

Editorial: “Sudden” Change of Plans

After numerous clashes and heated debates, Members will decide at the July 26th trade negotiations committee (TNC) whether to abandon the pursuit of a least-developed countries (LDC) mini-package for December. The decision to pursue this new route came on July 22nd following a meeting between the WTO Director General, Pascal Lamy, and key players in the negotiations, including the G-7 (Australia, Brazil, China, EU, India, Japan and the U.S.), sources said. This news came as no surprise as talks on the December mini-package appeared extremely difficult to move forward. Speaking at the Graduate Institute of Geneva on July 21st, Deputy U.S. Trade Representative, David Shark, and Chinese trade official, Zhu Haitao, both claimed that a December deal was very unlikely. “From my perspective, it doesn’t appear to be coming together,” Shark said, a sentiment shared by his Chinese counterpart who was also sceptical about any deal to keep Doha alive in December. However, as per usual, no one wants to call the whole negotiations off, fearing international blame. “When we come to the ministerial at the end of the year, I can confidently predict that Members will not declare that it’s dead,” the Deputy USTR said. As the popular saying goes: “No more mini-package? No Problem”.

Lessons from Zoellick: “Dumbing Down Doha is Defeatist.”

With Doha negotiations are in deep trouble, the WTO Director General received some much-needed support from his good friend, Robert Zoellick – the former U.S. Trade Representative, now President of the World Bank Group – who made an animated plea in favour of the conclusion of the 10-year-old Doha Development Agenda which he helped launch back in 2001.

Attending the WTO’s Third Global Review of Aid for Trade (July 18-19), Zoellick seized the opportunity to blast key countries – developed and developing alike – for the current problems at the talks.

“I won’t sugar coat it. Negotiators from key countries – developed and developing – let themselves fold into defensive crouches. Tactical plays overwhelmed strategic vision and leadership,” Zoellick said.

Without a doubt, Zoellick’s jabs were directed at Members of the G-7, those same countries many trade observers view as the main protagonists in the Round’s blockage over the past 2 years and who have claimed that domestic constraints have left them unable to make additional compromises to push the talks forward.

“I’ve heard all the concerns raised by domestic politics, but I know something about the politics of trade and about closing and passing agreements. If lead negotiators think small, they act small and they miss big opportunities,” Zoellick said, adding that if those key countries fail to lead, “they’ll find – ironically – that they’ll gain less for the concession. And they certainly won’t inspire confidence in what could be done.”

Blame it on ‘U.S.’...

The former USTR didn’t shy away from questioning his own country’s strategy asking what the “U.S. gained by holding off cuts in farm subsidies that are now to be whacked by the budget cutter’s knife? Or the elimination of the ethanol tariff; the zeroing rule for anti-dumping; and maybe some Mode 4 opening that could boost U.S. growth?”

The U.S. has made its cut in the overall trade distorting domestic support (OTDS) conditional to them gaining additional market access to emerging countries. At the end of the 2008 Mini-Ministerial meeting, then USTR, Susan Schwab, floated the possibility of the U.S. for reducing its OTDS to \$14.5B.

The U.S. has also resisted cuts in its cotton subsidies as requested by the African C4 countries (Benin, Burkina Faso, Chad and Mali) and, since losing the panel against Brazil, they have opted to pay about \$147M annually to the Brazilian cotton industry, rather than eliminate their trade distorting support. The group has vigorously criticized the U.S.-Brazil agreement which offers nothing to the C-4 countries which have also been hurt by U.S.'s cotton subsidies.

On ethanol, Brazil continues to criticize the U.S.'s tariff of 54 cents per gallon for imported ethanol. With respect to Zeroing, earlier this year, the U.S. told the WTO that it is considering changes in its methodology to address the multiples challenges it had faced the past few years regarding its zeroing practices. However, the proposed changes met stiff opposition from some U.S. lawmakers prompting the USTR to back away from making it its official position in the Rules negotiations.

As for Mode 4 (movement of natural persons), the U.S. has resisted providing India and other providers of highly qualified workers, an increased number of the so-called H1B visas, allowing them to work in the U.S.

“Might some of these moves – or others – have enabled the U.S. to get some manufactured or service openings it needs to carry the deal? Could they still?” Zoellick asked.

“If U.S. negotiators wait for the U.S. Congress to tell them it's OK to close a deal, they'll wait for a long time. Congress thinks that the Executive branch is supposed to carry that load. And Congress knows deals, especially big ones like Doha, are sold as binary choices – up or down – for the international trading system or against,” the World Bank President said in what could be seen as advice to the current USTR, Ron Kirk.

The lack of U.S. leadership is a bi-partisan fault, Zoellick said, admitting that his country's current defensive posture started way before Kirk's time, late in the Bush Administration.

... and on the Emerging Economies as well

That being said, if the fate of the Doha Round is deeply disappointing, it doesn't solely fall on the U.S. “No one country can carry the load alone,” emerging economies such as China, India and Brazil also have a big responsibility in the current deadlock, Zoellick added.

“At critical moments, principal emerging markets found their own reasons to stall negotiations. They preferred manoeuvring and rationalizing over closing.”

The 3 emerging economies have been targeted by the U.S. to do more in the sectorals negotiation, which they refused claiming that participation in those negotiations is voluntary. The World Bank chief reminded them of how the ITA sectoral accord boosted the IT business and supply chain development, to the great benefit of developing country producers.

“At a time when developing countries are investing greatly in infrastructure or in environmental improvements, why not have agreements to reduce barriers to trade in construction equipment and green goods and services?” Zoellick asked.

Mini-Package Not Enough

“So now I understand the WTO is crawling toward a small deal – at best,” Zoellick said with a little touch of irony.

A mini-deal, he said, won't do much for global growth especially at a time when the world could use one. Thus, the World Bank chief urged Members to “think big again” so that the WTO doesn't fall behind and allow the global trade agenda to switch to transatlantic deals or other small group agreements such as one in services that may exclude emerging economies.

In effect, on July 20th the WTO released the 2011 World Trade Report in which it stated that trade will only increase by 6.5% compare to 14.5% last year. The organisation worries about the explosion of preferential trade agreements (PTA), which it said “is not being matched by an expansion in trade flows that receive preferential treatment.” Lamy claimed that the negotiations' current impasse led many to believe that more PTAs will be negotiated in the future.

Thus, Zoellick those who “want to Declare Doha Dead” to get bolder: “Double-Down on Doha. And do so by Thinking Ahead, and Thinking Big,” he concluded.

Reactions

The speech was well received in most developing countries’ corners – especially the poorest ones –who saw in it an honest appreciation of the current situation, especially coming from a former U.S. Trade Representative.

For his part, the U.S. ambassador to the WTO, Michael Punke, meanwhile insisted that fixing the multilateral negotiations was more complicated than “calls for unilateral concessions.”

“Wishing this complexity away with empty exhortations will not result in success. Rather, all major players must be willing to grapple directly with the challenges we face,” he said.

“Over the past two and half years, the United States has played the leading role in seeking an ambitious outcome in Doha, including numerous initiatives to find creative solutions within the confines of the current framework. This leadership has included, when appropriate, flexibility in our negotiating positions, though frankly, if Doha could be completed by virtue of throwing a pile of concessions on the table, we would have had a deal many, many years ago.”

The U.S. is looking for a good deal, Punke said. One that reflects the realities of today’s global economy he added, before reminding his country remains fully committed to the Round.

“Over the upcoming weeks and months, we will be at the forefront of determining whether any variant of the current Doha framework can result in a successful outcome.”

Upcoming Events

- WTO General Council, July 27-28, October 12-13, December 1-2, 2011
- Regular Agriculture Committee, September 29 and November 2011
- Cairns Group Ministerial Meeting, September 7-9, 2011, Saskatoon (Canada)
- WTO Public Forum, September 19–21, 2011
- G-20 Summit, November 3-4, 2011 Cannes (France)
- APEC Ministerial Meeting, November 11, 2011
- WTO Ministerial Conference (MC8), December 15–17, 2011

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