DOHA NEGOTIATIONS ON AGRICULTURE AND FUTURE OF THE WTO MULTILATERAL TRADE SYSTEM

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Abstract: The WTO Doha Round of trade negotiations was launched in 2001 and after twelve years of negotiations members seem unable to bring it to a successful conclusion. An attempt to deliver an ‘early harvest’ of deliverables at the 9th WTO Ministerial Conference in Bali in December 2013 does not appear likely to be more successful. This paper describes the stage that the negotiations have reached in agriculture and the value of what is currently on the table. It reviews the agricultural agenda for the Bali meeting and the prospects for its success. It discusses the reasons for the current impasse in the negotiations and asks whether agricultural trade liberalization would be better served by abandoning the Doha Round. The paper argues that this would not be the case, and concludes by speculating on the conditions necessary to ensure a conclusion to the Round.

Keywords: WTO, Doha Round, agricultural trade liberalization, Bali Ministerial Council

MOTIVATION AND CONTEXT

The Doha Round negotiations on multilateral trade liberalisation under WTO auspices were initiated in November 2001 and have now continued for 12 years with no realistic prospect that they will be brought to a successful conclusion as a single undertaking in the near future. WTO members will make another attempt to reap an ‘early harvest’ of deliverables at the 9th Ministerial Conference due to take place in Bali, Indonesia this December, with very limited prospects for success. Agriculture has been one of the central issues in the negotiations and has contributed in no small way to the current impasse. Nonetheless, the twelve years of talks have made some progress in terms of modalities for further agricultural trade liberalisation and disciplines on agricultural subsidies. Thus, the future of the Round also has implications for whether these potential steps towards further liberalisation of agricultural trade will be taken or not.
Even if there is agreement on a ‘mini-package’ in Bali in December, the broader issue of what to do with the Round remains. No government has yet been willing to announce publicly that it wants to abandon the Round (Baldwin & Evenett 2011). There have been significant changes in the economic environment context in which the Round is being negotiated. The world has experienced a severe economic crisis; industrial production and trade collapsed in 2009 with only a weak economic recovery since then. Huge changes have taken place in the structure of the global economy as emerging economies have increased their shares of global GDP and exports. China’s GDP has already overtaken that of Japan and will likely have exceeded that of the United States before any Doha agreement can be fully implemented (Schwab 2011). The US, while still the dominant economic power, is no longer so all-powerful while Europe and Japan struggle to shake off recession. World food markets have flipped from a secular decline in real food prices to a period of projected higher food prices in real terms, in part due to the encouragement of biofuel demand by government mandates and subsidies. Political concern now focuses more on the problems of high global food prices rather than the problem of low and depressed global food prices which was prevalent at the start of the round. Future food import growth will take place in developing rather than developed countries. Developing countries are projected to account for 92 percent of the total increase in world meat imports, 92 percent of the increase in total grains and oilseeds imports, and nearly all of the increase in world cotton imports over the next ten years (USDA 2013). Trade liberalisation efforts through regional and bilateral trade agreements have proceeded apace in parallel with, some would say as an alternative to, the multilateral track under the WTO.

The Doha Round is in trouble and some have argued that we should give up trying to save it (Schwab 2011). This immediately raises two questions: what would we lose from walking away from the Doha Round, and what, if anything, should be put in its place? This paper addresses both questions through the lens of the agricultural negotiations. It examines the potential outcome of a Doha Round for further disciplines on agricultural trade barriers and trade-distorting domestic support and the significance of this outcome. And it reflects on the future of multilateral agricultural trade negotiations in a post-Doha world.

The paper is structured as follows. Section 2 provides a brief overview of the history of the Doha Round negotiations to date with the major milestones as seen from an agricultural perspective. Section 3 examines the progress made on the draft agricultural modalities document up to its last iteration in April 2011 (as part of the so-called ‘Easter package’) and the likely significance of these modalities for agricultural trade. Section 4 discusses the attempt to achieve a package of early deliverables including in agriculture as part of an ‘early harvest’ at the forthcoming WTO Ministerial Conference in Bali in December. Section 5 speculates on the future for agricultural trade liberalisation in a post-Bali world if, as I expect, even an early harvest is beyond the capacity of the
WTO members at present. If, as I argue, significant further agricultural trade liberalisation is only possible in a multilateral context and that concluding the Doha Round offers the best prospects of this, Section 6 concludes by looking at some minimum requirements for a successful outcome to the Round.

1. DOHA – THE PROCESS FROM 2001 TO 2011

Negotiations on further agricultural trade liberalisation began in 2000 on the basis of Article 20 of the Uruguay Round Agreement on Agriculture (URAA), entitled ‘Continuation of the reform process’ which reads as follows:

- Recognizing that the long-term objective of substantial progressive reductions in support and protection resulting in fundamental reform is an ongoing process, Members agree that negotiations for continuing the process will be initiated one year before the end of the implementation period, taking into account:
  a) the experience to that date from implementing the reduction commitments;
  b) the effects of the reduction commitments on world trade in agriculture;
  c) non-trade concerns, special and differential treatment to developing country Members, and the objective to establish a fair and market-oriented agricultural trading system, and the other objectives and concerns mentioned in the preamble to this Agreement; and
  d) what further commitments are necessary to achieve the above mentioned long-term objectives.

In 2001 these ‘built-in agenda’ negotiations were merged with seven other mandated negotiating tracks into a single undertaking at the Doha Ministerial Conference. The Doha Ministerial Declaration set out the objectives for the agricultural negotiations as follows:

- Building on the work carried out to date and without prejudging the outcome of the negotiations we commit ourselves to comprehensive negotiations aimed at: substantial improvements in market access; reductions of, with a view to phasing out, all forms of export subsidies; and substantial reductions in trade-distorting domestic support. We agree that special and differential treatment for developing countries shall be an integral part of all elements of the negotiations and shall be embodied in the Schedules of concessions and commitments and as appropriate in the rules and disciplines to be negotiated, so as to be operationally effective and to enable developing countries to effectively take account of their development needs, including food security and rural development. We take note of the non-trade concerns reflected in the negotiating proposals submitted by Members and confirm that non-trade concerns will be taken into account in the negotiations as provided for in the Agreement on Agriculture.
Alan Matthews

Crucial to understanding the dynamic of the negotiations on agriculture in the Doha Round is the sense of grievance felt by developing countries about the outcome of the Uruguay Round, including what had been agreed on agriculture. The broad outline of the Uruguay Round bargain was that developing countries accepted disciplines in new areas such as services trade, intellectual property and investment in return for market access concessions by developed countries in the areas of agriculture and textiles and clothing (Ostry 2000).

Resentment was due to a number of reasons. Developing countries perceived that the URAA gave unequal advantages to some developed countries that had major distortions during the base period used for the agreement. ‘Dirty tariffication’ and the flexibility offered by the modalities of liberalisation meant that developed countries offered little additional market access; developed countries had access to a special safeguard which was denied to most developing countries; developed countries which had been big users of export subsidies in the base period could continue to make use of them while their use by developing countries which had never made use of them was prohibited. Similarly, developed countries which had made use of significant trade-distorting subsidies in the base period could still provide significant support to their farmers, while developing countries which had never been able to afford trade-distorting support were now limited to de minimis amounts.

Other issues contributed to the developing countries’ perception that they had got a bum deal. Developed countries made use of every opportunity to backload their textiles and clothing market opening. China’s WTO membership resulted in China capturing most of the non-agricultural developing country gains from the Uruguay Round. Many developing countries negotiating had neither the expertise nor the resources to properly evaluate the consequences of the agreements which they later ratified and therefore were not fully aware of the ‘costs’ they incurred in order to reap the benefits of the ‘grand bargain’. Developing countries have also complained about their difficulties in implementing aspects of the Uruguay Round agreements. But the perception that the agricultural playing field was still very uneven after the conclusion of the URAA has been an important factor in developing countries’ negotiations on this issue.

Thus, when the idea of a new negotiating Round was raised (initially by the EU but with the support of some other countries), developing countries were initially very sceptical. Resistance was led by the Like-Minded Group of developing countries led by India. They were ultimately brought on board to sign up to the Doha Round by the assurance by developed countries that it would be a development round, and that the needs and interests of developing countries would be placed at the heart of the Doha Work Programme. The promise in the Doha Ministerial Declaration of further agricultural trade liberalisation by
developed countries while taking account of the development needs of
developing countries, including food security and rural development, was also
an important incentive.

The course of the Doha Round negotiations since then has been well chronicled
(Blustein 2009, VanGrasstek 2013, see also the ICTSD report series on the
agricultural negotiations www.ictsd.com). A summary chronology is shown in
Table 1. The major milestones included the Cancún ministerial of 2003 that was
a gloomy stocktaking on the round, the Geneva General Council of July 2004
that completed the work of Cancún and produced the Framework Agreement on
agricultural modalities, and the moderate success of the Hong Kong Ministerial
of 2005 despite its failure to agree on modalities. The EU’s commitment at that
meeting to a date for the elimination of export subsidies provided parallel
measures were taken on other export measures and in the context of an overall
agreement on the agricultural modalities was the first time that it had accepted
an end to export subsidies.

Table 1. Selected major events in the Doha Round trade negotiations

<table>
<thead>
<tr>
<th>Year</th>
<th>General</th>
<th>Agriculture</th>
</tr>
</thead>
<tbody>
<tr>
<td>1995</td>
<td>WTO Agreements enter into force</td>
<td></td>
</tr>
<tr>
<td>1999</td>
<td>Seattle Ministerial breakdown</td>
<td>Agriculture negotiations launched as part of</td>
</tr>
<tr>
<td></td>
<td>Like Minded Group emphasised</td>
<td>‘built-in’ agenda on basis of original Article 20</td>
</tr>
<tr>
<td></td>
<td>implementation issues</td>
<td>mandate</td>
</tr>
<tr>
<td>2000</td>
<td>Launch of Doha Development Agenda</td>
<td>Agriculture negotiations wrapped into Doha</td>
</tr>
<tr>
<td></td>
<td>with aim to conclude negotiations by</td>
<td>Round negotiations as part of single</td>
</tr>
<tr>
<td></td>
<td>Jan 2005</td>
<td>undertaking</td>
</tr>
<tr>
<td>2003</td>
<td></td>
<td>Harbinson draft modalities circulated</td>
</tr>
<tr>
<td>2003</td>
<td></td>
<td>Joint EU-US proposal on agricultural</td>
</tr>
<tr>
<td></td>
<td></td>
<td>modalities</td>
</tr>
<tr>
<td>2004</td>
<td></td>
<td>‘Framework’ agreement establishing</td>
</tr>
<tr>
<td></td>
<td></td>
<td>modalities in agriculture adopted by General</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Council</td>
</tr>
<tr>
<td>2005</td>
<td>Hong Kong Ministerial Conference.</td>
<td>2013 agreed as date for phasing out export</td>
</tr>
<tr>
<td></td>
<td>Agreement to offer DFQF access for 97</td>
<td>subsidies in parallel with disciplines on all</td>
</tr>
<tr>
<td></td>
<td>per cent LDC exports</td>
<td>export measures, subject to confirmation on</td>
</tr>
<tr>
<td></td>
<td>Informal agreement to delay</td>
<td>the completion of the modalities</td>
</tr>
<tr>
<td></td>
<td>negotiations on services until</td>
<td>Cotton to be dealt with more ambitiously and</td>
</tr>
<tr>
<td></td>
<td>decisions made on</td>
<td>expeditiously than other agricultural products</td>
</tr>
<tr>
<td></td>
<td>modalities for agriculture and</td>
<td></td>
</tr>
<tr>
<td></td>
<td>NAMA.</td>
<td></td>
</tr>
<tr>
<td>2006</td>
<td>Lamy suspends Round</td>
<td></td>
</tr>
<tr>
<td>2007</td>
<td>Resumption of negotiations</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Expiration of US Trade Promotion</td>
<td></td>
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<tr>
<td></td>
<td>Authority</td>
<td></td>
</tr>
<tr>
<td>Year</td>
<td>Event</td>
<td>Key Points</td>
</tr>
<tr>
<td>------</td>
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</tr>
<tr>
<td>2008</td>
<td>July Mini-Ministerial conference</td>
<td>Addressed agricultural and NAMA issues. EU and US substantial offers. Sticking points included special products and special safeguard mechanism. EU reached an agreement on its banana import regime with eleven Latin American countries and the USA.</td>
</tr>
<tr>
<td>2009</td>
<td>G20 Pittsburgh meeting</td>
<td>Calls for Doha Round completion in 2010. Swiss formula proposed for non-agricultural tariffs with different coefficients for developed and developing countries. EU and US substantial offers.</td>
</tr>
<tr>
<td>2010</td>
<td>G20 Seoul meeting</td>
<td>Urges completion of Doha Round.</td>
</tr>
<tr>
<td>2010</td>
<td>Lamy sets deadline of March 2011 for revised modalities texts</td>
<td></td>
</tr>
<tr>
<td>2011</td>
<td>Mini-WTO meeting at Davos</td>
<td>Agrees to reinvigorate negotiations with more attention to NAMA issues. Technical work started on data and templates needed to define commitments based on the modalities when agreed.</td>
</tr>
<tr>
<td>2011</td>
<td>April. Lamy reports deadlock on the ‘Easter package’ negotiating texts blaming NAMA issues.</td>
<td>CoA Chair Walker outlines plan to produce revised version of modalities in first quarter 2011 with view to completing negotiations by end-2011.</td>
</tr>
<tr>
<td>2011</td>
<td>May. Lamy’s proposal for three-track approach to 8th MC agreed by TNC.</td>
<td></td>
</tr>
<tr>
<td>2011</td>
<td>July. Dropping of LDC mini-package and abandonment of plan to conclude Round by end-2011.</td>
<td></td>
</tr>
<tr>
<td>2011</td>
<td>Lamy talks of ‘paralysis in the negotiating function of the WTO’.</td>
<td></td>
</tr>
<tr>
<td>2011</td>
<td>Dec. 8th Ministerial conference in Geneva</td>
<td>Acknowledged Doha impasse, agrees to explore possibility of interim results in discrete areas where progress might be achieved.</td>
</tr>
<tr>
<td>2012</td>
<td>Revision of the plurilateral Agreement on Government Procurement</td>
<td>CoA Chair Walker’s TNC report highlights lack of progress in removing brackets on contentious issues in the Dec 2008 modalities.</td>
</tr>
<tr>
<td>2013</td>
<td>Preparations for Bali 9th Ministerial Conference</td>
<td>Concentrate on ‘early harvest’ of Doha deliverables ‘Really Good Friends of Services’ launch plurilateral negotiations on services trade liberalisation.</td>
</tr>
<tr>
<td>2013</td>
<td>Discussions on G-20 and G-33 initiatives on agriculture element of ‘early harvest’.</td>
<td></td>
</tr>
</tbody>
</table>


The negotiations went into the doldrums in 2006 and 2007 when Lamy went as far as suspending the Round because the differences in ambition articulated by members were too great. Another effort was made at a mini-Ministerial meeting.
in July 2008 when the focus was on the agricultural and NAMA negotiations only. Ministers came as close as they have to date on agreeing the two draft texts, but the negotiations eventually collapsed over the issue of the Special Safeguard Mechanism (SSM) for developing countries. It took some time for the recriminations to settle before another effort at reaching a deal could be made.

However, external circumstances were also changing. The financial crisis hit the world economy which experienced its first contraction in many decades in 2009. Completing the Doha Round was now seen at G.20 summits as one of the ways to help the developed countries mainly affected by the crisis on the road to recovery. Successive G-20 summits called for the resumption of negotiations and the early conclusion of a balanced package. Reports from the Chairs of all negotiating groups circulated to the Trade Negotiations Committee (TNC) on 21 April 2011 allowed members to see, for the first time, the entire Doha package including all market access areas and all of the regulatory agenda. But they also revealed the political gaps which remained, particularly in the area of non-agricultural market access (NAMA) where, according to the then Director-General Pascal Lamy, “the differences today are effectively blocking progress and putting into serious doubt the conclusion of the Round this year.”

While NAMA issues were the proximate cause of the collapse of the ‘Easter package’, the Chair’s report accompanying the agricultural draft modalities made clear there were also outstanding issues in the agricultural area. The extensive consultations and negotiations leading to the Ministerial Meeting in April 2011 had resulted in almost no change from the December 2008 agreement. The list of open issues enumerated by the Chair at that time remain valid today, and is a reminder that, despite the advanced state of the draft modalities text, some difficult issues remain. They include triggers and remedies for the special safeguard mechanism; tariff simplification; tariff quota creation (shorthand for whether sensitive products, which will have smaller tariff cuts than normal, can only be products that already have tariff quotas or whether new tariff quotas can be created); resolving the conflict between the treatment of tropical products and products enjoying preferences where the same commodity is on both lists; the proportion of sensitive products; tariff caps; Blue Box ‘headroom’; and cotton.

2. DOHA – WHAT IS ON THE TABLE FOR AGRICULTURE

2.1. Market access

The tiered formula under discussion for liberalization in agriculture involves larger cuts in the higher tariffs. For developed countries, the required reductions vary between 50% to 70% subject to a 54% minimum average. For developing countries, the standard cuts in each tier would be two-thirds of the equivalent cut
for developed countries, between 33.3% to 46.7% for developing or less if they meet a 36% average cut (Table 2). The bands are also wider, in part to allow for the fact that many developing countries would otherwise have more tariffs included in the higher bands. The time periods for making the cuts are five years for developed countries and — new — 10 years for developing. Cuts would be made in equal annual steps, starting from the first day of implementation. The tiered formula requires that tariffs be available in ad valorem form which requires the conversion of specific and mixed tariffs to an ad valorem rate, and a consistent method for the calculation of ad valorem equivalents has been agreed (Annex A to WTO, 2006). Tariffs above 100% would be restricted to those tariff lines designed as sensitive products with additional compensation required (with some possible flexibility for some designed high-income countries).

Table 2. The tiered formula for agricultural tariff cuts

<table>
<thead>
<tr>
<th>Band</th>
<th>Developed Tier, %</th>
<th>% Cut</th>
<th>Developing Tier, %</th>
<th>% Cut</th>
</tr>
</thead>
<tbody>
<tr>
<td>A</td>
<td>0-20</td>
<td>50</td>
<td>0-30</td>
<td>33.3</td>
</tr>
<tr>
<td>B</td>
<td>20-50</td>
<td>57</td>
<td>30-80</td>
<td>38</td>
</tr>
<tr>
<td>C</td>
<td>50-75</td>
<td>64</td>
<td>80-130</td>
<td>42.7</td>
</tr>
<tr>
<td>D</td>
<td>&gt;75</td>
<td>70</td>
<td>&gt;130</td>
<td>46.7</td>
</tr>
<tr>
<td>Average cut</td>
<td>Min</td>
<td>54</td>
<td>Max</td>
<td>36</td>
</tr>
</tbody>
</table>

Source: WTO

Several groups of developing countries are allowed smaller tariff reductions. Least developed countries (LDCs) are not required to make any reductions. Small and vulnerable economies (SVEs) can make reductions 10% smaller in each band than other developing members, or may make an average cut of 24%. Recently acceded members (RAMs) are allowed to: make cuts reduced by 8 percentage points, make zero cuts in tariffs below 10%, delay their reductions until a year after completion of their accession commitments, and have one-tenth more special products with cuts 2 percentage points smaller. A group of very recently acceded members (VRAMs) and transition economies is not required to make any cuts.

Special provisions apply for tariff escalation products. Where the escalated processed product has a tariff that is significantly above the unprocessed product (ie, by 5 percentage points or more), it would take the cut of the tier above or if it is already in the top tier, 6 percentage points added to the cut of the top tier. Sensitive products would be exempt, and the tropical products cut would override the escalation cut if it is bigger.

A list of tropical and diversification products will be subject to deeper-than-formula cuts. Two lists of products have been considered – one includes highly sensitive products such as rice, sugar, and bananas, and the other is a more
limited list used in the Uruguay Round. Two alternative treatments have been discussed. Under the first, tariffs below 25% would be reduced to zero, and no sensitive product treatment permitted. Under the second, tariffs below 10% would be reduced to zero, while higher tariffs would be reduced by 70%, except for products already in the top tier, which would be cut by 78%. Under the second alternative, sensitive product treatment will not be ruled out.

Products with long-standing preferences would be liberalised more slowly — alternative proposals suggest a 10-year delay in starting tariff cuts or simply two years longer to make the cuts. Where the preference products overlap with the list of tropical products, the tropical products (and tariff escalation) provisions could override those of preferences, except for some products which are still to be identified in the modalities. This was largely a dispute between ACP countries (as beneficiaries of preferences) and Latin American exporters of tropical products (which face discrimination due to preferences). As part of the resolution of the long-running EU dispute with Latin American banana exporters, ACP and Latin American exporters agreed on lists of tropical and preference erosion products and the treatment they should have in a Doha Round agreement. However, this plurilateral agreement remains to be accepted by the membership as a whole.

All countries are permitted to make smaller cuts on ‘sensitive’ products. The modalities include a limit on the number of sensitive products, and provisions for increases in market access under TRQs for sensitive products. In industrial countries, 4% of tariff lines can be classified as sensitive (Canada and Japan have explicitly rejected this limitation) or two percentage points more if more than 30% of products fall into the top tier of the formula or if tariffs are scheduled at the six-digit level. The text has two options for selecting sensitive products. Either they have to be products that already have tariff quotas (before the Doha Round) or any product can be sensitive. The view of the CoA Chair is that neither option will be agreed, and that the final compromise is likely to constrain the creation of new tariff quotas and require some additional compensation in these cases. Compensation in the form of increased TRQ access is required for the right to designate sensitive products. This new access opportunity would be 4% of domestic consumption if the full two-thirds deviation is applied, 3.5% if only half the cut is made, or 3% if the deviation is the smaller one-third. Developing countries have the right to one-third more sensitive products than developed countries.

In addition to sensitive products, developing countries will be able to self-designate a set of special products guided by indicators for food and livelihood security or rural development and to make smaller-than-formula cuts on these products. Twelve percent of agricultural tariff lines are to be allowed this treatment, with an average cut of 11%, and up to 5% subject to no cuts.
The draft agreement would sharply reduce the use of the Special Safeguard (SSG) which currently allows countries that converted non-tariff barriers into tariffs by ‘tariffication’ in the Uruguay Round (mostly developed countries) to impose duties above their Uruguay Round bindings. The use of the SSG would be cut immediately to 1% of products and eliminated after seven years. While still in use, the SSG could not raise a tariff above its pre-Doha Round bound rate.

There is also agreement to include a new Special Safeguard Mechanism (SSM) for developing countries with import duties triggered by increases in import volumes or declines in import prices. Import duties of up to 25 percentage points could be imposed when imports exceeded 110% of a three year moving average. A price-based measure could be invoked if the price of imports falls below 85% of a three-year moving average of import prices, with a duty up to 85% of the gap between current import prices and the three year moving average. The combination of the duty and the applied tariff rate could not exceed the pre-Doha bound rate unless a bracketed option is accepted to allow members to breach this barrier for a few products. Disagreement over this last option was the issue that finally brought the Doha Round negotiations to an impasse in 2008.

2.2. Domestic support

The proposed rules on domestic support involve introduction of a number of additional constraints on this support, and sharp reductions in bound levels of support.

- A new constraint on Overall Trade Distorting Support (OTDS), defined as the total of AMS, de minimis, and Blue Box support, is introduced. OTDS limits are to be cut by 80% in the EU; 70% in the US/Japan and 55% in other developed economies.
- The traditional Aggregate Measure of Support (AMS) is to be reduced using a tiered formula that imposes cuts of 70% in the EU; 60% in members with intermediate amounts of support (including the USA); and 45% in other members. Developing countries make cuts two thirds as large
- Product-specific Amber Box support is capped at the average for notified support in 1995-2000 with some variation for the US and others.
- De minimis levels for developed countries are cut to 2.5% of production immediately. Developing countries would make two-thirds of the cut over three years to 6.7% of production (no cuts if mainly for subsistence/resource-poor farmers, etc).
- Blue box support (including ‘new’ type) will be limited to 2.5% (5%) of the value of agricultural production for developed (developing) members.) with caps per product. Blue box criteria are optionally extended to include direct payments that do not require production provided they are made on 85% or less of a fixed and unchanging base level of production. This provision would cover counter-cyclical payments, for example.
• Green Box criteria would be revised particularly to ensure that income support really is decoupled from production levels, to ease limits on developing countries’ food stockpiling as well as requiring tighter monitoring and surveillance.

2.3. Export competition

Agricultural export subsidies in the developed countries would be eliminated by the end of 2013. Export credits, export credit guarantees and insurance programmes would be disciplined to avoid hidden subsidies and ensure the programmes operate on commercial terms. Proposed conditions include limiting the repayment period to 180 days and ensuring programmes are self-financing. For developing countries providing credit, the 180-day maximum repayment term would be reached in three steps over a period, probably four years (or by 2013 if that is earlier). Least-developed and net food-importing developing countries would be normally be allowed 360–540 days to repay (previously 360 days). Some additional flexibility in special cases would be allowed, monitored by the WTO Agriculture Committee.

Activities of agricultural exporting state trading enterprises would be disciplined. A key question remains whether monopoly power would be outlawed or just disciplined. Emergency food aid would be in a “Safe Box” with more lenient disciplines. Emergencies would be declared by relevant international organizations such as the UN, World Food Programme or humanitarian agencies. Other food aid (non-emergency aid) would be disciplined to prevent the aid from displacing commercial trade, and would be based on a needs assessment.

2.4. Cotton

Cotton has achieved particular prominence in the Doha negotiations because of the detrimental effects of high subsidies in the US on world cotton prices and the livelihoods of millions of cotton farmers in West and Central Africa. Four African countries—Benin, Burkina Faso, Mali and Chad, known as the Cotton Four—have pushed the issue in the Doha Round. The Framework Agreement of 1 August 2004 agreed that cotton would be treated ‘ambitiously, expeditiously and specifically’ within the agriculture negotiations. This commitment is carried into the draft modalities under each pillar. Developed countries and developing country members declaring themselves to be in a position to do so shall give duty- and quota-free access for cotton exports from least-developed countries from the first day of the implementation period. Trade-distorting domestic support for cotton would be cut by more than implied by the general modalities, based on a formula proposed by the four African countries in 2006. Blue Box support for cotton would be capped at one-third of what would be the normal
limit. Developing countries with Amber and Blue Box commitments would make two-thirds of developed country cuts for cotton and over a longer time period. Export subsidies would be eliminated from the start of the implementation period.

2.5. Implications of the draft modalities

WTO members have offered to make large reductions in bound levels of agricultural protection covering tariffs, export subsidies and domestic support. The extent to which these reductions will create new market access depends on two factors: the differences between bound and applied rates, and the use made by different countries of the flexibilities they are afforded (sensitive products, special products). Bound tariff ceilings are in many cases much higher than applied levels of protection, so even drastic cuts in bound rates frequently result in only modest cuts in applied protection.

One estimate of the impact of the draft modalities on bound and applied tariffs in agriculture is reported by Martin & Mattoo (2010). Their estimates, drawn from Laborde et al. (2008), are based on the 2004 MAcMapHS6v2 tariff database. Their choice of sensitive and special products is based on an explicit political preference function to identify the products whose treatment as sensitive would give the largest reduction in the political costs associated with tariff-cutting.

Table 3 shows that the tiered formula being used in the negotiations would reduce average bound agricultural tariffs by nearly half, from 40.3 to 20.7%. World average applied tariffs would be cut by nearly 40%, from 14.5 to 8.9%. These cuts are sharply reduced by the country exceptions and the flexibilities for sensitive and special products. With these flexibilities, the reduction in the world average bound rate drops to just over a quarter, and the average applied tariff falls by one-fifth, from 14.5% to 11.8%.

Table 3. Weighted average applied and bound rates levied by WTO members

<table>
<thead>
<tr>
<th>Agriculture</th>
<th>Bound rates</th>
<th>Applied rates</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Base</td>
<td>Formula</td>
</tr>
<tr>
<td></td>
<td>Base</td>
<td>Formula</td>
</tr>
<tr>
<td>All countries</td>
<td>40.3</td>
<td>20.7</td>
</tr>
<tr>
<td>High income countries</td>
<td>31.9</td>
<td>13.5</td>
</tr>
<tr>
<td>Developing – non LDC</td>
<td>53.9</td>
<td>33.0</td>
</tr>
<tr>
<td>LDCs</td>
<td>94.1</td>
<td>51.6</td>
</tr>
</tbody>
</table>

In the high income country group, the formulae without flexibilities would lead to very large cuts in agricultural tariffs, with average bound tariffs falling by 58% from their initial level and applied tariffs by half. The sensitive product flexibilities reduce the size of the cut in average tariffs, but still leave a cut of four percentage points in applied tariffs, from 15 to 11% (a cut of nearly 27%).

In developing countries, the cut in bound tariffs implied by the formula is substantial, at almost 40% of the initial 54%. Because of the initial gap between bound and applied rates (40.5 percentage points on average), the resulting cuts in developing country applied tariffs would be much smaller – a cut of 1.9 percentage points (or 14%) in applied agricultural rates. The flexibilities allowed to developing countries for sensitive and special products almost completely eliminate reductions in applied agricultural tariffs. Least developed countries experience no change as they are not required to cut their agricultural tariffs (Martin & Mattoo 2010).

Domestic support constraints were expected to have their principal impact on the USA and Europe as domestic support has been of relatively minor importance in most developing countries. However, this is changing rapidly in the case of some of the middle-income developing countries (Butault et al. 2012). Most developing countries are constrained to de minimis levels of support under the URAA and even these limits are beginning to bite in some countries. The obligations set out in the draft modalities for selected developed and developing countries are shown in Table 4.

### Table 4. Proposed Doha Round domestic support commitments, $ billion

<table>
<thead>
<tr>
<th></th>
<th>US</th>
<th>EU</th>
<th>Japan</th>
<th>Brazil</th>
<th>China</th>
<th>India</th>
</tr>
</thead>
<tbody>
<tr>
<td>Final Bound ODTS</td>
<td>14.5</td>
<td>33.1</td>
<td>14.6</td>
<td>8.3</td>
<td>85.5</td>
<td>25.6</td>
</tr>
<tr>
<td>Reduction percentage from Base ODTS (%)</td>
<td>70</td>
<td>80</td>
<td>75</td>
<td>37</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Final Base Total AMS</td>
<td>7.6</td>
<td>30.1</td>
<td>12.7</td>
<td>0.6</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Reduction percentage from pre-Doha FBTAMS</td>
<td>60</td>
<td>70</td>
<td>70</td>
<td>30</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Blue Box limit</td>
<td>4.9</td>
<td>9.0</td>
<td>2.6</td>
<td>2.4</td>
<td>17.1</td>
<td>5.1</td>
</tr>
<tr>
<td>De minimis percentage (%)</td>
<td>2.5</td>
<td>2.5</td>
<td>2.5</td>
<td>6.7</td>
<td>8.5</td>
<td>10.0</td>
</tr>
</tbody>
</table>

Notes: Commitments shown in USD based on 2009 yearly IMF exchange rates.
Source: (Orden et al. 2011).

Projections by Orden et al. (2011) of actual support and the reduction commitments in the draft modalities suggest that even the larger cuts would not constrain total AMS or OTDS in the United States or the EU under current (high) price projections. However, the product-specific AMS and blue box disciplines could prove a constraint for some individual commodities. Such projections need to be treated cautiously, as world prices for agricultural
commodities can change rapidly. Particularly in the US, with its use of price-sensitive support instruments such as counter-cyclical payments, if market prices were to return to levels substantially below support levels, then Amber and Blue Box outlays could escalate rapidly and threaten to exceed spending limits (Orden et al. 2011; Schnepf & Hanrahan 2010). Taking into account the growth of production value in the agricultural sector also leads to a reduction in subsidy rates to respect the new WTO commitments and US agricultural production may also be constrained by this mechanism in years to come (Bouët & Laborde 2010b).

Similarly, the elimination of export subsidies and constraints on other forms of export competition will have very little impact in the short run given that current export subsidy levels are negligible. However, the Doha disciplines would rule out a return to significant use of these instruments in the future.

2.6. Quantification of the Doha gains

A veritable industry developed in the years prior to the launch of the Doha Round and in its early years to provide estimates of the potential gains from concluding an agreement as well as the distribution of these gains (and losses) both within and between countries. Hess & Cramon-Taubadel (2008) present a meta-analysis of partial and general equilibrium simulations of possible Doha Round outcomes based on 230 studies from the years 1994 to 2006 just limited to studies that (i) present original, own simulation results; (ii) report results in numerical form; and (iii) provide at least some information on the underlying model. Like other authors, they find that the predicted gains have fallen substantially over time, with the large gains being predicted in the years before the Doha ministerial conference giving way to much more modest expectations, especially for developing countries. The World Bank’s widely publicised 2006 estimate put the global gains from a “likely Doha scenario” at less than $100 billion (not taking account of potential exceptions or flexibilities and presented in 2001 dollars and relative to a 2015 world economy), with just $16 billion going to developing countries (Anderson et al. 2006).

One reason for lowered expectations of the potential welfare gains from Doha has been the introduction of updated data. Before 2005 the data used in the models described the world as it was in 1997. The updated data have included several important changes in levels of protectionism, including: i) the substantial reduction in tariffs undertaken by some countries, particularly China as it acceded to the WTO; ii) the phasing out of quotas on textiles and clothing; iii) the completion of Uruguay round tariff liberalisation; and iv) the expansion of the Europe Union. Improved information has shown that the gains from the Doha Round are lower than previous estimates since the models now capture the fact that applied tariffs are in most cases lower than their Most Favoured Nation (MFN) bound level, due to both binding overhang (the gap between MFN bound
and applied rates) and preferences (the gap between MFN and bilateral applied rates) (Bouët 2008). The result is that, because there is now less protectionism to remove, there are fewer gains to be made through liberalisation.

A second reason for the decline in predicted gains is that as the Doha Round got underway studies began to model the likely outcome of the negotiations based on draft texts and negotiation positions, rather than examining complete liberalisation, as was the previous norm. The implementation of trade scenarios has become more and more precise, adding details and including the numerous flexibilities and exceptions that have been negotiated, limiting the scope of liberalisation.

Other recent data and modelling improvements tend to increase the size of the benefits. Methodological advances now allow much more disaggregated trade data to be used in general equilibrium simulation models. Disaggregation results in a better measure of the welfare effects of tariff peaks. As the welfare cost of protection goes up with the square of the tariff, using more aggregate data on the average level of the tariff for a broad group of products results in lower welfare cost estimates (because the average is by definition much lower than the peak tariffs that often apply to specific tariff lines). A second innovation is the use of optimal aggregators of trade distortions when measuring the welfare impacts of reform (Laborde et al. 2012) to overcome the problems in using trade-weighted averages – that the higher the tariff, the lower the weight on any tariff, and that partial reforms generate benefits from increases in the volume of imports subject to continuing tariffs.

The 2006 World Bank figures can be compared with more recent estimates. Decreux and Fontagné (2009) identify a US$57 billion world GDP gain, based on the 2008 modalities and including the likely exceptions and the differentiated nature of the commitments that will be made by different groups of countries. Hufbauer et al. (2010) use a different approach to quantify the market access impacts of what is on the table, relying on a partial equilibrium, tariff-line by tariff-line assessment of the trade, and tariff revenue effects of applying the 2008 negotiating modalities to the trade of the 22 largest WTO members. Overall, they estimate that the associated increase in global exports would raise global GDP by some $63 billion annually. Bouët & Laborde (2010b) conclude that implementing the 2008 modalities would lead to a global increase in real income of $69 billion and an increase in global exports of 2 percent. They also highlight the risk of losses for least-developed countries due to eroded preferences and rising terms of trade for imported commodities, including food products. Using the Doha Round formulas without flexibilities, Laborde et al. (2012) estimate global real income gains of $163 billion in 2025 at 2004 prices. When the flexibilities are introduced, the benefits to the world as a whole decline sharply to $93 billion. The estimated gains to developing countries decline by more than half, to $22 billion.
Comparing these last two studies (which compare very similar scenarios and share a common author) also highlights the importance of model assumptions in simulating the size of the projected gains. Bouët & Laborde (2010b) use the MIRAGE model and estimate real income gains of $69 billion, as against the $93.5 billion in the same year (2025) reported by Laborde et al. (2012). The two main contributing factors to the differences between these results are the lower elasticities of substitution between domestic and imported goods in MIRAGE and, in the case of agriculture, the greater ability to reallocate land among agriculture uses in the LINKAGE model Laborde et al. (2012).

These figures are very close to those reported by Anderson et al. (2006) also using the LINKAGE model despite their very different simulation scenarios – it appears that the welfare reductions resulting from improved data on tariffs and more accurate modelling of the actual draft modalities have been compensated by the ability to use more disaggregated tariff line data. However, when Laborde et al. (2012) address the aggregation problem, the welfare gains from liberalisation rise. With an elasticity of substitution of two, the welfare gains from gains from application of the modalities formula without exceptions rise by a quarter, from $163 billion to $202 billion. In the more realistic scenario taking account of exceptions and flexibilities, the welfare gains rise from $93.5 billion to $121.4 billion.

The apparently small size of the measured gains from Doha (a real income gain of $70 billion is less than 0.1 percent of global GDP (Bouët & Laborde 2010b)) ignores two important issues. The real gains go far beyond the tariff reduction effects in merchandise trade typically included in standard simulations and include, for example, gains in productivity and from the liberalisation of services, non-tariff barriers and trade facilitation. Where attempts are made to quantify these non-traditional elements, the figures obtained are considerably bigger. Hufbauer et al. (2010) estimate that bold initiatives on liberalising services and freeing trade in selected sectoral initiatives in manufacturing could increase global GDP by an additional $101.9 billion. Improvements in trade facilitation could yield additional global GDP gains of $117.8 billion if governments engage in wide-ranging policy and administrative reforms. Others are less sure, arguing that the new estimates for services and trade facilitation are highly speculative, use questionable methodologies and assume far more ambitious outcomes than seem at all likely at this point (Wise & Gallagher 2009).

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1 Bouët & Laborde (2010b) take a different approach by modelling the draft modalities as they existed at different stages during the negotiating process, starting in 2003. They also find that the global welfare gain simulating the 2008 draft modalities is close to the 2003 draft. They conclude that although the latest tiered formula is more aggressive than the original one, this is offset by the greater flexibilities negotiated.
Moreover, even if applied tariffs are not cut, the simple fact that tariff lines are bound and that the existing binding overhang is reduced has a significant value because it provides a more stable trade environment. Some authors even argue that the main outcome of the Round should be seen as the policy bindings with any additional market access merely incidental and the icing on the cake (Hoekman et al. 2010a). Most empirical studies assume that the counterfactual in evaluating a Doha failure is that business will continue as usual. While there has been only a very limited increase in protectionism to date in response to current global economic difficulties, it cannot be excluded that protectionism might increase if these difficulties continue (Bouët & Laborde 2010a) estimate the potential cost of a failed Doha Round by examining two scenarios: one in which countries increase tariffs to the highest applied or bound rate they imposed during the period 1995–2008, and the second where applied tariffs of major economies would go up all the way to currently bound tariff rates. Table 5 shows the potential changes in agricultural tariffs under various scenarios. These increases in duties would reduce world welfare by $134 billion under the first scenario, and by $353 billion under the more severe scenario.

Table 5. Agricultural protection applied by category of country, percent

<table>
<thead>
<tr>
<th>Country group</th>
<th>Baseline</th>
<th>Doha</th>
<th>Up to Bound</th>
<th>Bound &amp; Doha</th>
<th>Up to Max</th>
<th>Max &amp; Doha</th>
</tr>
</thead>
<tbody>
<tr>
<td>High-income</td>
<td>15.6</td>
<td>10.3</td>
<td>22.9</td>
<td>15.6</td>
<td>18.5</td>
<td>13.6</td>
</tr>
<tr>
<td>Developing</td>
<td>18.3</td>
<td>17.6</td>
<td>40.8</td>
<td>33.4</td>
<td>24.9</td>
<td>23.0</td>
</tr>
<tr>
<td>Least developed</td>
<td>11.6</td>
<td>11.6</td>
<td>65.3</td>
<td>65.5</td>
<td>20.0</td>
<td>20.0</td>
</tr>
<tr>
<td>World</td>
<td>16.4</td>
<td>12.6</td>
<td>29.4</td>
<td>22.2</td>
<td>20.6</td>
<td>16.7</td>
</tr>
</tbody>
</table>

(i) Doha: December 2008 modalities  
(ii) Up to Bound: Non-FTA applied tariffs increased to existing bound levels.  
(iii) Bound&Doha: Implementation of December 2008 modalities plus non- FTA applied tariffs increased to new, post Doha, bound level.  
(iv) Up to Max: Non-FTA applied tariffs increased to their maximum over the last ten years, capped by existing bound tariffs.  
(v) Max&Doha: Implementation of December 2008 modalities plus non-FTA applied tariffs increased to their 10-year maximum, capped by new, post Doha, bound tariffs.

Source: Bouët & Laborde (2010a).

“Instead of judging what is on the table in the DDA by the metric of the quantitative significance of new liberalization, it should be recognized that the WTO is primarily an institution that provides a mechanism for members to make policy commitments. This suggests that the aim should be as far as possible to bind the current level of openness in industry, agriculture, and services, and for industrial countries, current levels of subsidization in agriculture” (Hoekman et al. 2010a, p.526). Empirical evidence that the WTO is not at all about reducing trade barriers but rather serves to resolve uncertainty in the mind of potential exporters regarding the evolution of international trade rules is presented in Dutt et al. (2011).
3. THE ROAD TO BALI – 2011 TO 2013

3.1. The negotiating process

Following the failure of the ‘Easter package’, the WTO Director-General put forward a three-track plan in May 2011 to prepare for the 8th Ministerial Conference in December 2011.

- Priority would be given to LDC-specific issues such as duty-free and quota-free access for goods produced in LDCs in the developed and developing countries’ markets, waiver of certain disciplines relating to agreements on trade in services and rules of origin and issues relating to ending subsidies for cotton producers in rich countries. These issues should be put on a Fast Track and agreed to immediately.

- Secondly, he proposed LDC–plus outcomes with a significant development component by December 2011 which he called the Middle Lane. An indicative list for the LDC Plus package proposed the following month included issues such as trade facilitation, export competition, S&D Monitoring Mechanism, a step forward on fisheries subsidies and a step forward on environmental goods and services.

- Thirdly, contentious issues like agriculture, non-agricultural market access, services, trade remedies and intellectual property would be moved into a Slow Lane for conclusion after 2011.

The new approach focusing on a ‘mini-package’ or an ‘early harvest’ of deliverables from the Doha Round was legitimised by Paragraph 47 of the Doha Ministerial Declaration which launched the Round as a single undertaking. The paragraph reads: “…. the conduct, conclusion and entry into force of the outcome of the negotiations shall be treated as parts of a single undertaking. However, agreements reached at an early stage may be implemented on a provisional or a definitive basis. Early agreements shall be taken into account in assessing the overall balance of the negotiations”.

The assumption behind the ‘early harvest’ initiative is that there are a number of negotiating issues which are potentially seen as ‘win-win’ issues for all members, so that they can be carved out of the overall negotiations without materially affecting the intricate balance of gains and concessions represented by the draft modalities texts.

In practice, it has proved extremely difficult to identify such issues. Even trade facilitation, meaning steps to reduce the cost of trading, which might be seen as the most ‘neutral’ of issues and in the interests of all members, is not necessarily seen as self-balancing (some members fear that to make trading easier is more
likely to lead to increased imports than to additional exports). Thus, even a ‘mini-package’ has a political requirement to include a number of elements to make it a balanced package in the eyes of members.

However, expanding the package beyond a small number of issues triggers calls for trade-offs in other areas, leading to an unmanageable number of topics and the risk of another failure. By the time of the 8th Ministerial Conference in December 2011 WTO members had failed to make progress on any of the three tracks and the agreed statement adopted at the meeting glumly noted that “the negotiations are at an impasse”.

Nonetheless, the Chair’s concluding statement at that conference noted that “Ministers commit to advance negotiations, where progress can be achieved, including focusing on the elements of the Doha Declaration that allow Members to reach provisional or definitive agreements based on consensus earlier than the full conclusion of the single undertaking”. This, in turn, became the negotiating mandate for the Doha Round element of the 9th Ministerial Conference in Bali.

3.2. The agricultural component of the mini-package

Work on preparing a Bali outcome resumed at a formal TNC meeting in December 2012. Feedback from the negotiating group Chairs and from members now indicated that a small package for Bali built around trade facilitation, an element on agriculture, and an element on development/LDCs might be feasible. The agricultural consultations have focused around three proposals tabled so far:

- a G-20 non paper which proposes an understanding on tariff rate quota (TRQ) administration provisions. This proposal envisages tighter disciplines for administering tariff-rate quotas, and how to deal with the possibility that the methods used might impede trade.
- a G-33 proposal on some elements of the draft modalities text on agriculture for early agreement to address food security issues. The proposal would enlarge the scope of measures eligible for the Green Box and exclude purchases for government stock-holding and domestic food aid at administered prices from the Amber Box/AMS.
- another G-20 non paper proposing a Ministerial Decision on export competition.

In addition, some elements on cotton are being explored as part of the LDC component of the package.

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3 “It is no exaggeration to say that trade facilitation as is being currently negotiated in the WTO amounts to import facilitation by Developing Countries for the products of Developed Countries. Therefore, many developing countries are concerned about the current proposals on the table with regard to Trade Facilitation.” (Narayagan, 2012).
3.2.1. **Tariff rate quotas**

The G-20 has proposed an early agreement on TRQ administration whereby the WTO would address the problems of persistent under-filled TRQs (i.e. when the fill rates are below 65% for 3 consecutive years) and find solutions to resolve them.

The WTO secretariat circulated its paper on tariff quota administration and fill rates in January 2013. During the period 2002-2009, data was available for 61% of scheduled tariff quotas but for the period 2010-2011 the number of TRQs for which a fill rate can be calculated drops to about 30%. During the period 2002-2011, tariff quotas were, on average, 61% filled There was some dispersion of countries around this average: among countries that posted simple average fill rates lower than 65% are China, India, the EU, Norway, Korea and the US whereas countries like Canada, Australia, Brazil and New Zealand have consistently recorded fill rates higher than 65%. Thus, tariff quota underfill appears to be a widespread problem.

The proposal replicates the supposedly stabilised text of the revised draft modalities document which contains two main obligations, on transparency and a mechanism to address persistent underfill. The mechanism spelled out in the revised draft modalities would gradually raise the pressure on the importing member state to take measures to improve the fill rate, up to and including allowing unencumbered access through either a first-come, first-served mechanism or an automatic, unconditional licence on demand system. Developing country members could choose an alternative tariff quota administration method or maintain the current method in place.

Despite the apparently agreed nature of this text in the modalities document, other members are reluctant to support the proposal as it stands, with the special and differential treatment provision for developing countries a particular focus. For other members, their reluctance stems from the usual systemic issues of wanting to see how this proposal is linked to other issues proposed for early decisions, both within and outside the discussions on agriculture.

3.2.1.1. **Addressing food security**

*Green Box issues*

The first element of the G-33 proposal to address food security is to fast-track agreement on the additional paragraph in the revised modalities which would extend the general services exemption in the Green Box to cover domestic support related to rural development, land reform and infrastructure services in developing countries. The Ministerial Conference will not go so far as to formally amend the Agreement on Agriculture, but members have worked on
declaration/communique language that would recognize in general terms that these policies and programmes could be considered to fall within the scope of “General Services” of Paragraph 2 of Annex 2 to the URAA, with the proviso that the declaration makes clear that the chapeau contained in Paragraph 1 of Annex 2 would fully apply to such policies and programmes.

Proposal concerning public stockholding for food security and domestic food aid

The second, and more controversial, part of the G-33 proposal seeks to expand the scope under WTO rules for developing countries to subsidise food purchases from low-income, resource-poor producers when building government stockpiles or providing domestic food aid.

The G–33 argues that the way trade-distorting domestic support (Amber Box/AMS support) is calculated means that several developing countries are in danger of reaching or exceeding their permitted limits — in most cases this is a “de minimis” amount of up to 10% of the value of production. The problem arises because Amber Box support is not calculated by how much a government actually spends. Instead it defines price support by taking external reference prices, usually from 1986–88, and seeing how much higher are the government’s current administered prices. Inflation and rising commodity prices have forced up the administered prices and with them the Amber Box support calculation for some developing countries.

According to the G-33, this has eroded their policy space and a solution is required to help them to ensure the availability of food for their populations in need through a modification to the existing rules on market price support calculation. Specifically, the G-33 want to fast-track provisions in Annex 2 in the revised draft modalities that would allow developing countries’ governments to buy food from low-income or resource-poor producers at government-set prices (“administered prices”, which would therefore provide price support for producers) with the objective of stocking it for food security purposes or distributing it as food aid - without having to count it as trade-distorting support, which is subject to limits.

If the food were bought at market prices, the programmes would not be considered to distort trade, It is difficult to see that there is an inherent linkage between ensuring the availability of public stocks for distribution to consumers and acquiring these stocks at administered prices which is more in the nature of a market guarantee for farmers.

Members hostile to the G-33 proposal have focused on the systemic impact of changing the current rules to such an extent outside of a wider negotiation. They also highlight the potential trade-distorting consequences of any such change.
Developed countries in particular have expressed concern that the move could allow countries to provide unlimited sums of trade-distorting farm support to their farmers – potentially undermining producers in other countries.

Some potential ways to limit the reach of the proposal have been suggested in the discussions, such as i) product specificity (i.e. limiting any new flexibility to certain staple products like wheat and rice), ii) targeting, iii) restricting or disciplining the disposal of stocks, iv) capping the exemption, and v) associating a transparency and surveillance mechanism. However, it became increasingly clear that the original proposal was not likely to obtain consensus in the time before Bali.

*More flexible AoA rules*

The G-33 have followed up with a further non-paper in which they explore alternative approaches to the problem, such as a potential modification of any of the four variables that enter into the calculation of market price support subject to the de minimis constraint, namely, the de minimis level, the external reference price, eligible production and the administered price.

One option could be to raise the maximum permitted ceiling for developing countries’ de minimis support – currently set at 10 percent of the value of production for all developing countries apart from China which accepted a lower limit of 8.5 percent when it joined the WTO a decade ago. This might be raised to 15 percent for all developing countries instead, according to the proposal.

Another option could be to review the 1986-88 reference prices that are used as a benchmark for calculating countries’ market price support levels. The G-33 countries say that because this yardstick does not capture increases in food prices over the last few decades, it “grossly exaggerates and overstates the economic subsidy provided.”

A third variable that could be negotiated would be the volume of eligible production – which is multiplied by the difference between the external reference price and the administered price to give the value of farm subsidy provided. Using total production produces a much larger support figure than only the amount bought for stockholding.

A final option is to reduce the fourth variable – the administered prices provided to farmers – but this is precisely what the G-33 wants to avoid by its proposal.

Norway introduced a proposal just before the summer break which would permit some flexibility in the level of administered prices. The proposed solution would involve an adjustment in calculations to take account of markets that do not
function properly, enabling at least some developing countries to acquire food at administered prices without breaching limits on trade-distorting domestic support. But there has not been time yet to gauge reactions to this proposal. This second non-paper has faced similar criticisms from members not disposed to tampering with the existing Agreement on Agriculture rules. These countries argue that the complexity of the issue means it can only be resolved as part of a much broader agricultural negotiation, which is unlikely to happen in the short time left before Bali.

The critics also argue that, given the very different situations of different developing members, with most of them having no immediate risk of breaking their commitments, changing the existing rules would be both hasty and disproportionate to address the concerns raised.

*An interim case by case solution?*

This has led to discussion of a possible mechanism/process that might provide for some additional flexibility for specific members on the basis that this would be time limited, non-automatic, and create no or minimal trade or production distortions.

Such a mechanism could: (i) cover public stockholding programmes of developing countries related to food security; (ii) be applicable to staple crops, given the food security focus; (iii) that its use could be subject to an on-going provision of information that would allow members to monitor the situation; (iv) that members could look at safeguards or guarantees aimed at avoiding potential spill-over effect on markets; and (v) that the Committee on Agriculture would have oversight of the mechanism in terms of notification and monitoring discussions.

The basis for this mechanism is that any additional flexibility delivered should be time-limited and that the mechanism itself should be an interim one. The intention is that it would provide some additional breathing space for members having trouble respecting their commitments in respect of public stockholding for food security programmes while working to find a more lasting solution.

But key differences still remain, including the question whether the flexibility delivered under such a mechanism should be i) automatic; ii) non-automatic; or iii) a hybrid arrangement that would involve some degree of automaticity as well as case by case elements. A related question is the nature of the flexibility delivered under any self-executing or automatic mechanism. Some members have also highlighted the need for legal certainty to ensure that members were not challenged under the dispute settlement mechanism.
The committee has discussed a possible “peace clause” which would commit countries to refrain from challenging food stockholding and domestic food aid programmes in the WTO’s dispute settlement process. There is a precedent in paragraph 2.1 of the Doha Decision on implementation-related issues and concerns that urges Members to “exercise restraint in challenging measures notified under the Green Box by developing countries to promote rural development and adequately address food security concerns”. This provides some reference for further elaboration as part of the political messaging. However, no work had begun on drafting a possible text before the summer, with a number of members wanting to postpone debate until the possible outcomes on the other elements of the G-33 proposal are clearer.

3.2.1.2. Export competition

At the 2005 Hong Kong Ministerial Conference, members agreed to eliminate export subsidies by 2013. In May 2013, the G-20 group circulated a proposal prescribing a first step towards eliminating export subsidies and disciplining export credit to reduce the chance that the credit is subsidised. This position is presented as in keeping with the 2013 deadline agreed in Hong Kong, which is also incorporated in the revised draft modalities text.

The G-20 has proposed that developed countries halve the maximum amounts they can spend on export subsidies by the end of 2013. The maximum allowed quantities of subsidised exports would also be reduced by the end of 2013 to the average actual quantities in 2003–05. No reduction has been proposed for developing countries. All WTO members would phase in a 540-day limit in the repayment period for export credit (the eventual target is the benchmark for commercial terms, i.e., 180 days).

The proposal has had a cool reception from the traditional users of these subsidies who warned that the proposal had the potential to seriously jeopardize the chances of outcomes in Bali. They argued that the 2013 deadline was only agreed in Hong Kong as part of a complete Doha Round deal, and that export subsidy reductions would not be acceptable without a broader agreement across agriculture and in some cases in other Doha Round subjects. Some were concerned that the draft did not contain proposed reductions for developing countries. Some reminded members that they consider export restrictions to be important and that current practices lack transparency and discipline. The possibility of a compromise on this issue does not appear promising.

3.2.1.3. Cotton

Cotton is formally part of the development/LDC deliverable rather than agriculture in the Bali package, although the disciplines on domestic support, market access and export subsidies for cotton are part of the agricultural
modalities. Progress on cotton was one of the four issues identified by the LDC group as part of an LDC package in Bali. Their proposal on cotton covered both trade and development assistance aspects.

On the trade front, they propose to include the standstill clause from their comprehensive proposal on cotton submitted to the 8th Ministerial Conference. This proposal would freeze domestic support for cotton at current levels as an interim measure. The development component would create a link between the development aspect of cotton and the Aid-for-Trade initiative to create a framework conducive to the development of subregional or regional multidimensional and integrated programmes or projects for submission for financing by the development partners.

When the cotton issue was first raised as an offensive demand at the Cancún Ministerial Conference in 2003, the target was US domestic support which was a strong contributory factor in depressing global cotton prices. Since then, much has changed in the global cotton market (Baffes 2011). Brazil successfully brought a challenge against the US cotton subsidy programme which was resolved, not through changes to the US programme, but through compensation paid through a fund for technical assistance and capacity building of Brazil’s cotton sector as well as certain other countries. Cotton prices have remained depressed, but more because of the widespread adoption of GM cotton varieties in China and India as well as other producing countries and rising domestic support in China. China is reported to be considering replacing its controversial state reserve policy under which substantial amounts of cotton were purchased at prices well in excess of world market prices by direct subsidies to cotton farmers. Thus opposition to including a standstill on cotton subsidies in a Bali agreement could come from an unusual coalition of countries.

3.2.1.4. Prospects for success

This outline of the continuing differences with respect to the three issues in the agriculture-related package for Bali (which would be multiplied if account were also taken of the outstanding differences in the trade facilitation and development/LDC strands) documents how much of the road remains to be travelled in the remaining three months.

The question facing the negotiators in trying to construct a ‘mini-package’ is which settled elements can be extracted from the draft modalities texts which both make up a balanced package in themselves while not disturbing the balance of rights and obligations already established within each of the texts. While, in principle, the ‘early harvest’ agreements would be taken into account in any final assessment of the single undertaking, one can imagine that the beneficiaries would be tempted to pocket these gains and to discount their value in continuing
negotiations in the knowledge that they are very unlikely to be revoked. Constructing the package is further complicated by the fact that not all members accept that the provisions drawn from the revised draft modalities are in fact settled.

Even if the ‘mini-package’ being negotiated were agreed as a balanced package, the substantive question of the significance of the measures included evaluated against the level of ambition for the Doha Round as a whole remains. The TRQ and food security topics both address housekeeping issues left over from the Uruguay Round; only the increased disciplines on export subsidies and credits would represent some further steps towards liberalisation, and the prospects of agreement on this issue as part of a ‘mini-package’ are, frankly, nil.

4. THINKING ABOUT THE FUTURE

4.1. Why the WTO impasse?

The specific issues on which the negotiations have so far failed to reach a consensus are documented in the Chairs’ reports to the Trade Negotiations Committee, most recently in connection with the ‘Easter Package’ in April 2011. But the deeper question remains: why does completing the Doha Round seem so exceptionally difficult? Various authors have discussed this issue in considerable depth (Baldwin 2006; Brandi & Helble 2012; Evenett 2007; Martin & Messerlin 2007; Schwab 2011; Bureau & Jean 2013) and the WTO Director General Pascal Lamy gave his own assessment when reflecting on the failure of the Easter Package (Lamy 2011). As an understanding of the fundamental reasons for the Doha Round impasse can help to identify how to move multilateral trade negotiations forward, some of the more prominent explanations are briefly summarised here.

An overloaded Round. Early GATT rounds were concerned with the simple exchange of tariff concessions on manufactured goods. Over time, the scope of multilateral negotiations has broadened to include, in particular, issues of services and intellectual property protection as well as non-tariff barriers where the key concerns are domestic regulations rather than tariffs. Although the attempts to include the ‘Singapore issues’ (government procurement, trade facilitation, trade and investment, and trade and competition) in the Doha Round were ultimately unsuccessful (with the exception of trade facilitation), the Round is still the most comprehensive in history. Not only are regulatory issues not amenable to the reciprocal exchange of concessions on which the success of GATT was founded, but these issues also touch a much broader range of domestic constituencies than traditional tariffs. The increased technical complexity and the disruptive domestic economic effects of the issues being negotiated make a successful outcome more difficult to achieve (Baldwin 2006).
**Flawed decision-making processes.** The WTO’s decision-making processes have come in for much criticism, with Lamy (when EU Trade Commissioner) famously describing them as “medieval” following the failure of the Cancún Ministerial. In his farewell speech to the TNC in July 2013, he argued that the WTO should follow the process used by other international organizations and let WTO staff draft trade agreements, with member states setting the initial objectives and signing off on any final decision.

Others have criticised the structure of the negotiating process (Schwab 2011). The procedure of agreeing formula tariff cuts in the agriculture and NAMA negotiations accompanied by flexibilities and exceptions results in an important information asymmetry. Countries can easily assess the ‘pain’ associated with the negotiations as they have good information on how they can choose the options that best suit their circumstances. Working out the ‘gain’ side of the deal is much more difficult because countries do not know what their trading partners will do. Even if policy makers in an individual country could know what their trading partners are likely to do, they face a challenge in adding up the implications of these decisions (Laborde et al. 2012).

Others have argued that the single undertaking now more a barrier rather than a facilitator of overall agreement. The argument in favour of a single undertaking is that bundling agreements into a single package offers greater opportunities to achieve trade-offs across distinct issue areas. This is especially true when several parties to the negotiations have widely different perceptions of which agreements pose risks and opportunities. If Country A sees agricultural policy as a losing proposition but has high hopes for services liberalisation, whereas Country B has just the opposite view, there is little prospect that they will make progress in discrete negotiations on the two topics. If these matters can be tied together, however, they may be better able to break the deadlock. The drawback is that the pace and ambition of the negotiations is reduced to the level of the most reluctant negotiator, given the consensus rule with which the WTO operates.

**Gridlock in global governance.** It may be inappropriate simply to focus on the specific Doha Round explanations of the impasse. The inability to conclude the Doha Round may reflect a wider malaise as part of the general questioning of globalisation. The world, according to this view, has lost appetite for further trade opening. The retreat from multilateralism is evident not only with respect to trade, but in the failure to address a whole range of global systemic issues, such as climate change, the international monetary system, macro-economic coordination or even disarmament (Hale et al. 2013). At the heart of this gridlock is the shift in continental geopolitics which implies painful, slow, and still to come adjustments in global governance.
Shifts in relative bargaining power in favour of developing countries. The emergence of new players has been very evident in the course of the Doha Round negotiations. The increase in the WTO membership and its diversity in itself would make the task of building consensus more cumbersome and complicated. 153 vastly different members have a harder time agreeing than the original 23 GATT signatories. But, in addition, there has been an important shift in the balance of power within this larger group of members. Traditionally, an agreement between the larger developed countries (the US and EU in particular) determined the pace and direction of trade liberalisation. Developing countries opted out of the mutual exchange of concessions by emphasising special and differential treatment provisions. But with the rise in economic importance of the emerging developing economies, this free ride is no longer tenable.

At the same time, developing countries, once silent, are today much clearer and vocal about their priorities. The Cancún breakdown was the result of developing countries refusing to negotiate on the Singapore issues and led to the formation of the G-20 coalition of developing countries (and the subsequent formation of other developing country coalitions concerned with particular issues, such as the G-33 with a focus on food security) which have fundamentally changed the negotiating dynamic within the WTO. Developing countries have been remarkably successful in maintaining their negotiating unity, even if there are clear differences in interests between those that are narrowing the gap with developed countries and those that have been less successful in generating sustained economic growth, and between those with main offensive or defensive interests in agriculture.

Dysfunctional SDT. A particular aspect of the WTO rules called into question by the changing structure of the world economy is the role played by special and differential treatment (SDT). SDT is a key principle behind the Doha Round. It means that countries should bear obligations in proportion to their capacities. Over time, a tripartite distinction has emerged between developed, developing and least developed countries with respect to the flexibilities they have within the rules. The problem is that the developing country group within the WTO is based on self-classification rather than objective criteria (this is not the case for the LDC group which is based on the UN classification which is regularly revised). This has given rise to the paradoxical situation where some OECD members are considered developing countries in the WTO context with access to SDT provisions, and some developing country WTO members now have higher per capita incomes than countries classified as developed which accept greater obligations (Schwab 2011). But redesigning the beneficiaries of SDT will not be easy, as Lamy noted in a speech in January 2013. “Agreement is still lacking on the balance of contributions and benefits between the US, the EU, Japan and the like on the one side, and India, China, Brazil and the like on the other side. Advanced economies argue that emerging economies have now ‘emerged’ and
should therefore accept a trade regime that is similar to theirs. Emerging countries argue that they still face daunting development challenges which require flexibilities in the form of ‘special and differential treatment’, as we say in the WTO, or what the UN climate process calls ‘common but differentiated responsibilities’. Behind this conundrum lies a simple geopolitical question: are emerging countries ‘rich countries with many poor people’ or ‘poor countries with many rich people’? Until and unless both sides agree on the answer, consensus in major multilateral negotiations will remain elusive.”


Inconsistent perceptions as to the purpose of the Round. Developed and developing countries also have very different views as to the objective of the Doha Round. For developing countries, this is about redressing the unequal bargain of the URRA, it is a development round. For some developed countries, particularly the US, there is ‘not enough on the table’. Developing countries see the Round as achieving ‘fairness’, whereas developed countries put more emphasis on the need for reciprocity in trade liberalisation. For the US, in particular, it was essential that the final agreement should increase market opportunities for US exports of farm products, manufactured goods, and services, particularly in high-potential, high-growth markets such as Brazil, China, and India (Schwab 2011).

As The Economist noted: “....the real bone of contention is the aim of proposed cuts in tariffs on manufactured goods. America sees the Doha talks as its final opportunity to get fast-growing emerging economies like China and India to slash their duties on imports of such goods, which have been reduced in previous rounds but remain much higher than those in the rich world. It wants something approaching parity, at least in some sectors, because it reckons its own low tariffs leave it with few concessions to offer in future talks. But emerging markets insist that the Doha round was never intended to result in such harmonisation. These positions are fundamentally at odds” (The Economist, April 28, 2011).

Incentives to conclude Round are weak. An important explanation for the failure to conclude the Doha Round is that the gains on offer are simply too small for the political costs that would be incurred. Gallagher (2007) has argued that developing countries lost interest in the negotiations because the possible gains from market access were not large enough to trade giving up domestic policy space for development policy. The empirical studies discussed earlier suggest that the amount of new trade likely to be created from a Doha Round agreement is relatively small, partly because tariffs for manufacturing sectors are now relatively low while the offers on services have tended to confirm existing market-opening rather than create new opportunities. As a result there has been little pressure from private sector interests in developed countries to quickly conclude the Round.
The original assumption behind the Round was that developed countries would trade off large cuts in agricultural tariffs and subsidies for increased market access to the manufacturing and services markets of developing countries. The relevance of this exchange was always suspect. While reduced agricultural protection was certainly of interest to Brazil, it is not obvious that it was a high priority for China or India (Baldwin & Evenett 2011). Further, the original exchange rate between agriculture concessions and those in industry may have become obsolete, given that the current high prices of commodities make binding concessions on agricultural tariffs or subsidies less relevant (Lamy 2011). The EU’s negotiating strategy in the Round may also have contributed to the devaluation of the significance of further agricultural concessions. By deciding to reform the CAP first, the EU’s contribution to the negotiations was limited to agreeing to bind its agricultural reforms. If its trading partners expected that these reforms are anyway driven by internal pressures and unlikely to be reversed, the offer to bind them has little value to major agricultural exporters (Evenett 2007).

A more procedural problem has been the lapsing of Trade Promotion Authority in the US in 2007. This allows a ‘fast track’ process of expedited congressional approval whereby the US Congress agrees to consider any trade agreement as a whole without trying to amend it. In the absence of TPA other countries have little incentive to offer concessions because there is no guarantee that the US administration could deliver a successful vote in Congress. Suspicion about the further reliability of the US as a negotiating partner was further strengthened by the debate on the latest Farm Bill which (unlike the EU) paid no attention to potential Doha Round disciplines.

The proliferation of bilateral and regional free trade agreements. The rapid growth in the number of bilateral and regional agreements (RTAs) in recent years has probably contributed to the increased difficulties in negotiating multilateral agreements. Both developed and developing countries seem quite prepared to expand their trading opportunities through these types of discriminatory agreements as an alternative to negotiating multilateral agreements. The spread of RTAs has reduced the market access gains expected for key players from multilateral liberalisation. They also reduce the incentive to engage in multilateral liberalisation because RTA members would lose the benefits of the preferential rents they earn due to the trade discrimination inherent in RTAs and other preferential agreements. An illustration of this dynamic was the resistance by the United States to extend DFQF treatment to Asian LDCs (Bangladesh, Cambodia, Laos), which is driven in part by concern that doing so would erode the value of the preferential market access provided to eligible African countries under the African Growth and Opportunity Act (Hoekman 2013).
Lack of pressure to change – world trade is doing fine. A final impediment to completing the Doha Round is the sense that world trade appears to be growing strongly and, if it ain’t broken, why fix it? Merchandise exports have done so well since 2001 that few are able to visualise how a WTO trade deal will help. Countries have by and large complied with their commitments under the URRA and the Dispute Settlement Mechanism has worked well. Tariffs have continued to fall due to unilateral reductions and as a consequence of the many bilateral and regional trade agreements, and this reduction has also extended to agricultural tariffs. For the world as whole, applied MFN agricultural duties were cut from 24.6% in 2001 to 18.7% in 2010, and applied preferential duties from 15.8% to 13.8% (Bureau & Jean 2012). The cut in MFN applied duties was especially steep for countries classified as developing in the WTO, from 31.1% to 23.2%. Even in the midst of the recent Great Recession, protectionist impulses have been very limited. The bottom line is that few players perceive sufficient benefits from pushing for an early conclusion to the Round.

4.2. Problems of a Doha Failure

There are, nevertheless, strong arguments that simply letting things drift could be a dangerous course of action for the multilateral trading system. First, there are the opportunities foregone. The review of quantitative studies earlier showed that concluding the Doha Round on something close to the current modalities would yield real income gains, even if the size of these gains in terms of what we can measure is relatively small. But also important are the insurance gains against a relapse to protection. Concluding Doha can help to reinforce policy stability by locking in current low applied tariff rates and reducing the probability that governments will resort to protectionism taking advantage of the wide gaps between bound and applied rates.

Second, there is the danger that letting things drift may have negative systemic implications in the medium terms. If members cannot make the WTO’s legislative and rule-making function work, there is the fear that this could have negative knock-on effects on its effective dispute settlement mechanism (e.g. greater recourse to unilateral retaliation; non-compliance with rulings). Also, while regionalism and multilateralism have arguably been fairly compatible up to now, a general loss of confidence in the WTO could encourage regionalism to take a more protectionist direction. There is an apt analogy with cycling that, unless you are moving forward, you are likely to fall off.

A third consequence of a Doha failure is likely delay and difficulty in dealing with new trade challenges, such as the possibility of resort to trade policies in the context of divergent responses to climate change, preferential government procurement in the context of economic stimulus programs, and new nationalistic export restrictions in the context of food and financial crises (Hoekman et al. 2010b).
4.2.1. Abandon the Round

Paradoxically, some influential voices have argued that it is desirable to abandon the Round precisely to escape from its debilitating effect on this wider agenda. According to (Schwab 2011), “The pretense that the deal will somehow come together at long last is now a greater threat to the multilateral trading system than acknowledging the truth: prolonging the Doha process will only jeopardize the multilateral trading system and threaten future prospects for WTO-led liberalization and reform”.

Schwab advocates that negotiators should salvage any partial agreements they can from the round and walk away from the rest. World leaders and trade policymakers should then immediately redirect all the energy, initiative, and frequent-flier miles devoted to Doha into launching new multilateral initiatives to restore trust in the WTO and preserve it as a dynamic venue for both improving and enforcing the rules governing international trade (Schwab 2011). An advantage of relaunching a post-Doha negotiating process, in her argument, is that it could avoid the procedural mistakes made in the Doha Round. An objection to this prescription is that the efforts to put together a Bali deal show how difficult it is to get consensus on any partial agreements. The implication is that abandoning the Round would nullify the work put into the Doha modalities. Another objection is that those countries which still saw merit in persisting with the Doha Round are hardly likely to be enthusiastic about engaging in a new process. The counter-argument is that more narrowly-focused negotiations will be able to attract participants provided they are based on countries’ self-interest.

4.2.2. Abandon the single undertaking

The main rationale for calling a halt to Doha, in the eyes of those advocating this position, is that it would allow the dropping of the ‘single undertaking’ rule. Instead, talks would be broken up into small chunks and allowed to progress independently of one another. The difference between a ‘variable geometry’ approach and a single undertaking may be less clear-cut in practice. In the case of voluntary codes, developing countries could opt in or out of an agreement altogether. With a single undertaking, there is greater pressure to provide for qualifications and exceptions through special and differential treatment within the terms of the agreement. The question nevertheless remains: is it better to have a system in which developing countries are free to opt out altogether from agreements that do not otherwise draw distinctions among countries at different levels of economic development or a system in which all countries are obliged to accept agreements that include more precisely defined terms of S&D treatment?

When the scope of the trading system began to expand in the 1960s and early 1970s, many countries opted out of agreements that they considered to be too
intrusive. The URAA was the first to be based upon a single undertaking. The Doha Round was founded upon the same principles: many countries negotiating on an ever-wider range of issues, with all countries agreeing in advance to accept all of the agreements that are produced (Wolfe 2009).

Freening the current Doha Round negotiations from the single undertaking commitment is unlikely to work. Any such decision would have to be made by consensus under current rules. Although the single undertaking is sometimes seen as an initiative of the United States (though this is questioned by Wolfe (2009)), developing countries are now strong supporters of the principle having seen the leverage that it gives them. Further, the individual agreement negotiations would likely have taken a different form if it were clear that trade-offs across issue areas would not be possible. This is the rationale underlying the argument that the Doha Round should be abandoned to allow a fresh start to be made. However, there are grounds for scepticism whether abandoning the single undertaking (which, as argued, would also require abandoning the Doha Round) would be the panacea its supporters hope.

It is hard to see that abandoning the single undertaking would help to advance negotiations on agricultural trade liberalisation. Agriculture is often taken as the exemplar issue where it is very difficult to find reciprocal gains for all members within the agricultural sector; hence the attraction, indeed necessity, for cross-issue linkages if further agricultural trade liberalisation is to be successful. Identifying and enforcing such linkages across separate and parallel negotiations is really only feasible in the context of a single undertaking commitment where nothing is agreed until everything is agreed.4

4.2.3. Plurilateral agreements

Abandoning the single undertaking to concentrate on negotiating specific agreements implies that not all WTO members need to subscribe to these agreements; we are thus talking about plurilateral rather than multilateral agreements. The experience of existing plurilateral agreements is thus of interest in evaluating the consequences of abandoning the single undertaking.

Three such agreements have been established since the WTO was created in 1994. Two cover services - the Basic Telecommunications Agreement and the Financial Services Agreement – and one, the Information Technology

4 As an argument to maintain the single undertaking, this is maybe a case of the tail wagging the dog. The Economist has called for a Global Recovery Round to replace Doha focusing on manufacturing and services, arguing that an industry that makes up only 7% of world trade cannot hold everything else hostage (Economist http://www.economist.com/node/21562196 Goodbye Doha, hello Bali 8 Sept 2012).
Agreement, covers trade in goods. In addition, two plurilateral agreements, the Agreement on Government Procurement (GPA) of 1996 and the Agreement on Trade in Civil Aircraft of 1980, which were originally Tokyo Round codes were carried into the WTO. The two services agreements were negotiated as part of the ‘built-in agenda’ following the URAA but before the launch of the Doha Round. Other proposals for plurilateral agreements, or sectorals, have been discussed in the NAMA negotiations for chemicals, machinery and electronics. In addition, some WTO members – originally led by the USA and Australia - started floating the idea of a stand-alone agreement on trade in services amongst willing WTO members following the 8th Ministerial Conference in 2011. The participants in this initiative are the so-called "Really Good Friends of Services" and (in June 2013) included 21 participants (including the EU as a single entity) covering around 70 percent of global services trade.

These agreements share a number of common characteristics. First, either explicitly or de facto, they are critical-mass agreements in that the participants cover the majority of world trade in that product or service. For example, the ITA only entered into force in 1997 when it was signed by countries accounting for 90 percent of world trade in these products. Second, and driving the first point, is that the benefits of the agreements apply to all WTO members whether they have signed the agreement or not.\(^5\) The critical mass requirement follows as an attempt to limit the extent of free-riding. Third, there is a north-south pattern of membership; the agreements offer sector market opening for products of interest to firms based in OECD countries which largely make up the active membership. Fourth, all participants are expected to take on all the agreement obligations, with the only form of special and differential treatment being the possibility of longer time periods for implementation.

It is hard to see that plurilateral negotiations have relevance as an approach to further liberalising agricultural trade. The number of potential producers of agricultural commodities is too great to envisage an agreement in which a small number of OECD countries with possibly some developing countries would agree to discipline tariffs and domestic support and extend these benefits to non-participants on an MFN basis. If the agricultural negotiations were to continue on a stand-alone basis, as envisaged in the URAA built-in agenda, this would have to be on the basis of the participation of the whole membership albeit with the inclusion of significant special and differential treatment provisions.

\(^5\) An exception is the GPA which was first designed as an optional code during the Tokyo Round negotiations. Unlike other codes, public procurement was not taken up in the ‘single undertaking’ exercise of the Uruguay Round. Existing parties to the agreement feared including all members would slow down progress and opted for a separate agreement which has since been considerably revised and extended.
4.2.4. Regionalism

Many countries appear persuaded that bilateral or regional trade agreements offer an easier route to further trade liberalisation than the multilateral route. The ongoing negotiations on the Trans-Pacific Partnership and the recent launch of the Transatlantic Trade and Investment Partnership between the US and the EU underline the attractions of the regionalism option.

Many ‘behind the border’ barriers to trade appear easier to deal with on a bilateral or regional basis. However, the political challenges of getting legislative approval of such agreements may not be much less than those of passing a multilateral trade deal. RTAs also raise systemic problems for the multilateral trading system because, by definition, they discriminate against countries outside the RTA and with the negotiation of ‘mega-laterals’ this problem will become even more pressing.

Most recent RTAs do cover agricultural products, but liberalisation takes the form of opening tariff rate quotas for the products of export interest of participants (Fulponi et al. 2011). RTAs are not capable of addressing agricultural subsidy issues which can only be negotiated multilaterally, as no country would agree to discipline the use of agricultural subsidies in an RTA context without the assurance that other large countries were accepting similar disciplines. Thus, RTAs only offer an incomplete route to further agricultural trade liberalisation.

5. CONCLUDING THE DOHA ROUND

5.1. Completing the agricultural package

Although the draft agricultural modalities circulated in April 2011 represent an advanced stage of discussion, not all issues have been settled. Common to many of the unsettled issues is the concern of developing countries about how further Doha Round disciplines would impact on their food security (Matthews 2012b). While further disciplines on OECD country agricultural policies would, in themselves, make a contribution to global food security by enhancing the predictability of agricultural trade, by helping to ‘thicken’ agricultural trade flows and by limiting unfair competition, many developing countries are concerned about the impact of these disciplines on their own domestic food production capacity. Among the most difficult issues in the agricultural negotiations have been how to address the objectives of these countries to shield products they saw as important for their food security from tariff reductions (Special Products), as well as to have the right to protect themselves from destabilising import competition (Special Safeguard Mechanism). More recently, in the wake of high and volatile global food prices, net food importing
developing countries have highlighted their vulnerability to disruptions in import supplies and have called for parallel disciplines on export restrictions by exporting countries.

The negotiations have been complicated by very different views on the context in which they take place. Developed country exporters use these limits on market access by developing countries to justify holding back on more ambitious offers to reduce tariff peaks or trade-distorting domestic support. Developing countries, on the other hand, perceive the continued high protection for developed country farmers after the URAA as unfair and unreasonable, and argue that SPs and the SSM are merely levelling the playing field and not demands for which they should have to pay in negotiating terms. This reflects the tension between the principles of ‘fairness’ and ‘reciprocity’ underlying the negotiations. The fact that countries differ over whether the negotiations are intended solely to pursue trade liberalisation, or should also provide the opportunity to redress historically uneven entitlements to agricultural protection, explains to a large extent the intensity of disagreement over these issues.

The negotiations have also been complicated by very different views on what these instruments are intended to achieve. For some countries, mainly but not only developed countries, safeguards have a role in providing some flexibility as countries undertake a long-run commitment to liberalisation. For the proponents of SPs and the SSM, they are mechanisms to legitimise protection as a permanent feature of the global trade regime. In much of the discourse on the impact of WTO trade rules on food security, there is a presumption that greater policy space is synonymous with greater food security. WTO rules are criticised because they limit the policy space of developing countries, although often without analysis of the link between policy space and food security. The fact that, increasingly, developing country imports are supplied by developing country exporters is just one pointer to the need for a more balanced discussion. Developing countries now supply more than one-half of all developing country food imports, and thus will be most affected by continued protection of developing country markets. Three of the knotty agricultural issues outstanding are briefly reviewed.

5.1.1. Special products

The December 2008 modalities propose that developing countries could self-designate up to 12 per cent of their tariff lines as SPs (13 per cent in the case of SVEs and RAMs), guided by indicators based on the criteria of food security, livelihood security and rural development. Further, a proportion (5 per cent) would be exempt from tariff cuts, although the overall average cut would have to be 11 per cent (10 per cent for SVEs and RAMs). The key issues in the negotiations on SPs concern the number of products to be eligible for this status,
the identification of these products, and their treatment. A footnote to the text noted that a number of developing country members continued to express reservations concerning these numbers, noting also that this may be affected by what is decided in other areas of the text.

Given that developing country imports are often concentrated in a few tariff lines, providing SP exemptions on even a small percentage of tariff lines could impact on a very large portion of the agricultural trade that occurs (Matthews 2012a). Much will depend on whether the qualifying criteria would, in practice, turn out to limit the discretion of developing countries to arbitrarily self-designate the products that might be eligible for SP status. The proposed indicators appear to be so broad that they are unlikely to constrain developing countries. This adds to the uncertainty of exporters about the real degree of additional market access they would obtain. The fact that SPs would be in addition to sensitive product designation (albeit the latter would require compensatory increases in tariff rate quota access) also needs to be borne in mind when evaluating the overall change in market access from a Doha Round agreement.

5.1.2. Special safeguard mechanism

Safeguards are designed to protect against the adverse consequences of domestic market disruption caused either by unduly low-priced imports or import surges. The draft modalities provide that a Special Safeguard Mechanism (SSM) will be established for use by developing country Members. However, there was never a broad agreement on the purpose of the SSM, which complicated and eventually poisoned discussion on the design of the instrument, to the point where divisions over the SSM were blamed for the breakdown in the Doha Round talks in 2008 (Wolfe 2009). The principal difference was whether the SSM was intended to deal with market disruption resulting from Doha Round liberalisation, or whether it was intended to address market disruption more broadly. Differences over the design of the mechanism, including its product coverage, triggers, remedies and duration, all flowed from differences over its fundamental objective.

The proponents of the SSM want an effective, easy to operate instrument which addresses their food security concerns. However, for a successful outcome, the SSM modalities must be acceptable both to agricultural exporters as well as to importers. Applying the existing draft modalities, and particularly the volume-based SSM, would potentially expose a high proportion of trade with developing countries to the risk of supplementary safeguard duties. SSM proponents protest that, in practice, developing countries are unlikely to use more than a fraction of these opportunities. Indeed, it is clear that many so-called import surges contribute to food availability when domestic production suffers a setback.
However, an agreement cannot be based on such uncertainty. If, indeed, SSM proponents envisage using the mechanism on relatively few occasions, then there should be scope to construct rules which clarify when these occasions would occur. Whether these rules would involve limits on the number of tariff lines for which the SSM could be invoked at any one time, more rigorous trigger conditions or a strengthened cross-check condition would be for negotiators to decide.

5.1.3. Export restrictions

Export restrictions played a significant role in the 2008-09 food price spike (Anderson and Martin, 2011; Yu et al, 2011). Over the 2008-2010 period, 9 per cent of total food trade (measured using monthly data across 125 countries at the 4-digit level) was covered by export restrictions. If just staple foods are considered, the share increases to 22 per cent on average during this period (Giordani, Rocha, and Ruta 2012). Poorer food-deficit countries/regions, with limited power to manipulate their trade policies, experienced higher price increases compared to those major trading countries that adopted policy interventions. Developing countries that are net importers but did not implement trade policy interventions also experienced significant welfare losses resulting from interventions implemented by other major trading countries.

Quantitative restrictions on exports, including agricultural goods, are prohibited by Article XI.1 of the GATT, but exceptions in the agreement (“to prevent or relieve critical shortages of foodstuffs essential to the exporting WTO Members” and for price stabilization purposes, intended for processing industries) make the rules difficult to interpret and enforce; there are no prohibitions on export taxes. It has been relatively easy, therefore, for countries to justify export restrictions as a means of relieving critical food shortages (Mitra and Josling 2009).

In the December 2008 modalities disciplines on export restrictions are somewhat tightened. Existing export prohibitions and restrictions in foodstuffs and feeds must be eliminated by the end of the first year of implementation of a potential Doha Round agreement. New export prohibitions or restrictions should not normally be longer than 12 months, and can exceed 18 months only with the agreement of the affected importing members. Exporters resorting to restrictions would have greater obligations to consult with affected importers and to provide justification, and the surveillance role of the Committee of Agriculture would be strengthened. The additional obligations to consult would not apply to least-developed and net food-importing developing countries. A proposal from the net food-importing developing countries as part of the 2011 ‘Easter package’ would allow them and least-developed countries special treatment so that their imports are not affected by countries’ export restrictions - the restrictions would not apply to them.
Mitra and Josling (2009) consider various options how these disciplines could be further strengthened. Tariffication of quantitative export restrictions and the binding of export taxes have the attraction of symmetry with the rules on import tariffs, but could have the paradoxical effect of legitimizing the use of these measures and encourage their more frequent use. They note another difference that export restrictions for price stabilization purposes tend to be only used irregularly during price spikes, and thus share some characteristics of contingent protection against price slumps. Building on the rules to discipline use of import safeguards could be another direction to pursue. Some observers have questioned the utility of trying to introduce binding disciplines on export restrictions in WTO rules, arguing that the procedures would be too slow to be effective during a price spike. Another problem is that the products of most interest to food importing countries (i.e. staple foods) are those currently covered by the existing exemption for products critical to food security; from a practical viewpoint, it may be difficult to prevent a country from using export restrictions when domestic prices for its staple food such as rice soar and threaten political stability. The alternative view is that transparency and consultations may act as a constraint; and that it is important to have disciplines on export bans and restrictions to avoid the doubts about the trading system that encourage a retreat to self-sufficiency strategies. The US experience underlines the important role of domestic producer groups in preventing export restrictions. These groups have opposed including food in the scope of trade sanctions, citing concerns that it undermined the country’s reputation as a ‘reliable supplier’.

5.2. The wider picture

A solution to the Doha Round impasse cannot be found within the agricultural negotiations alone. The rationale for the single undertaking is that linkages are made between the level of ambition in agriculture and in other element of the negotiations, particularly NAMA. Thus, if the Doha impasse is to be broken, the wider systemic issues behind the Doha failure need to be addressed. A successful agreement will have to find a balance between the respective roles and obligations of developed and developing countries and their differing perceptions of the objectives of the negotiations.

At a minimum, the following principles enumerated by Lamy (2013) seem important http://www.wto.org/english/news_e/sppl_e/sppl264_e.htm:

- emerging countries must accept that, as they develop, they will align their level of international commitments to those of advanced economies.
- advanced economies must recognise that, given their own historical responsibilities for the remaining unfairness in trade rules, emerging countries deserve long transition periods to converge towards common commitments.
for the poorest countries, the issue is less what level of commitments and more how to help them build the capacity to take advantage of trade opportunities.

At the heart of these issues is the role of special and differential treatment (SDT) and which countries are entitled to claim that status in a rapidly changing global economy. What SDT means in practice is a matter for negotiation in each of the individual agreements, but the current self-designation of developing countries which grants an automatic right to SDT is clearly not sustainable. Developed countries are not willing to grant greater SDT flexibilities if these can be used by countries which they see as already competitive exporters. Part of the ‘grand bargain’ is therefore some graduation mechanism whereby more successful developing country exporters are willing to take on a higher level of commitments under the agreements.

But developed countries cannot have it both ways. If they want the emerging economies to take a greater share of the responsibility for liberalising the global economy, this principle must also carry over into other global institutions such as the UN, the IMF and the World Bank. The design of these institutions which reflects the geopolitical situation at the close of the second world war is no longer adequate as the basis for global governance in the 21st century. Of course, the difficulties of managing this shift in global governance should not be underestimated!

**CONCLUSION**

Another failure at Bali would surely bring the stuttering Doha Round to an end, even if no WTO member wants to be the first to pronounce it dead. But should this be allowed to happen and, if so, what should take its place?

Many countries seem satisfied with the status quo and are in no particular hurry to introduce new rules to regulate trade. After all, world trade has grown rapidly since the conclusion of the Uruguay Round Agreements in 1994 and the spectre of protectionism during the recent economic recession has, so far, largely been kept at bay.

For those countries which perceive the need for new rules, some seem ready to walk away from multilateral negotiations and to pursue their trade objectives solely through bilateral and regional trade initiatives. Others propose the negotiation of critical mass or plurilateral agreements within the WTO between groups of like-minded countries. Others argue that the Doha Agenda focuses too much on yesterday’s trade issues, and call for the relaunch of multilateral negotiations to address the new trade policy challenges which have emerged in the past ten years.
Each of these alternatives has its own problems. They ignore the considerable amount of work that has been done within each of the negotiating areas of the Doha Round. None of them provides a convincing way to address the ‘old’ trade issues including agriculture are still of great interest to many of the WTO’s members. Thus, there still seems merit in trying to bring about the conditions that would give the Doha Round a greater chance of success.

But with the US increasingly retreating from its role as the provider of global public goods, the EU and Japan beset by internal economic problems, and the emerging countries of China, Brazil, India and South Africa strongly constrained by domestic politics from making an impasse-breaking negotiating offer, it is hard to see from where the political leadership to create these conditions might come.

REFERENCES


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