the end of a period of very intensive work aimed at establishing modalities in Agriculture and NAMA.

As I reported to the TNC, and as I am sure everyone is aware, we were not far from achieving our goal, having made very good progress in both areas, but ultimately we had to recognise the reality that calling Ministers to try to finalise modalities by the end of 2008 would be running too much of a risk of failure which could damage not only the Round but also the WTO system as a whole.

My statement at meeting was circulated to delegations in document Job(08)/134, and I will not repeat all the points I made then.

I take from the discussion we had at the TNC that there is a collective will to advance the Doha negotiations on all fronts. All Chairs expressed their readiness to provide a forum where the Members can resume negotiations across the board, in Agriculture and NAMA, but also in Services, Trade Facilitation, Rules, Trade Related Aspects of Intellectual Property Rights (TRIPs)-related issues and Special & Differential Treatment (S&DT) or environment, to name a few.

I also take that the entire membership believes that a Doha Development Round which is better adapted to the new trading realities and which responds to the needs and aspirations of all its members and in particular developing countries is worth fighting for. This has been and remains our priority for 2009.

I also take from the discussions that you all believe that the WTO is more than the Doha Round and that we need to ensure that the Organisation remains relevant and attuned to the wider trading scene. We discussed a number of areas where the WTO could work in 2009, including on ensuring a better overview of developments in the international trading environment which are having an impact on the multilateral trading system (MTS), and that is also true for Trade Finance and Aid for Trade (AfT).

All of this is in addition to our regular work in the committees and councils which testify of the strong foundations of our rules-based multilateral trading system.

At the TNC we also heard many of you pleading for holding our next regular Ministerial meeting in the course of next year, to take a strategic look at the future and steps to advance the goals of the organisation.

Many of you mentioned Sisyphus, the king cursed to roll a huge rock up a hill only to watch it roll down again, and to repeat this throughout eternity. Even the most tenacious minds would be discouraged by the idea of rolling up and down through eternity. I believe that after these last days of discussions and reflections the future looks a bit brighter and I would suggest we rather think of the German poet Goethe when he said "What is not started today is never finished tomorrow". Today begins our work for 2009.

as a pro-LDC action could be involved in this effort so that achievements could be reported in the WTO processes. Most importantly, such action should involve monitoring flows against commitments, and determine indicators for additionality in AfT. Many in developing countries are amazed and confused that while amounts of the magnitude of US\$00bn can be released within a week to large corporate banks in the US, just US\$170mn¹ committed to LDCs through the EIF-AfT process in 2007 is still not fully released.

- b) Focus additional AfT specifically in the agriculture sector in developing countries, particularly in Africa, where the recent food crisis manifested in its ugliest form earlier in 2008. Provide aid for home grown success stories of the kind, for example, Malawi showcased by providing targeted seed and fertiliser subsidies to maize producers.
- c) Increase infrastructure investment in developing countries through the Official Development Assistance (ODA) process already operating through the OECD-DAC; there can be no better commitment to trade facilitation in developing countries. Target such infrastructure related aid foremost towards projects which can contribute directly to their exports and imports.
- d) Provide assistance to all developing countries to upgrade their customs procedures. Without connecting such assistance to the WTO negotiations, get them on the information highway and integrate their customs procedures networks through the internet to global systems. Already many OECD donors are providing targeted training to customs officials from developing countries; redouble that effort.
- e) Open a window for export and import refinancing in Brettenwoods institutions, as appropriate, only for developing countries' exporters and importers. Make such refinancing available at rates that enable locally operating banks in these countries to have confidence in offering funds.
- f) All OECD members can sign a trade facilitation agreement based on what has been settled in the WTO negotiations so far. With the assistance provided to developing countries and the existence of such an agreement among developed countries, a trade facilitation agreement can be *de facto* in operation worldwide in practice if not in international law.
- g) Notifications procedures relating to tariff and non-tariff changes by WTO members are already in place in the WTO Council/Committee processes. What is missing is oversight. Let G-20 establish a small secretariat to monitor these notifications, and institute a mechanism to have a discussion on actions by G-20 members alone, reported

as well as not reported. This may sound very procedural, but will have an effect on any possible attempts to take protectionist measures in these difficult times.

- h) Establish an early warning mechanism only within and for G-20, on any increases in tariffs (import or export), subsidies, or changes in non-tariff barriers (NTBs), and provide a forum for discussing with the actor where it can explain the reasons and the compulsions. This may have a salutary effect on those among the G-20 who may be envisaging such measures, even though a complete backstopping of such measures may not occur.

This prescription may appear either too romantic or impractical, or even outlandish. But consider some facts. ODA provided by OECD members in 2006 was US\$104.421bn, which is 0.31 percent of their Gross National Income (GNI) as against a MDG target of 0.7 percent. OECD Secretariat simulations estimate ODA in 2010 at US\$132.341bn, which will be 0.35 percent of their GNI. If ODA donors were just to meet their agreed commitments, they would need to double their aid flows. And still, it will be a fraction of the almost a trillion US\$ pumped into their own markets through budgetary support in just the last two months of 2008.

The current message going out to the developed countries is that the issue is not whether they have the money. The issue is whether they want to do it for their markets or for the developing countries' markets. Again, if one sifts the OECD's Creditor Reporting System (CRS) database, one finds that the share of ODA going to economic infrastructure fell from a high of 29 percent in 1995 to less than 15 percent in recent years. The share of ODA going towards agriculture/fisheries/forestry, similarly, has gone down from about 20 percent in 1980s to less than five percent today. The message going out is that whether the aid is coming through the Poverty Reduction Strategy Papers (PRSP) process or otherwise, focus of aid is on areas decided and prioritised by donors, not areas where developing countries need it most.

The crisis of confidence today is as much of a message to developing countries to participate in trade effectively as to developed countries to enable them to do so. The G-20 can take their responsibility on the latter part of the message and deliver. It is then that the developing countries can see the merit of trade as a means to development and poverty alleviation, rather than just a means for developed countries to search and lock markets for their own products. Seen in this light, the effort desired of the G-20 above may not appear as romantic, or impractical or outlandish.

1. US\$4bn as per estimates of a Northern NGO