

-Is Let's Make a Deal Now Dead at the WTO? - Approach to trade negotiations might need to be revisited

By Mark Halle and Howard Mann

Before the Ministerial Meeting of the WTO in Hong Kong, the world was warned by the WTO itself not to expect much of an outcome. And that is just what the world got.

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The explicit goal of this Doha Round of trade negotiations was to make the trading system address the needs of the poorer countries. The previous Round, which led to the establishment of the WTO, has increased the gap between rich and poor countries and left most poor countries worse off than they were before it. This Round was intended to reverse that process and give developing countries a real chance to close the gap through trade.

This was to happen in two ways: by giving developing countries real access to rich country markets for agricultural goods and industrial products; and by offering them flexibility to deploy the policies they need to compete in the global marketplace.

On agriculture, developing countries currently face high tariff barriers when trying to export to Europe, Canada and the U.S., and markets skewed by obscene levels of subsidies to some of the richest farm owners in the world. Almost nothing was achieved in Hong Kong to change this. Even the

elimination of export subsidies in agriculture—which now allow cut-price foods to flood world markets—is not guaranteed before 2013. All the other agricultural challenges are put off until next year.

On industrial goods, it is important to recognize that tariffs on imported goods make up a significant portion of national income for developing countries. The proposals going into Hong Kong would reduce or eliminate much of that income without providing expanded opportunities for trade to make up for the shortfall. The World Bank's own numbers show that all but a handful of countries would be net losers from the proposal currently on the table. While Hong Kong paid due deference to the need to offer flexibility to developing countries, and while it went some way towards linking the agricultural and industrial tariff negotiations, it gave no guarantee that the poor countries will not lose once again.

And what was put on the table for the poorest countries in the world? Much was made of the agreement to work towards duty- and quota-free import of goods from the 49 poorest countries. But the agreement to do so in Hong Kong is not legally binding,

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and allows developed countries to remove any and all products from this commitment before it even begins to threaten their domestic industry.

The other baubles included undertakings on “aid for trade” —namely compensating countries that will lose out from expanded competition by offering them deals in other areas like capacity building or debt relief. All in all, it is not much different from buying Manhattan for \$24 worth of beads.

Where do we go from here? The negotiators go back to Geneva with renewed determination and seek to put the final structure of the negotiations together by April, then spend the rest of the year making the trade-offs needed to secure an overall deal. Few believe that schedule can be held, so two options are possible. First, the WTO can lower its sights as it did for Hong Kong and pull together a modest package by year end, dropping or watering down many of the components of the package. Or they can accept that achieving an ambitious result is going to take years of hard work.

Neither of these scenarios is attractive to most poor countries, who have waited too long for a level playing field, and who believed the rhetoric that this Round really is about development. But maybe the grim truth is that the current mechanism of trade negotiations, based as it is on hard-nosed horse trading of economic benefits, is not capable of delivering for development. Maybe we will need to revisit the entire approach to trade negotiations if we truly wish to face up to the reality of a badly unequal system, with the richest countries working far harder to maintain those disparities than to remove them.

Underlying the Hong Kong text are the signals that this may have begun to happen. What is certain is that the balance of power has significantly shifted. The developing countries have stayed united on key issues for the second time now after blocking grossly skewed proposals in Cancun in 2003. Brazil and India have now emerged as new power brokers, with China bidding its time—for now. Among the rich countries, only the U.S. and the EU truly count any more. Canada’s role in shaping the outcome of the Round has virtually evaporated, with our seat at the core negotiators’ table for the last two decades years having now been taken by others. The meager substantive outcomes of Hong Kong will be meaningful if they reflect that last gasp

efforts of the EU and U.S. to prevent a shift in negotiating styles and goals at the WTO. It is clear that the old let’s make a deal approach is no longer behind doors one, two or three.

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