



International Centre for Trade
and Sustainable Development

Bridges

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WTO MINI-MINISTERIAL ENDS IN COLLAPSE

Governments' latest attempt to salvage a deal in the Doha Round of trade talks broke down on Tuesday, as ministers acknowledged that they were unable to reach a compromise after nine days of a high-level summit at the WTO. The multilateral negotiations now face an even more uncertain future, despite considerable headway towards an accord.

Officials expressed surprise and disbelief that, in the end, the negotiations foundered on an issue that had never been the stuff of news headlines before this week: the extent to which developing countries would be able to raise tariffs to protect farmers from import surges under a 'special safeguard mechanism' (SSM). Differences over cuts to farm subsidies and industrial tariffs, which had long seemed virtually intractable, appeared to be bridged to a significant extent during the 'mini-ministerial' gathering in Geneva. Even the always tricky issue of preference erosion was reportedly close to being finalised.

One of the main sticking points about the SSM has been whether, and by how much, countries should be allowed to impose safeguard duties in excess of current (i.e., pre-Doha) tariff ceilings. The group of seven leading trade powers that was at the centre of the talks met much of the day Tuesday, as they had the day before, to see if they could find common ground. Import-sensitive China, and especially India, were pitted against the US' demands for predictable market access for farm products. Some time around 5pm, they gave up.

"I think it's no use beating around the bush," WTO Director-General Pascal Lamy told journalists after announcing the failure to WTO Members. "This meeting has collapsed. Members have simply not been able to bridge their differences."

Initial reactions to the collapse of the summit, which started on 21 July, do not seem to have been marked by as much acrimony and finger-pointing as that which surrounded the breakdown of pushes for framework Doha Round deals in each of the past two years.

More than anything, ministers expressed disappointment, sounding rueful that the talks had fallen apart despite coming very close to agreement. EU Trade Commissioner Peter Mandelson called it a "collective failure," a sentiment echoed by Lamy.

"Never, never, before have we been so close just to see everything fall apart," EU Agriculture Commissioner Mariann Fischer Boel said at a press conference.

Any outside observer "would not believe that after the progress made here, we could not conclude," said Celso Amorim, Brazil's foreign minister.

So close did some Members feel to an agreement that some delegations expressed willingness to continue consultations late Tuesday night, Lamy said.

There were nevertheless insinuations of intransigence on the part of others.

A "disappointed" Kamal Nath, India's commerce minister, said "it is unfortunate that in a development round we couldn't run the last mile because of an issue concerning livelihood security."

"Even today, 5 of the 7 countries in the leadership group were prepared to accept the Friday proposal by Director-General Lamy," said US Trade Representative Susan Schwab on Tuesday, in a reference to India's and China's rejection of some provisions in a compromise package that the WTO chief put to Members on 25 July. In a statement, she said that market access-creating "ambition is not evident" in other countries' offers.

The full G-7 includes Australia, Brazil, China, the EU, Japan, India, and the US.

How it broke down

While the special safeguard mechanism was widely seen as the proximate cause of the collapse, the deadlock on the SSM meant that other contentious issues, notably cotton-specific subsidy cuts and protections for location-based food names like Parma ham, never even got their turn in the spotlight.

On the SSM, Lamy said, differences on how big import surges need to be in order to justify the highest safeguard remedies ultimately proved irreconcilable, despite "more than 60 hours" spent trying to bridge the gaps. "Those who feared that the safeguard would lead to a disruption of normal trade wanted this safeguard as high as possible. Those who feared that the safeguard would be not operational if it was too burdensome wanted a lower trigger," he said.

Lamy's own proposed compromise would have allowed SSM remedies to surpass pre-Doha tariff bindings by up to 15 percent (or percentage points) when import volumes rose by 40 percent over a three-year average. The freedom to exceed current bound levels

would have been limited to 2.5 percent of tariff lines, with remedies unavailable if prices were not actually declining.

The G-33, which includes India and China, said that this 'trigger' was too high to ensure that farmers would not be hurt by surges of subsidised agricultural imports from developed countries. They wanted the highest SSM remedies to be triggered by import volume increases of 10 percent and more, with safeguard duties capped at 30 percent (or 30 percentage points) above bound levels.

On Monday night, the US rejected a proposal from Lamy that included no numerical triggers and remedy caps, but would have instead constrained the use of the SSM by linking it to "demonstrable harm" to users' food and livelihood security and rural development needs, and by making remedies subject to expert review. India accepted it, according to one G-33 official.

G-7 ministers and officials on Tuesday looked for more acceptable numbers to plug into the model proposed by Lamy. Sources say that one option would have involved a 'trigger' import volume increase of 15 to 20 percent, with remedies equal to either 30 percent of current bound tariffs or 8 percentage points. A subsequent trigger of a 35 to 40 percent increase in import volumes would have been linked to remedies of either 50 percent of bound tariff levels or 12 percentage points. The difference between the percentage of bound tariffs and the number of percentage points would be particularly relevant for countries looking to export to China, which has low tariff levels because of its accession conditions (adding 8 percentage points to a tariff capped at 8 percent amounts to a 100 percent increase; adding 30 percentage points, to yield 38 percent, represents a far higher increase).

The US reportedly did not budge from its position that a 40 percent increase in import volume was the lowest possible trigger it could accept for SSM remedies that would go beyond current tariff ceilings.

Mandelson said that it was "heartbreaking" that a small difference on numbers related to the SSM trigger had tripped up the talks. "An irresistible force met an unmovable object in the negotiating room, and the rest is history," said Mandelson of the clash between India and the US.

A future for Doha?

With the failure of the summit, the next step for the Doha Round, already in its seventh year, is not yet clear. Any real movement in world trade talks may be a long time coming. US elections in November will constrain trade policymaking for the rest of this year, and many fear that in 2009, amid political changes in the US and Europe, and elections in India, global trade will be put on the political backburner.

"We will need to let the dust settle a bit," Lamy said at a press conference following the collapse. "It's probably difficult to look too

far into the future at this point. WTO Members will need to have a sober look at if and how they bring the pieces back together."

Ministers also expressed a general desire to somehow capture the progress that was made this week. "US commitments remain on the table," Schwab said. But Brazilian minister Amorim was doubtful about whether non-binding commitments offered in the course of the negotiations would be honoured in the future: "It's not in our power," he said. "Life goes on, and not always in the best way."

Trade ministers said they were not opposed to continuing negotiations at a later date. "We should not preclude the possibility of returning to the table," Mandelson said, although he added that he did not think that there was "any chance" of modalities being agreed either this year "or in the foreseeable future."

Schwab shared that sentiment, saying that the US remained "committed to and supportive of the WTO." Likewise, Indian minister Nath said that his confidence in both the global trade body and the multilateral system as a whole, remained "intact."

Despite the ministerial expressions of confidence, Paul Blustein, a trade specialist at the Brookings Institution who is writing a book about the WTO, said that "looking back in history, we might see this as a big blow to the multilateral trading system." Tuesday's collapse, he suggested, risked hurting "the credibility of the WTO, which is already losing its place as the central rule-maker and dispute settler" in global trade, due to the growing number of bilateral trade agreements around the world.

Blustein suggested that actions taken by the next US presidential administration would do much to determine whether the breakdown could have a silver lining for the WTO. A new president -- if interested in multilateral trade, which is not a given -- could decide to launch a serious push to revamp the Doha negotiations in ways that would in the long term be good for the multilateral trading system, addressing issues of the future such as climate change and high food prices.

The WTO, for its part, will carry on with its day-to-day work enforcing the existing set of global trade rules. The negotiations, too, are likely to drag on, if not at the highest political levels for some time.

Indonesian Trade Minister Mari Pangestu summed up the situation: "Multilateral talks never fail, they just continue."

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