

Round and Round

Martin Khor

Contrary to the popular perception that the WTO's (World Trade Organisation) Doha talks are dead, there has been a flurry of activity in a last spurt to conclude a deal.

The trade deal must be done by December because American President George W Bush leaves office after that, and the next president may not be interested to take over and finish the negotiations.

Hillary Clinton, for example, has called for a "time out" on all trade deals.

Moreover, key individual players of this round, may not be around for long. The EU Trade Commissioner Peter Mandelson and the WTO director-general Pascal Lamy will finish their term in 2009.

The Brazilian Foreign Minister Celso Amorim and the Indian Commerce Minister Kamal Nath may not be around in their same posts after 2009.

Some of these key players want to finish the "modalities" (the main framework and figures) for liberalising trade in agricultural and industrial products right now, so that a complete deal can be done by December.

At the very latest, a modalities deal must be struck by May or June. Otherwise, the whole talks may be "frozen" until a new US president is installed and a new "fast track authority" is obtained by him or her to negotiate trade treaties and this may take years.

On Feb 8, the chairpersons leading the talks on these topics produced two new texts, on agriculture and industrial products. Since then, there have been more talks to try to narrow the differences among countries on the points in these texts.

But the differences have persisted, and in some ways the gaps widened. For example, the European Commission has come under strong pressure by 20 of its member states led by France not to make better "offers" to cut their farm tariffs.

Subsequently, the EC hardened its position in several areas, for example rejecting the 54% average tariff cut in agriculture for developed countries that the Chair of the agriculture talks had proposed.

There are also many unresolved points on the request of the Group of 33 developing countries to allow them to cut their tariffs on food products by only a little or not at all due to the need to protect their farmers' livelihoods from cheap imports.

The developing countries also want to use a simple "safeguard" to raise their farm tariffs above the bound rates when there is a surge in imports or a rise in prices above certain levels.

Moreover, the United States has been silent on whether it can reduce the maximum level of its trade-distorting domestic farm subsidies to an amount near where its present actual level is (around US\$ 11 bil). It has only agreed to "consider" a figure of US\$16.4bil, which is viewed by other countries as too high.

Many believe that the US administration cannot make a better offer because there is a strong farm lobby that wants it to maintain high farm subsidies, and moreover this is an election year.

The situation is also murky on the other main issue - by how much developed and developing countries should cut their tariffs on industrial goods.

The Feb 8 text of the Chairperson on this issue proposed the use of a formula and coefficient that would cut the industrial tariffs of developing countries by very steep rates - as much as 55%-60% for countries like India, Indonesia and Brazil.

This has aroused protests, especially since the proposal would also allow developed countries like the United States, EU and Japan to have more lenient tariff cuts of 25%-30%.

Talks on this issue in the past fortnight have not yielded any concrete result. In fact, there was more acrimony and confusion when many new proposals, at this late stage, were put forward.

Meanwhile, the developed countries have gone on the attack on another front. They are pushing developing countries to make deeper commitments to open up their services markets to foreign firms, including in finance, telecommunications, energy, distribution, etc. The promise of these commitments must be made by developing countries through a text and later elaborated on through a ministerial conference to "signal" their offers.

But developing countries are reluctant to having this kind of text or conference. They argue that if the rich countries don't agree to open their agricultural markets or cut their farm subsidies, then it would be unfair to ask developing countries to open up their services markets.

'Show us what you will do in agriculture first, then we will let you know if we can do anything in services', say the developing countries.

In response, the United States and EU say that the developing countries must indicate first what they are willing to do in services and industrial products, otherwise they cannot do more in agriculture.

And so the Doha talks go, still round and round. It is unlikely that there will be a real breakthrough soon, and if the delay goes on for another month or two, it will be too late.

Deadlines have come and gone before in the WTO's Doha Round, and this is one more deadline. But there is real desperation this time, at least for some, because of the impending US elections.

For many developing countries, however, getting the content of the deal right is more important than meeting a deadline to suit the American political calendar. They fear that they will be bulldozed into accepting an unfair treaty, under the pressure of meeting such a deadline.

In the next two months, people should know whether a deal is finally struck, and whether it is on fair or unfair terms, or whether the WTO negotiations will be frozen till after a new US president is installed. □□□

—Third World Network Features