Volume 9 Number 1 2008/p. 51-73 esteyjournal.com

The Estey Centre Journal of
International Law
and Trade Policy

Suspension of the Doha Round of Multilateral Negotiations and the Need for Its Resuscitation

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The Doha Round of multilateral trade negotiations (MTNs) has proved to be egregiously problem-prone. Due to deep dissension among WTO members it had to be suspended, and efforts to revive it have so far not succeeded. Although the mercantilist mindset of the participants has been frequently blamed for the consistently tardy progress of negotiations, there is more to the situation than just a mindset. This article methodically analyzes the various steps taken since the launch of the Doha Round and dwells on the challenges faced during the MTNs. Time and again negotiating members and country groups publicized their constructive intentions, and a series of official pronouncements provided a surfeit of evidence of commitment to the objectives of the Doha Development Agenda. Ironically, with the passage of time it became obvious that those expressions of positive and virtuous intentions were completely misleading. There was a large distance between what was being said and what was being achieved in terms of tangible agreements and core modalities. It is imperative that the Doha Round be resuscitated and that the key players show flexibility and take decisive steps forward. The round is vital; the community of trading economies must not be allowed to collapse. Virtually the entire global community of traders will share in and gain from the successful outcome of the Doha Round. A failure will force them to share the shortfalls. Revival is a possible and credible objective. This article proposes a two-stage revival process.

Keywords: Doha, failure, multilateral negotiations, progress

1. Giving the Kiss of Life to the Doha Round

> If we are facing in the right direction, all we need to do is to keep on walking.
>
> Buddhist proverb

Adjournment of a round of multilateral trade negotiations (MTNs) was an unprecedented step in the annals of MTNs. After continual, earnest and intense efforts in various fora, even after the crucial Group-of-Four (G-4)[1] meetings of June 2007 in Potsdam, Germany, when multilateral convergence seemed tantalizingly close because components of an interim agreement – which was to become a launching pad for the rest of the agreement – had been identified, WTO negotiations broke down. Disarray has placed a large question mark over the ability of the large membership of the World Trade Organization to ever complete the Doha Round. It is imperative that the key players be flexible and take decisive steps forward, but so far they have been reluctant. The round is vital; the community of trading economies must not be allowed to collapse. The negotiations offer a once-in-a-generation opportunity to advance large commercial benefits and create a superior multilateral trading environment for the business community, which in turn can enable economies to promote their growth by enhancing trade in line with their respective comparative advantages.

The Doha Round is important not only because the 150 participating member countries and 29 acceding observers will be adversely affected by its potential failure, but also because it is a single undertaking covering a broad developmental agenda and its failure would impair the global economy in general. Virtually the entire global community of traders will share in and gain from the successful outcome of the Doha Round. A failure will force them to share the shortfalls. Pascal Lamy, the director general of the WTO, felicitously noted that failure would "not be a major economic shock that would precipitate any particular market crisis … but rather a slowly developing disease that would progressively sap the strength of the multilateral trading system built up over the past 50 years, damaging its economic lungs …." (Lamy, 2006). Copious academic researches have drawn attention to the benefits from the new rulebook written during the ambitious Uruguay Round, which was a substantive step forward in the evolution of the multilateral trade architecture. The Doha Round is attempting to build on this logical base to open trade and lock in reforms on an unprecedented scale. If market access is taken as a measure, the Doha Round "as originally defined, is worth two to three times the Uruguay Round …."

(Lamy, 2006). To be sure, a failure will, *inter alia,* weigh heavily on the multilateral trading system, which has emerged stronger from the stresses of the decade of the 1990s. The post-2001 upswing in the global economy cannot be regarded as devoid of threats of flagging, including threats of rising protectionism.

Multilateral trade negotiations are arduous, difficult and time consuming at the best of times. If one observes the developments and events of the preceding three decades, it is easy to comprehend how the evolution of the multilateral trade regime resulted in the negotiation process becoming progressively more challenging. There is no gainsaying the fact that the Doha Round of MTNs has proved to be egregiously problem prone, more than any in the past. While various official communiqués reflected agreements on imperative issues in principle, little else was achieved between its launch in 2001 and the adjournment. Commitment on specific numbers, concrete measures, modalities and time-lines for implementation remained ever elusive. Deep dissension among members, far-apart negotiating positions on crucial issues and inordinate delays in coming to a rare agreement – if and when they did come to one – on the material issues of process and substance frequently brought the round to a crisis point. A post-suspension view of the round exposes the principal players to an honest, if stark, query: What did their agreement on the lofty conceptual goals of the Doha Development Agenda (DDA) mean?

This article examines, *inter alia,* causal factors behind the sluggish movement of the Doha Round and its suspension, as well as the vital need to revive it. Revival is a credible objective and can be achieved with an appropriate and enlightened mix of determination, imagination, flexibility of ideas and a clear vision regarding the future of the global economy. Expanding multilateral trade is one of the principal strands of ongoing globalization and has veritable welfare implications for various subgroups of economies, the least-developed, the developing, the emerging-market and the mature industrial economies.

2. Complexities of the Doha Round

In all, there are 20 negotiating areas in the Doha Round; some have small disagreements, and others large. The areas of negotiation are inextricably linked to each other. Trade in agriculture, which covers less than 8 percent of world trade, is a sensitive area of negotiations for both developing and industrial economies. Historically, it has been an area of major discord; it managed to create serious negotiation blockages in the Uruguay Round and has kept the Doha Round agenda off track. It is widely believed that there has been a bias in the multilateral trade regime against developing countries' trade in agriculture and that this bias must be addressed forthwith. What is needed is elimination of huge subsidies and high tariffs by the industrial economies. Trade in industrial products, which accounts for 90 percent of multilateral trade, also needs to be liberalized, and the industrial economies are seeking a *quid pro quo* from the emerging-market economies (EMEs) like Brazil, China and India. Before they will commit to trade liberalization in agriculture, the industrial economies want EMEs to lower tariffs on industrial products.

The factors contributing to this unacceptable state of affairs go beyond the mercantilist mindset of the negotiators from the principal trading economies and the country groups that wield significant negotiating weight in the multilateral trading system. The Cancún Ministerial Conference (2003) collapsed amidst controversies and deep dissentions among the members. The Hong Kong Ministerial Conference (2005) did not fail, but it achieved little. Contretemps and mishaps continued even after that. The crucial deadline of June 30, 2006, was missed, and two mini-Ministerials, in January 2006 and July 2006, failed to achieve anything, causing a great deal of gloom and disillusionment in the community of multilateral traders and trade policy mandarins.

2.1. Anatomy of Failure

In July 2006, the MTNs were not in an acceptable state. There was no mystery as to what could be achieved by their satisfactory culmination. The global community of traders needed to adopt the policy objectives of economic growth and poverty alleviation by means of an ambitious program of multilateral trade policy reforms. To be sure, such a reform program needed to have an ambitious vision of coordinated global policy action at the highest political level, at the level of the Group-of-Eight (G-8),[2] which comprises the most influential global economies. Growth, poverty alleviation, trade expansion and global economic integration were worthy policy objectives, calling for the attention of apex-level public policy professionals. The G-8 political leaders, in partnership with those from the larger Group-of-Twenty (G-20)[3] economies, needed to infuse fresh political capital to bring the Doha Round back to its feet and get it moving.

Potential compromise offers were made informally in a fourteen-hour (G-6)[4] meeting in Geneva. Pascal Lamy tried to bring the members to agreement on or around a compromise formula he had proposed. However, they failed to bridge the differences in their positions on modalities for agricultural subsidies and industrial tariffs. The large trading economies evidently preferred a collapse to a compromised, if somewhat diluted, final outcome of the Doha Round. The gavel was slammed on July 24 and the Doha Round was formally suspended, leading to a crisis of some magnitude in the life of the WTO. Suspension was prudently preferred to acceptance and declaration of fatality. The collapse epitomized defeat of the common good by special-interest politics and therefore was rightly referred to as "senseless and short-sighted" (*The Economist*, 2006).

The immediate and unsurprising result was furious recrimination and blamesmanship between members. Candidly critical of the U.S. stance, the EU, India and Japan put the blame for collapse at the door of the United States. Most trade delegations were disappointed with the United States for not coming up with any new proposal on domestic farm subsidies in Geneva, as did the other G-6 members. The U.S. response was that no such new offer was necessary because the EU and the EMEs, particularly India, failed to table meaningful improvements on agricultural market access. The United States was also critical of the exceptions to farm tariff cuts sought by the EU and the EMEs, arguing that they were looking for loopholes to avoid legitimate trade liberalization. Judged fairly, the United States alone could not be blamed for the demise of the Doha Round; many other participants were also culpable. From the point of view of a trade economist, trade-distorting subsidies should not have been there in the first place. It was paradoxical that the United States was demanding a *quid pro quo* of extensive market opening measures for the removal of trade-distorting subsidies. Such a stipulation was something approaching an absurdity. Furthermore, the stand taken by the United States was tantamount to spurning the July Framework Agreement of 2004.

However, for three principal reasons, the United States deserved to receive a large portion of blame for the demise of the Doha Round. First, the compromise package that Pascal Lamy was advancing towards after the G-8 Summit would have brought real, albeit modest, reductions in agricultural tariffs and subsidies in the industrial countries as well as industrial tariffs in the EMEs. To an extent, it would also have led to liberalization of trade in services. However, the United States took a hard line and insisted that it was not in favor of a modest kind of Doha Round agreement. If an agreement of appropriate magnitude was not to be reached, the United States made it known that it would not settle for a weak final outcome. Second, the United States was perceived by the other trade delegations to be overly responsive to the demands of its own domestic politics and insensitive to multilateral needs. During the negotiations the United States had frequently demanded maximum concessions, making it impossible for the MTNs to progress at an even pace. It was evident that the political clout of the U.S. farm lobby was enormous, outweighing any promise to take suitable and effective measures for alleviating global poverty (Switzer, 2006). Undeniably, political leadership cannot ignore the demands of domestic constituencies, but such attention must be balanced with multilateral obligations and the need to be a good global citizen. Third, in the recent period, the country's negotiated commitments and its actual deeds have remained far apart. Rhetoric has been seldom backed by action. In the recent past, the United States has been turning away from its traditional commitment to multilateralism. The country signed 9 of its total 12 FTAs between 2001 and 2006. An additional 6 FTAs were awaiting approval in Congress. When the Doha Round was suspended, 11 more were at various stages of negotiation. Thus, in its approach to trade the United States is turning away from efficient multilateralism and toward inefficient bilateralism and regionalism.

Finger pointing aside, reforms the G-6 member countries expected the EU to agree to were difficult but doable, considering past agricultural policies in the EU. Likewise, slashing of farm subsidies by the United States was politically difficult, more-so in the context of its November 2006 mid-term elections, but ultimately possible. All that was needed was political commitment to right the long-term wrongs. The demise of the Doha Round evidenced the political unwillingness of member countries to face the protectionist lobbies, particularly farmers, in their own countries. Complacently neglecting to reform the agricultural subsidy structure was wrong on the part of the United States for an additional reason. The U.S. Farm Bill was to be reauthorized in 2007. The Doha Round was an ideal opportunity – and instrument – for the United States to start eliminating farm subsidies. Failure of the Doha Round effectively eliminated an opportunity to overhaul the farm subsidy program and structure. Loss of this opportunity made the U.S. government vulnerable to litigation at the Dispute Settlement Panel of the WTO. The WTO found the U.S. cotton subsidies illegal in 2004; rice and soybean subsidies may well be the next to be declared illegal under the WTO rules.

By letting the Doha Round collapse after prolonged stagnation, the industrial economies also exposed themselves to another allegation. The Doha Round was conceived as the first ever development round, and the intentions of the members were to rebalance the multilateral trade regime. That the development objective of this round is highly valuable has been noted from the beginning, at the time of the launch, down to the G-8 Communiqué in July 2006. Accordingly, since the launch of the Doha Round, industrial economies have promised support for the DDA, which was expected to help the developing economies, particularly the small and low-income ones, through brisk trade expansion. It was also believed that the Doha Round would help achieve the Millennium Development Goals (MDGs), particularly the first one of halving global poverty by 2015. Good will and commitment to these noble objectives were expressed repeatedly, in enthusiastic and effusive terms, in various Ministerial Declarations. Demise of the Doha Round has led to an obvious loss of credibility for the rich countries in this regard. The collapse is testament to the insincerity of political leadership at the highest level.

Breakdowns in MTNs are not unknown. In December 1990, the Uruguay Round caved in because of insoluble differences between the EU and the United States on agricultural subsidies. It was resuscitated by the erstwhile director general of the General Agreement on Tariffs and Trade (the GATT), who came up with the unusual plan of preparing a draft compromise agreement and presenting it to the contracting parties (CPs) as the basis for a future agreement. He succeeded. The Uruguay Round was completed after failing initially, because eventually all CPs were willing to make compromises and accommodations, though resolution did take much longer than originally planned. Could the Doha Round be a repetition of history? An optimist always has enough to go on.

This cloud has a silver lining. Suspension of the Doha Round can be seen as a Pyrrhic victory for the protectionist lobbies and forces. It was not followed by calls for increasing protectionism; the ocean of world trade remained placid. During the contemporary period, multilateral trade has been growing at a higher rate than the global GDP growth rate. Although a major setback, the suspension of talks represents merely an inability to advance the multilateral trade regime, not a retrograde movement. The probability of the multilateral trade regime falling apart in the short term is virtually nonexistent. Nevertheless, with the passage of time this failure will decisively show its pernicious effects and cast a debilitating shadow over multilateral trade. This medium- and long-term incapacitating influence over the multilateral trading system is not in doubt.

3. What is beyond Mercantilism?

The consistently tardy progress in the Doha Round was blamed most frequently, almost in a routine manner, on the mercantilist mindset of the participants. This observation applies to both academic writings and the economic and financial press. The same factor is also regarded as the primary culprit behind the ignominious collapse of the Cancún Ministerial Conference as well as the lean harvest of the Hong Kong Ministerial Conference. It is time to put this accusation in a proper perspective and determine whether it has been an impetuous, unjust and excessive accusation. Does mercantilism have a strong grip over the minds of the negotiating trade ministers and delegations? Perhaps this is not the entire explanation for the lack of progress in the Doha Round.

3.1 Simplicity of Reciprocal Tariff Slashing

The earlier rounds of multilateral trade negotiations, under the GATT regime, could be completed swiftly and on target because they were relatively easier and negotiations were relatively simpler. They essentially dealt with reciprocal tariff slashing on manufactured goods. In addition, they took place among the industrial economies, which were far less diverse in their economic structures and objectives. With the increase in the number of member countries, economic diversity among member economies increased, and the simplicity of reciprocal tariff slashing was lost forever. The present-day multilateral trade regime demonstrates a significant range of asymmetries between players.

With the passage of time the multilateral trade regime matured and mutated, and the agenda of MTNs became progressively larger and more multifaceted; consequently, the process of negotiation grew more challenging. The Uruguay Round exemplified this trend. Its agenda was exceedingly difficult in terms of the spread of issues and their complexity; the Doha Round is no less so. As noted above (section 2), the most problematic areas in the Doha Round are agriculture, nonagricultural market access (NAMA), services and the one Singapore issue that is still on the table, namely, trade facilitation. Such intricacy and complexity have contributed to stupefaction and caused sluggish progress.

At the present stage of growth of the multilateral trade regime, many negotiating issues are far from simple. The sophistication and intricacy of the issues under negotiation have been exacerbated by, first, a much larger number of negotiating member economies than during the GATT era, with a large variation in their expectations of the multilateral trade regime. The present membership of the WTO is 150. This number is expected to increase further and touch 170 by 2010. Negotiations among such a large number also have the innate disadvantage of homeostasis and drift. Second, a greater degree of economic diversity among the negotiating member economies than ever before, contributes to difficulties and delays in coming to agreement. Not only is the range of individual players in MTNs much larger than in the past, but also new country groups like the G-20, the G-33 and the G-90 have emerged to throw their negotiating weight around. Third, during the GATT era, the Quad commanded hegemonic status and had a massive influence on the decision-making process as well as the final results of MTNs. The GATT system worked through the Green Room negotiation process, with an active Quad.[5] This situation no longer holds. In groups, developing economies have come to have more weight. Leaders of these groups have been seeking proactively to secure developing countries' interests. This has changed the fabric and character of MTNs. The negotiation process has become far more time consuming and demanding than before.

3.2 Wide Diversity in Objectives

Due to the diversity of the objectives of member countries, MTNs increasingly became failure prone. In contrast to the GATT era, many developing economies now have important stakes in international trade, and therefore they participate proactively. This applies most to the EMEs. Many of them try to contribute to and influence the decision-making process in the manner they consider best for their domestic constituencies. For the first time, they have begun taking the attitude of "What do we get out of the MTNs?" Each country seeks a trophy out of the negotiations for domestic display, as a justification for concessions made to the trading partners. These new proclivities make negotiations taxing, testing and prolonged (Das, 2007).

Frequent allegations of intransigence have been made against the EU, Japan and the United States, and of late it has been difficult to say that they are incorrect. However, critics have ignored the fact that these countries have very little left to put on the negotiating table at the MTNs in terms of market access, except for things that are very difficult for them to offer from the perspective of their domestic interests and considerations.

3.3 Domestic Polity Considerations

There are areas of domestic political, social and economic sensitivity that incumbent governments often do not wish to disturb because of their high political costs. The industrial economies kept agriculture and textiles and apparel under stringent protection for decades. These two areas of trade have survived as protected areas for eight rounds of MTNs. To be sure, there can be little economic justification for not putting them on the negotiating table. If anything, it is poor economics to withhold them, but due to domestic policy considerations and political sensitivity these large trading economies find it onerous to allow market access in these areas. It is not easy for trade ministers and negotiators to ignore domestic public opinion, legislatures and parliaments.

Opposition to outsourcing in general and business-process outsourcing in particular in the industrial economies stems from the same hesitations, that is, domestic policy considerations and political sensitivities. Until political leaders and populations in these countries are better educated on these issues and learn to recognize the benefits of free trade and the payoffs from the principle of comparative advantage, industrial economies will find it daunting to place these issues on the negotiating table. Market access in these areas will continue to be limited for the developing economies. Political will among the large WTO member countries could indeed surmount the difficulties and resolve standoffs in the MTNs, but that will has patently been in short supply. Sentiments that underlie the general lack of political will include the adverse reaction of domestic constituencies and the widespread mood of antiglobalization in the industrial economies. The political leadership in the large industrial economies, which are also the large traders, frequently reflects the same sentiments.

To persuade the EU, Japan and the United States to make market liberalization offers in these and other manufacturing sectors, the G-20 economies need to make attractive balancing offers. The EMEs have not made it a secret that they are unwilling to steeply lower their trade barriers. Many of them fear doing so would cause large losses to their relatively newly established industrial sectors. They believe that large tariff reductions may even wipe away some of their industries.

3.4 Active Role of NGOs

In addition to the factors discussed above, the active role played by nongovernmental organizations (NGOs) oftentimes leads to standoffs. The large international NGOs, which have substantial resources to draw upon, have significantly influenced the positions taken by the developing economies, particularly the least-developed countries (LDCs).[6] While the large NGOs have an impressive knowledge base and technical prowess in MTN-related issues, there have been occasions when their advice did not contribute to smooth progress in negotiations. A case in point is the services negotiations during the Doha Round, particularly during the Hong Kong Ministerial. By advising developing economies not to participate in plurilateral negotiations, NGOs did apparent disservice both to the cause of developing-country trade and to the MTNs.

4. Post–Hong Kong Developments

When the Hong Kong Ministerial Conference culminated without any noteworthy and meaningful achievements, the 149 participating members of the WTO promised to continue intense negotiations and converge their respective positions, with an explicit objective to set down firm agreements in the most important and basic areas of multilateral trade negotiations by the end of April 2006. This decision was well publicized through the media, partly to put a positive spin on the lack of achievement in Hong Kong. For the same reason, the April 2006 deadline was self-imposed by the members and vitally important to meet.

One small but encouraging development was that in April the EC signaled that it was willing to enhance its agriculture offer within the limits of its negotiating mandate if the other industrial economies would do the same. This initiative was considered wholesome and was welcomed by the G-20 and Australia.

None of the members of the New Quad were willing to provide leadership during this difficult period. Members were aware that an immense task awaited them in terms of both achieving substance in negotiations and meeting the agreed deadlines. The two well known and widely acknowledged *bêtes noir* for the negotiators were agriculture and nonagricultural market access (NAMA). The timeline for 2006 included achievement of several important targets, including (i) establishing modalities[7] in agriculture, (ii) completing disciplines on export credit guarantees and insurance programs and reforming state trading enterprises (in Australia, Canada and New Zealand) and the U.S. food aid and export credit systems, (iii) eliminating all forms of export subsidies, together with agreed progress schedules and parallelism, and (iv) setting the NAMA modalities. Efforts needed to be stepped up to bridge divergences, and outstanding issues were to be resolved, all of which required expending political capital. All these goals were to be achieved no later than April 30.

During the post–Hong Kong period, agriculture and NAMA were regarded as the two most significant areas in which convergence of positions among the members was sorely needed; they were seen as critical to further progress in the MTNs. Services, trade facilitation, special and differential treatment, and rules in the areas of antidumping, safeguard measures and antisubsidy and countervailing measures were the other important and related areas in which members had to reach consensus or come close. Together these issues involved all the major traders and negotiating country groups (the European Union, the G-20,[8] the LDCs and the United States) and were regarded as the areas of key significance. These groups of members had significant negotiating weights and none could make a decisive move without the others. Initially during the post–Hong Kong period, it was assumed that once modalities in agriculture and NAMA were settled by early summer 2006, the rest of the year could be devoted to trade in services, WTO rules and the other important issues. It was believed that this plan would allow completion of the MTNs by the end of 2006, before the expiration of the U.S. president's Trade Promotion Authority (TPA), or the so-called fast-track authority. This timeline proved to be overly optimistic and could not be realized.

The developing economies, including the LDCs, stand to gain from both increased market access in the industrial economies and expanded trade opportunities in the other developing economies. Also, it is widely acknowledged that trade-distorting domestic subsidies in many countries, particularly the industrial economies, have historically had an enormously deforming and deleterious influence over world trade in agricultural products. The Doha Round–induced reduction in domestic support will be of enormous benefit for world trade in agriculture, particularly for developing-country exporters. The Uruguay Round Agreement on Agriculture (URAA) made a significant contribution in this regard. Between 1995 and 2003, agricultural exports from the developing economies increased by 24 percent. By increasing their agricultural exports from $229 billion to $352 billion over the period under consideration, the developing economies succeeded in increasing their share of world exports from 40 percent to 42 percent. In agricultural trade, there are product-specific issues on board, namely, cotton, commodities, tropical products and those relating to preference erosion. Member countries made proposals relating to these product-specific issues that were under negotiation and need to be settled.

NAMA remains a crucial issue for the G-20 and for the LDCs in particular. A NAMA agreement will have a wide scope and be binding on tariffs not only for industrial products but also for others, for example fishery products, jewelry and any other products outside the URAA. Market access, both in the industrial economies and the other developing ones, is the principal area of negotiation. High tariffs, tariff peaks and tariff escalation still need to be addressed as much as non-tariff barriers. The Uruguay Round of MTNs made a substantive contribution in this area. The developing member countries have an additional worry in this regard, namely, preservation of certain policy space. Many of them would like to protect their infant industries from the winds of intense global competition and maintain unbound duties in some sensitive sectors. The LDCs see NAMA negotiations as a means to enhance their duty-free and quota-free access to industrial-country markets.

Preference erosion, alluded to above, has continued to badger the LDCs. This group of small and low-income developing countries has been benefiting from preferential market access in many industrial-country markets under various schemes of the General System of Preferences (GSP). The GSP has played a role in making LDC products competitive in industrial-country markets. As multilateral tariff rates are liberalized under the ongoing NAMA negotiations, the margin between a preferential tariff rate, to which LDCs are entitled, and the MFN tariffs will narrow, eroding the competitiveness of LDC exports. LDCs have complained in the past that due to stringent rules-of-origin requirements under the GSP schemes, they have not been able to utilize the GSP adequately. The rate of utilization in the European Union was 54 percent and in Japan it was 53 percent. Compliance requirements erode the value of the GSP (Hoekman and Porwse, 2005). As the tariffs are liberalized further, the benefits enjoyed under the GSP schemes by the LDCs would erode significantly.

4.1 Deliberations in Mini-Ministerial in Davos

Cognizant of the modest achievements in Hong Kong, trade ministers of 30 countries met in Davos, Switzerland, in late January 2006, in a mini-Ministerial.[9] This was a plurilateral meeting that included trade ministers from Australia, Benin, Brazil, Costa Rica, Egypt, the European Union, Ghana, Hong Kong SAR, India, Indonesia, Japan, Korea (Republic of), Malaysia, Mexico, New Zealand, Norway, Senegal, Switzerland and the United States. The director general of the World Trade Organization and the chairperson of the General Council were also among the participants. They commiserated on the lack of substantive achievement of the Hong Kong Ministerial Conference. Participants acknowledged that progress had to be made on all the outstanding issues, not on agriculture alone – although agriculture has been a major problematic issue in the MTNs.

The participating ministers looked for practical measures that could be taken so the deadline of April 2006 set in Hong Kong could be met. They also acknowledged the critical need for political input at this point in time. Initiative was needed from the United States on domestic agricultural support, from the EU on agricultural market access and from Brazil, China and India on services and NAMA. The key WTO members, particularly the members of the New Quad, were required to move in order to advance the DDA.

While deliberations took place on what to do and what not to do so that tangible progress could be made in the MTNs and they could be brought to a close by the end of 2006, the mini-Ministerial did little to change negotiating dynamics. Negotiations on WTO reform of trade rules had been given short shrift in Hong Kong. Clarification and reform of trade remedies, which include antidumping, safeguard measures, antisubsidy and countervailing measures and disciplines on regional trading arrangements, were relegated to the background. The Hong Kong Ministerial declaration has merely one sentence on this subject (WTO, 2005), in paragraph 28. At the Davos mini-Ministerial, trade rules were taken up for discussion and a new text was drafted. It did not advance deliberations further but proposed a similar timetable to advance negotiations as that for agriculture and NAMA. Despite good intentions and positive thinking, no material strategy could be devised for advancing the DDA (Das, 2007).

4.2 Missed April Deadline

From the beginning of 2006, intense negotiating activity took place at various levels across the whole spectrum of the MTNs. Many WTO members took the initiative to complement the negotiations in Geneva so that tangible progress could be made at this crucial stage. To this end, seminars were organized in important world capitals and addressed by Pascal Lamy, the director general of the WTO.

As further negotiations were linked to progress in two areas, agriculture and NAMA, it was logically – if optimistically – assumed that once material progress was made in these areas, progress in the other related areas would follow and the Doha Round could be completed by the end of 2006. This resolve was laid down in paragraph 1 of the Hong Kong Ministerial Declaration (WTO, 2005). The self-imposed April 30 deadline was missed, and the resolve of completing the Doha Round by the end of 2006 became an utterly unrealistic target.

To miss a deadline in any MTN is nothing extraordinary. Experience suggests that negotiators look at deadlines as useful in principle but worth ignoring in practice. This happens so frequently that it is routinely accepted. History is an inadequate teacher in this respect; past MTNs have dragged on for years before eventually being completed, as happened in the Uruguay Round. The Doha Round may not have this luxury. Missing the April 30, 2006 deadline was a meaningful loss because this deadline was significant and the round was at a crucial stage. The first serious failure was that the negotiating process did not achieve needed agreement in terms of modalities at the Hong Kong Ministerial. The second serious failure was that, after falling woefully short of tangible results in Hong Kong, the negotiating members also failed to reach agreement on the outstanding issues by their agreed April deadline. Even belated agreement on modalities – the numerical formulas, targets and timetables for implementation of trade liberalization – would have meant that members could have begun progress in terms of trade liberalization by changing their policy structures.

4.3 Reneging on Promises: Disillusioning Evolutionary Process

Failure to reach agreement on modalities by the self-imposed deadline of April 30 was an enormous collective mistake of the members, if not the multilateral trading system. Back-loading the three key areas of agricultural domestic support and market access in agriculture and industrial products was something of a recipe for failure. Rapid progress in these areas was the key to unlocking the many other issues that also needed to fall into place to conclude this round.

Agriculture negotiations evidently have lagged because the EU and the United States would not reduce their subsidies and import barriers. The trade liberalization proposals they tabled are weak by any standard. Some analysts believe that the developing economies have grown justly wary of the seriousness of the offers (Hufbauer and Schott, 2006). Their anxiety is that key areas of reform in agriculture may be excluded or subject to long deferment. They even anticipate the possibility of the Doha Round concluding without meaningful progress in agriculture. On their part, the developing economies that are *demandeurs* in agriculture do not wish to lower their barriers in agricultural trade, largely due to pressures from their domestic farm lobbies. Ill at ease, the G-20 group of countries has responded by hesitating to table meaningful liberalization offers in manufactures and services. This is how a negotiating gridlock has come into being.

An agreement on modalities on the three issues named above would not have led to the successful culmination the Doha Round. However, it would have helped to resolve the impasse in the MTNs and would certainly have moved them forward and prepared the ground for the successful culmination of the round. The agenda could have advanced, after such an agreement, towards trade liberalization in services, WTO rules in the areas of antidumping, safeguards, antisubsidy and countervailing measures, bilateral trade agreements, trade facilitation, trade-related intellectual property rights, dispute settlement and aid for trade. Agreement on modalities had not reached a take-off point even after April 30, the missed deadline. The negotiating texts were being prepared for the agreement on modalities so that the trade ministers of the member countries could make their decisions. If the revised target date to conclude the Doha Round was to be the end of 2006, this measure would have had to be completed without further delay. A show of strong political will was needed from the negotiating member countries and their trade ministers.

4.4 Disarray in the Geneva Mini-Ministerial

Another desultory mini-Ministerial was held by the WTO in Geneva from June 29 through July 2, 2006, with the objective of negotiating modalities in agriculture and NAMA. The mini-Ministerial was marked by apathy; trade ministers arrived late and left early. The EU and the G-20 were asking the United States to make a stronger offer on cutting trade-distorting domestic farm subsidies, which had continued to rise to the highest level ever. There was some speculation about the United States working on new positions in this area. However, in one meeting after another, delegations waited for the United States to table its improved offers – particularly on agricultural domestic support – which never came through. Neither during the G-6 meeting nor during the meeting of the Trade Negotiations Committee was a renewed U.S. offer, going beyond its 2005 agricultural proposal, tabled. The G-20 countries did not wish to make fresh offers until the EU and the United States improved their commitments in agriculture.

The EU showed some willingness to improve its offer but insisted that the developing economies open their market for industrial products by adopting a coefficient of 15 in the Swiss Formula. The reaction of the G-20 was that this was a development round, concerned with market liberalization of the industrial countries for developing-country products, not the other way round. The mini-Ministerial broke down, with members requesting Pascal Lamy to step up consultations with the governments to identify possible compromises.

5. Prospects of Failure Closing In

At the beginning there was a surfeit of evidence of commitment on the part of members to the objectives of the DDA. This commitment was reflected in a series of official pronouncements. The good intentions, appropriate thinking, positive mindset and correct values could not have been more evident. Ironically, with the passage of time it became obvious that those expressions of positive and virtuous intentions were completely misleading. There was a large distance between what was being said and what was being achieved in terms of tangible agreements and core modalities. Although the New Quad had come into being, the MTNs acutely suffered from a lack of imaginative and responsible leadership. Settling on the core modalities would not have been impossible, but when the sticking points called for creativity and flexibility, important trading economies, and the members of the New Quad – particularly the two trade superpowers that have the largest negotiating weight – responded with apathy.

In July 2006, the languishing Doha Round seemed ripe for failure. On July 1, when Pascal Lamy stated, "We are now in a crisis," no one disagreed.[10] Efforts continued toward bridging the gaps and concluding the MTNs before the end of 2006 and before expiration of the Bush Administration's TPA. During the Hong Kong Ministerial Conference a Chairman's Consultative Group (CCG) had been set up. The CCG had 26 members and was christened the "Green Room". On July 1, after a smaller Green Room meeting of trade ministers, Pascal Lamy was asked to commence intensive and wide-ranging consultations with the objective of facilitating the establishment of modalities in agriculture and NAMA; he was to report the results of these consultations to the Trade Negotiations Committee.

5.1 Accusation of Let-down

The failure of the Geneva mini-Ministerial can be interpreted in either of two ways. First, it is possible the three leading actors in the MTNs, that is, the EU, the G-20 and the United States, saw no need to reach to reach an agreement and assumed that the Doha Round, like its predecessors, would drag on for years. They assumed history would repeat itself and something would eventually evolve. Alternatively, it is possible these potential authors of a deal assumed it does not matter if the Doha Round fails entirely.

The United States was held culpable for the failure of the min-Ministerial in Geneva because it demanded too much from the EU and the G-20 while offering too little. It blamed the proposal from the other two for having a "black box" of loopholes that would allow them to minimize tariff reductions (*The Economist*, 2006). In agriculture, the United States wanted the EU to slash tariffs by an average of 66 percent, while the

EU offered to slash by 39 percent. The G-20 wanted a 54 percent cut from the EU and the United States, and proposed that the developing countries would cut by two-thirds as much. As usual, there would be a lot of exceptions to the general rule, weakening these proposals.

5.2 Possible Way out of the Stagnation

For any deal to spur MTNs, it would need to show parallel progress in three areas: first, the United States would have to improve its offer to make deeper cuts in domestic farm support; second, the EU would have to improve its commitment in terms of agricultural market access; and third, the EMEs (in particular Brazil, China, India and Mexico) would have to offer more on industrial tariff cuts. While plenty of text was on the table, for these three issues that the three sides agreed were vital, numerical measures were missing. Each of the three sides tabled inadequate proposals, reflected in weak numbers, which their counterparts promptly rejected.

Whenever countries feel that multilateral negotiations are likely to fail, or not go far, one immediate reaction is that a large number of regional trade agreements (RTAs) or bilateral trade agreements (BTAs) spring up – despite their unarguable economic inferiority. Their appearance is a manifestation of weakening faith in multilateralism. In the first half of 2006, a good number of RTAs and BTAs were inspired by what was transpiring in the Doha Round and what had happened earlier in Cancún and then in Hong Kong. Economies that were forming RTAs and BTAs were aware of the inferiority of these arrangements.

The ten-member Association of South East Asian Nations (ASEAN)[11] began negotiations for a free trade area (FTA) with India in mid-June 2006. ASEAN's negotiations with the EU and the Republic of Korea for an FTA were scheduled for the latter half of 2006. Thailand's negotiations for an FTA with the United States were in progress in 2006 and with Malaysia were due to start soon. The United States has signed more than ten BTAs in the recent past, including agreements with Colombia, Peru and Vietnam. U.S. BTA negotiations with countries in Latin America (Ecuador and Panama), Asia (Korea, Malaysia and Thailand) and the Middle East (Oman) were in progress in 2006. The U.S. endeavor to create a hemisphere-wide Free Trade Area of the Americas is virtually dead, largely owing to sharp differences over U.S. farm subsidies. It has been supplanted by BTAs in Latin America.

Such RTAs, BTAs and FTAs can be made more swiftly than MTN negotiations can proceed because, first, only a small number of countries participate in the negotiations, and second, these participating countries can choose to keep their sensitive areas of trade out by mutual consent. Paradoxically, often these are precisely the goods and services areas in which trade liberalization could be most beneficial.

For instance, Korea tries to keep trade in rice out of all such agreements. When the Korean negotiators tried to negotiate an FTA with Thailand and tried to keep trade in rice out, Thailand balked because it is the largest exporter of rice in the world. In its negotiations with ASEAN, India had a list of 1,400 "sensitive" goods that it wanted to keep out of the negotiations. It was made to whittle this list down to 850 goods by ASEAN.

During the Doha Round negotiations, members concurred in general that the U.S. proposal for cutting agricultural subsidies was less attractive than it sounds. It promised to halve them and also proposed a new ceiling of $23 billion. This ceiling is much lower than the corresponding EU figure, but more than what the United States actually has been spending. In 2005, the United States spent $19.7 billion. In this context of incongruity and disagreement, Pascal Lamy's so-called 20/20/20 proposal appeared eminently level-headed and sagacious. According to this proposed deal, the United States needs to cut its subsidy ceiling to below $20 billion, the EU needs to accept agricultural tariff cuts proposed by the G-20 and, on their part, the G-20 countries need to cap their industrial tariffs at 20 percent. This is a compromise formula. It would lower tariff barriers by less than what the United States proposed but prevent agricultural subsidies from rising. It would have the benefit of bringing about some liberalization in both of the troublesome sectors of trade, agricultural and industrial.

6. Commitment by the G-8

The looming possibility of failure of the Doha Round worried political leadership in the leading industrial nations. To infuse political momentum to the moribund negotiations, five G-20 members (Brazil, India, China, Mexico and South Africa) were invited to the St. Petersburg G-8 summit of July 15-17, 2006. The objective was to end the hiatus of several years and come to agreement in the principal areas. The stalled Doha Round was the subject of intense and exhaustive discussion on the second day of the summit. All the participants agreed that flexibility is badly needed if parties are to reach agreement on core modalities. The G-8 communiqué called for "a concerted effort to conclude the negotiations of the WTO's Doha Development Agenda (DDA) and to fulfill the development objective of the Round."[12] Five "outreach" members, namely, Brazil, China, India, Mexico and South Africa, were invited to the G-8 summit held the following year at Heiligendamm, Germany on June 8, 2007. This initiative turned sour when the five outreach members saw that they were not participants in the G-8 deliberation process but rather were being treated as petitioners, which they openly resented. Calls by the G-8 leaders to abide by the DDA were superficially and inadequately followed up by their trade delegations during the negotiations.

Together the participants set a deadline of mid-August to settle the outstanding issues and decide on the core modalities. (Once again the French briefly resisted the new deadline; Jacques Chirac argued that the EU's stance on trade policy was not an issue for the G-8 countries to decide, but he relented due to lack of support.) This new sense of resolve could translate into a long-awaited breakthrough. The G-6 countries (Australia, Brazil, the EU, India, Japan and the United States) became active to put together the framework of an agreement and set out the long-awaited modalities in a form that could be acceptable to the 149 members of the WTO. The G-6 began deliberations in Geneva on the 17th of July, with the hope of arriving at the modalities by mid-August.

7. Resuscitating the Doha Round

The task ahead has not changed. The target still is to achieve the July Framework Agreement, which was drawn out by the General Council of the WTO,[13] the WTO's highest-level decision-making body in Geneva. The July Framework Agreement had rededicated the WTO members to fulfilling the development dimension of the DDA, which placed the needs and interests of developing economies and LDCs at the heart of the Doha Work Program. The membership of the WTO has ownership of this course of action. To deliver on it is their responsibility. The so-called Geneva process needs to continue, with the negotiating groups playing their crucial roles. They need to narrow differences between countries on modalities and on the parameters of liberalization for agriculture and NAMA. Compromises leading to concrete forward movements will go a long way toward bringing the Doha Round to its conclusion.

The Geneva process can be broken down into two functional stages. While a final agreement on all twenty negotiating areas may not be feasible immediately, an interim agreement on the three pre-identified components may first be reached (see section 5.2 of this article). These three central components are (i) trade-distorting agricultural subsidies, where more efforts are needed from the Americans, while the EU and Japan can easily follow; (ii) agricultural tariffs, where principal improvement in the offers has to come from the EU and Japan, and the EMEs should prepare for some future action, and (iii) industrial tariffs, where the EMEs need to improve the offers they have tabled. Notwithstanding the disagreements, the negotiating positions on these three issues have moved closer. The current differences can be bridged by expending some political capital. Once these roadblocks are out of the way, the Geneva process can be expanded to the other important areas of the DDA. All the members need the WTO system. Negotiating with clarity of vision and bringing the Doha Round to a successful conclusion will be in their collective interest.

8. Summary and Conclusions

The Doha Round of multilateral trade negotiations has proved to be egregiously problem-prone. It has been suspended, and efforts to revive it have so far not succeeded. Deep dissension among WTO members, far-apart negotiating positions on crucial issues and inordinate delays in coming to a rare agreement on the material issues of process and substance have brought the Doha Round repeatedly to a crisis point. The mercantilist mindset of the participants has been frequently blamed for the consistently tardy performance in the Doha Round. It has also been regarded as the primary culprit behind the ignominious collapse of the Cancún Ministerial Conference as well as the lean harvest of the Hong Kong Ministerial Conference. However, there is more to the situation than just a mindset. With the passage of time, MTNs became more complex and the simplicity of reciprocal tariff slashing that characterized previous rounds does not exist any more. As well, the WTO has a large number of diverse countries as its members, seeking diverse policy objectives to meet the expectations of their domestic stakeholders. The active role of the NGOs has also rendered the MTN process difficult.

After the Hong Kong Ministerial Conference ended with no noteworthy achievement, participating members of the WTO promised to continue intense negotiations and converge their respective negotiating positions, with an explicit objective to set down firm agreements in the most important and basic areas of MTNs by the end of April 2006. This self-imposed deadline became vitally important. To this end, a mini-Ministerial was organized in January 2006 in Davos. It ended without any agreements or indeed any meaningful progress towards the objectives. Despite intense negotiations at various levels, the April 30 deadline was missed. This missed deadline was an enormous collective mistake of the members, if not the multilateral trading system. The WTO held another desultory mini-Ministerial in Geneva from June 29 through July 2, 2006, with the objective of negotiating modalities in agriculture and NAMA. This mini-Ministerial was marked by apathy and again failed to achieve results of substance.

A series of official pronouncements provided a surfeit of evidence that WTO members were committed to achieving the objectives of the DDA. Ironically, with the passage of time it became obvious that those expressions of positive and virtuous intentions were completely misleading. There was a large distance between what was being said and what was being achieved in terms of tangible agreements and core modalities. Although the New Quad had come into being, the MTNs acutely suffered from a lack of imaginative and responsible leadership. Settling on the core modalities would not have been impossible, but when the sticking points called for creativity and flexibility, important trading economies, and the members of the New Quad – particularly the two trade superpowers that have the largest negotiating weight – responded with apathy. In early July 2006, the languishing Doha Round seemed ripe for failure. While the G-8 leaders supported the DDA, their trade delegations did not seem to abide by the public pronouncements of their leaders. The Doha Round was formally suspended on July 24, 2006, marking the first major crisis in the life of the WTO.

It is imperative that the Doha Round be resuscitated and that the key players show flexibility and take decisive steps forward. The round is vital; the community of trading economies must not be allowed to collapse. The negotiations offer a once-in-a-generation opportunity to advance large commercial benefits and create a superior multilateral trading environment for the business community, which in turn can enable economies to promote their growth by enhancing trade in line with their respective comparative advantages. The Doha Round is critical not only because the 150 participating member countries and 29 acceding observers will be adversely affected by its failure, but also because it is a single undertaking covering a broad developmental agenda and its failure would impair the global economy in general. Virtually the entire global community of traders will share in and gain from the successful outcome of the Doha Round. A failure will force them to share the shortfalls. Revival is a possible and credible objective. A two-stage revival process is suggested in this article.

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Endnotes

1. The Group-of-Four (G-4) is a representative negotiating group and comprises Brazil, the European Union, India and the United States. The delegations of these four member countries have been meeting with the objective of bridging the gaps in the negotiating positions of various key participants and country groups.
2. The Russian Federation is not a member of the WTO as yet. Negotiations are in progress to that end. Therefore it is correct to say that the G-7 countries had some contribution to make in this regard.
3. The Group-of-Twenty (G-20) was born before the Cancún Ministerial Conference. The G-20 coalition included some developing-country members of the Cairns Group (Argentina, Brazil and Thailand), which were interested in improving market access for their agricultural exports. It also included other developing countries (India, Mexico, Bolivia and Ecuador), which were concerned with defending their domestic markets from import surges. The G-20 played a meaningful role not only in the Cancún Ministerial Conference, but also at the WTO meeting in Geneva, held in the last week of July 2004, which put together the July Package, or the July Framework Agreement.
4. Noting a lack of progress, anxious trade negotiators from Australia, Brazil, the EU, India, Japan and the United States met in a plurilateral consultative meeting in London for two days in mid-March 2006. This new group of countries is referred to as the Group-of-Six (G-6). It emerged as the most influential small group of negotiators after the Hong Kong Ministerial.

5. During the life of the GATT, the Green Room process worked well and facilitated consultations among the CPs. This process got its name from an actual green room that existed next to the director general's room in the GATT headquarters at 154 rue de Lausanne, Geneva, where the most important meetings took place. The GATT period is known for its businesslike diplomacy and negotiating effectiveness. The flip side of this coin was that a lot of relatively smaller traders had to play the role of second fiddle. Since the birth of the WTO this legacy of the GATT has come in for a lot of criticism and been painted in villainous colors. An increasing number of WTO members are eager to contribute to decision making, and accession of many sovereign countries in quick succession has slowed down the process. Participation in the Green Room process was decided on the basis of the issue, and only the most active delegations were invited to participate. As for the question of which CPs were typically included for consultations other than the members of the Quad, the answer is Australia, New Zealand, Norway, Switzerland, sometimes one or two transition economies and some developing economies.
6. Several large international NGOs are known to have larger budgetary resources than the WTO.
7. *Modalities,* in WTO parlance, imply precise numerical formulas, targets and timetables for implementation of tariff and subsidy reduction rates.
8. See footnote 3.
9. Joseph Deiss, Swiss Minister of Economic Affairs, took the initiative to organize this mini-Ministerial, held January 27-28, 2006. The Swiss Government hosted the meeting.
10. Pascal Lamy's statement was quoted in the economic and financial press worldwide, including in *Bridges Weekly Trade News Digest,* Vol. 10. No. Special, 3 July 2006, page 1, in an article entitled, "WTO Talks in 'Crisis' as High-Level Meeting Fails".
11. ASEAN was established on August 8, 1967 in Bangkok by five original member countries, namely, Indonesia, Malaysia, the Philippines, Singapore and Thailand. Presently ASEAN has ten members. The additional five are Brunei Darussalam, Cambodia, Lao PDR, Myanmar and Vietnam.
12. See the G-8 Joint Statement on Trade on the Internet at http://en.g8russia.ru/docs/16-print.html.
13. The General Council meets regularly to carry out the functions of the WTO. It has representatives (usually ambassadors or equivalent) from all member governments and has the authority to act on behalf of the Ministerial Conference, which meets only about every two years.