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From development to naked self-interest

The Doha Development Round has lost its way

27 July 2005

Introduction

With less than a week to go before a crucial meeting of the WTO General Council, the Doha Development Round negotiations have drifted off course. Instead of promoting the integration of developing countries in the world trading system, the 'Development Round' has been turned on its head: the focus has shifted from the development of poor countries to the pursuit by rich countries of their naked self-interest. The European Union, the United States, and other developed countries want a 'round for free' for themselves and are expecting developing countries to foot the bill. As a result, the deadline for agreeing a first blueprint in July will most probably be missed, and the would-be Doha Development Round will move a step closer to failure.

Four years after Doha, talks are in crisis

Today, developing countries represent only 31 per cent of world trade, despite the fact that more than 80 per cent of the world's population lives in the developing world.[1] This picture is even bleaker if one disaggregates the data on agriculture: developing countries capture only a third of world agricultural trade, and Africa accounts for only 4 per cent. Because 70 per cent of all Africans – and nearly 90 per cent of the poor – work primarily in agriculture,[2] an improvement in such grim statistics could make a real difference to poverty reduction, on the poorest continent and elsewhere.

The Doha Development Round was launched to reform trade rules in order to give developing countries improved opportunities for trade, income generation, and employment. But four years into the Round, talks have degenerated into a game in which rich countries compete to offer the fewest concessions while extracting as many concessions as possible from poorer members. As a result, negotiations have been progressing at a snail's pace since 2001, and agreed deadlines have been consistently missed.

In less than a week, WTO members will in all likelihood fail to meet yet another deadline in the Doha Round. At this month's General Council meeting, members are due to agree an initial blueprint, or 'first approximation', to indicate what the new package of WTO rules will look like. The plan was to further refine, then adopt, this blueprint at the Ministerial Meeting in Hong Kong in December.

Members have set late 2006 as the goal for finishing the Doha talks. The idea is to complete the Round before 'Fast Track' (Trade Promotion Authority, TPA) negotiating authority expires in the United States in the following year. TPA is the power granted by the US Congress to the Administration to negotiate trade agreements, which Congress can then only approve or reject, but not amend. Without it, US negotiators warn, it would be very difficult, if not impossible, for the USA to negotiate and ratify a Doha package. The US Congress appears to be in an increasingly protectionist mood, and TPA may not be renewed, so the end-2006 deadline is very real.

Despite this looming deadline, WTO members are nowhere near reaching agreement on agriculture or non-agricultural market access (NAMA), not to mention the other priorities of poor countries, including the elimination of trade-distorting cotton subsidies, amending the TRIPS agreement, or addressing preference erosion. This is because the EU and USA are refusing to compromise, especially on agriculture. If WTO members continue to miss negotiating deadlines – including this month's scheduled 'first approximation' – the entire round may very well be at risk. Delays in discussing sensitive topics make it increasingly likely that Hong Kong will be another Cancun, with an overloaded agenda and a high risk of collapse. **This would put developing countries in an untenable position: accept a bad deal, or risk the collapse of the Round and marginalisation of the WTO.**

Failure to deliver on development is not an option. The Millennium Development Goals (MDGs) cannot be achieved if trade rules do not change radically, and a breakdown in multilateral talks could lead the USA and EU to focus on negotiating bilateral and regional Free Trade Agreements, many of which contain provisions that threaten development. It is imperative that members summon up the political will to agree a pro-development package of new trade rules without further delay.

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1 As reported on www.wto.org, the share of developing countries' world trade in goods in 2004 was 31 per cent. The Population Reference Bureau (www.prb.org) estimates that more than 80 per cent of the world's population lives in developing countries.

2 These statistics were taken from www.ifpri.org, 'Building on Successes in African Agriculture', from African Agriculture: Past Performances, Future Imperatives', by Steven Haggblade, Peter Hazell, Ingrid Kristen, and Richard Mkandawire.

The ‘development round’ is now anything but pro-development

2005 was expected to be an important year for development and poverty reduction: the July G8 meeting in the UK would focus on Africa; the September UN summit on the MDGs would assess progress made towards meeting several trade and development targets; and the December WTO Ministerial Meeting would endorse an initial package of new, pro-development trade rules. Expectations were high that help was on the way for the world’s poorest countries.

In their summit communiqués the leaders of industrialised countries say nice things about the need to promote development; but when presented with an opportunity to follow through on their grand promises in reality, they baulk. For instance, while G8 leaders were professing their serious commitment to a development Round at the WTO summit meeting in Gleneagles in July, in Geneva their trade negotiators were blocking progress in talks about agriculture and NAMA.[3]

That talks have degenerated from a focus on development to the pursuit of naked self-interest is obvious to all who have been following them. The Doha Declaration states: ‘International trade can play a major role in the promotion of economic development and the alleviation of poverty … the majority of WTO members are developing countries. We seek to place their needs and interests at the heart of the Work Programme.’[4] But by July 2005, the US Agriculture Secretary was agreeing with US farmers that negotiators should ‘stay poker-faced’ and not agree any changes to farm programmes without seeing ‘what concessions we’re going to receive from our trading partners, especially in the area of market access’.[5] After four years, the spirit of reform and willingness to prioritise development had apparently faded away.

Ten examples of naked self-interest

An unfair grand bargain

Both the USA and EU are saying that in order to ‘get something’ in agriculture, developing countries must throw open their markets in non-agricultural products and services, even though all these areas are critical to development, and rich countries have yet to make any real concessions on agriculture. In addition, the sequencing of negotiations is designed to maximise concessions from developing countries. For example, in talks on agriculture, developing countries are being asked to make concessions on a tariff-reduction formula, without seeing what concessions they will get in respect of the other two strands, or ‘pillars’: domestic support and export subsidies. A more balanced approach is needed, so that the sensitivities of *both* developed and developing countries are addressed at the same time as the offensive interests of both sets of members.

A ‘round for free’ on agricultural subsidies

The USA has been pushing for a new category of subsidies – through an expanded ‘Blue Box’ - where it could hide $10 billion a year in programmes which lead to dumping, while the EU continues to insist that it has already done enough on subsidies by reforming its Common Agricultural Policy and simply cannot do more. Based on the current negotiating text, neither the EU nor the USA would have to get rid of a single cent of the subsidies that they currently provide to their farmers. In fact, they could actually *increase* the amount of money spent on subsidies by redefining programs so

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3 This area of WTO negotiations encompasses everything not covered under the negotiations on agriculture, including industrial products and raw materials.

4 Paragraph 2, Doha Declaration 2001.

5 http://westernfarmpress.com/news/7-18-05-keep-poker-face-on/

they fit into legal categories. Oxfam research shows that the EU would be allowed to increase trade distorting agricultural support by $35 billion, and the USA by $7.9 billion at the end of the implementation period[6]. At the same time, despite the fact that the total amount of subsidies used by all developing countries is 14 times less than the amount provided by the USA and EU, rich countries are expecting the developing world to reduce its support for farmers by 50 per cent.

Agricultural tariffs

Rich countries are demanding the same approach on market access for developed and developing countries and want to limit the scope of 'special and differential treatment' (SDT) measures that would soften the impact of tariff reductions for developing countries. For instance, they are resisting granting developing countries exemptions from tariff reductions for vital food crops or in the case of import surges, despite the fact that these are flexibilities that have already been agreed to in principle in the talks. Their defence is that it would create a precedent for blanket protectionism. At the same time, rich countries are exhibiting double standards, by seeking to ensure that their own 'sensitive products' will be exempt from tariff reductions.

Cotton

A special mandate in the talks was provided in Cancun to negotiate an end to cotton dumping by the United States. For poor farmers in the 33 countries of Africa that have lost an average of $400 million a year on account of subsidies, this is a matter of survival. These farmers are simply no longer able to provide for their families on their shrinking incomes. But the USA pays no heed to their concerns: it continues to block discussion of this urgent matter and is trying to deflect attention away from its trade-distorting programmes, amounting to roughly $4 billion each year, by claiming that more development assistance could take care of the problem. Even though a special committee has been set up to negotiate a reduction in cotton subsidies, and a recent WTO panel found that a number of US programmes are illegal under WTO rules, the USA is maintaining a hard line on cotton. It argues that it should only have to eliminate its trade-distorting cotton programmes in the context of overall agriculture negotiations, once it has secure enough progress on market access; the motive is clearly to reserve these subsidies for use as a bargaining chip in the negotiations.

Tariffs on industrial products

Despite this being a 'development round', the proposals by rich countries on tariff reductions are unprecedented in their level of ambition: they would seriously curtail the capacity of developing countries to implement home-grown industrialisation and development strategies. Not only are rich countries insisting that developing countries make commitments on 100 per cent of their tariff lines, but they are pushing for the application of a mathematical formula to reduce every single tariff. In the past, developed countries were never able to agree to cut each and every tariff line, preferring to preserve flexibility. In the Uruguay Round, for example, they agreed only to target average and minimum cuts (the 'Uruguay Round approach' to cutting tariffs), so that they could pick and choose which lines to cut, and by how much. Now they are trying to hold developing countries to a more ambitious standard, and are pushing an extremely aggressive formula which would reduce developing countries' tariffs much more severely than their own. This is contrary to the mandate which calls for less than reciprocal commitments for developing countries.

Non-tariff barriers (NTBs)

Excessively complex rules of origin, anti-dumping actions, and the protectionist use of non-tariff barriers (NTBs), including product standards and plant and animal safety measures, all of which are issues of critical importance for developing countries both in

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6 Oxfam briefing paper "A Round for Free", June 2005.

agriculture and NAMA, have not been given serious attention thus far in the talks. Attention has overwhelmingly focused instead on the offensive interests of rich countries: the formula for cutting tariffs. Developing countries have cited NTBs as major barriers – often more significant than tariffs – that limit their capacity to export to lucrative rich-country markets. And even where countries benefit from preferential market access, they report that unnecessarily complex rules of origin make it difficult for them to take advantage of the lower tariffs. These are critical issues for the integration of poor countries in the international trading system, but rich countries have claimed that these issues are outside of the mandate of the Round; or they have delayed discussing them: for instance, stock-taking on anti-dumping talks has been deferred until the Ministerial Meeting in Hong Kong.[7]

Weakening special and differential treatment

In the Doha mandate, all developing countries were promised 'special and differential treatment' (SDT), i.e. additional flexibilities regarding the depth, scope, and pace of commitments by developing countries, which would take into account their special development needs. These very words were included at least nine times in the Doha Declaration, and SDT has been a fundamental principle guiding trade commitments since the time of the GATT.

Today, the USA and EU talk about 'fair reciprocity' instead, while claiming that special and differential treatment is a barrier to development. They also insist on the exclusion of certain developing countries from SDT under the new Doha agreements, referring to them as 'advanced developing countries' – even though this term has been neither defined nor linked to development indicators. The countries targeted have at least two things in common: (a) they are facing significant development challenges and thus must be permitted to use the flexibilities under WTO rules; and (b) they are perceived as competitors by the rich countries in certain sectors and are therefore targeted for tougher treatment.

Services

Developing countries are being pushed to liberalise foreign direct investment in extensive swaths of their services sectors, which would mean opening up health care, water, banking, education, and other services to foreign providers.[8] Clearly, full liberalisation of key public services could have severely negative implications for development and the welfare of vulnerable groups, especially in very poor countries. And opening up other areas, for example transport and telecommunications, could have a significant impact on developing countries' production and trade. WTO talks on services were launched on the basis of 'request–offer', where members offer to liberalise only certain sectors, in exchange for offers by other members to liberalise too. Under this approach, developing countries could autonomously choose which sectors to offer to open, and to what extent. But rich countries have not been satisfied with developing countries' offers, so they are seeking to change the rules of the game half-way through. They are now calling for a negotiated minimum commitment – in terms of number of sectors and level of ambition – from all members. Under pressure from their corporate lobbies, which are eager to gain access to emerging markets, rich countries are clearly allowing self-interest to over-rule the legitimate development concerns of developing countries.

7According to the communiqué of the co-Chairs of the WTO mini-Ministerial in Dalian, China, in July 2004, there was agreement among members that work should progress in such a way that at Hong Kong there can be an assessment of progress.

8 This paragraph refers primarily to 'mode 3' negotiations on services, which focuses on commercial presence or FDI. It is defined on the WTO website (www.wto.org) as follows: 'a service supplier of one Member establishes a territorial presence, including through ownership or lease of premises, in another Member's territory to provide a service'.

TRIPS and public health

It was agreed in Doha that WTO members would revise the TRIPS Agreement, to ensure that WTO rules on intellectual property would not impede access to affordable medicines. The end-2002 deadline for agreeing on the outline of an amendment was missed, due to opposition by the USA alone; subsequently an interim solution was reached, but never transformed into an amendment. WTO members that cannot produce their own generic medicines and are too poor to buy expensive patented medicines are still waiting for a legally certain solution to their predicament. The promise to solve this problem was a key factor in persuading developing countries to agree to a new Round. Now it is just another broken promise.

A drifting raft of forgotten issues

While agriculture and NAMA are the most high-profile aspects of the stalled negotiations, the talks are also becalmed in other respects that affect developing countries. Although a matter of concern for many developing countries, the relationship between WTO rules and Free Trade Agreements, many of which contain WTO-plus provisions that threaten development, has not been addressed in these talks. A pattern of marginalising the priorities of the poorest countries is also clear. For instance, granting Least Developed Countries duty-free, quota-free market access from developed countries was one of the round's objectives, but no progress has been achieved in that area. Preference erosion, a serious concern for many of the poorest members, has not been seriously addressed in respect of either NAMA or agriculture; now developed countries are floating the idea of additional trade-related development assistance, rather than a WTO solution to the problem, to avoid having to address it in the talks. Worse, there is still no amount or clear process attached to this promise of trade-related development assistance.

The General Council can put the Round back on track

With so many problematic issues, substantive progress is not likely to be made at the General Council meeting this week in Geneva. However, talks on agriculture – for many, the main source of the blockage of the round – are scheduled to continue and there is a chance that the Chair will present an updated assessment paper. Oxfam believes that any agreement reached should contain, at the very least, the following reforms:

- A flexible tariff-reduction formula that allows developing countries to reduce tariffs in a way that does not undermine their development strategies.
- Full exemption from tariff reductions for crops essential for food security, with these 'special products' self-selected by developing countries, using the criteria in the July framework.
- A special safeguard mechanism for developing countries.
- A commitment to eliminate all export subsidies by 2010.
- Deep and quick cuts in trade-distorting domestic support, and the full elimination of trade-distorting support on cotton.
- Disciplines on the Green Box and the Blue Box.
- Freedom for developing countries from obligations to reduce their domestic agricultural support programmes.
- In return for progress on agriculture, developing countries should not be asked to make concessions contrary to their development interests in industrial products and services.

If members fail to agree the above reforms by the end of this week, the General Council meeting should at least affirm the following:

A fair process for moving forward

Members should agree a clear road-map – in terms of content and process – for negotiations between now and the meeting in Hong Kong in December. Processes for negotiations must be inclusive, transparent, and member-driven, and members must not be presented at the last minute with texts negotiated by small groups of members for quick ratification.

Steps should be taken to ensure that negotiations focus on the entirety of the mandate, not solely on issues of interest to industrialised members. The current approach, under which issues that are sensitive for developing countries, such as market access, are addressed before the sensitive issues for rich countries, is not balanced and puts developing countries in the unfair position of having to make real concessions in exchange for vague promises.

Respect for special and differential treatment

Developed countries should stop asking developing countries to agree commitments that they are not themselves ready to undertake: for example, sharp reductions in domestic agricultural subsidies. Instead the General Council should reaffirm members' commitment to uphold the principle of 'less than full reciprocity' in all areas of WTO talks.

The General Council should confirm that discussion of categorisation of countries is not part of the Doha mandate. All countries in the developing country and LDC categories must retain access to 'special and differential treatment', a fundamental component of WTO rules.

A commitment to progress on cotton subsidies

The General Council should confirm that the objective of negotiations on cotton is to eliminate all trade-distorting subsidies on cotton and that a timeline for such elimination will be decided by Hong Kong. This would send the signal that the WTO talks will deliver on urgent development issues, even though progress has been stalled until now.

Action on cotton subsidies should be de-linked from progress overall in the agriculture negotiations.

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