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The WTO Doha Development Round: where next for world trade?

The World Trade Organisation launched a new round of trade talks at Doha, Qatar in November 2001. The new 'Doha Round' was billed as a development round which would focus on the needs of developing countries.

Initially intended to be completed by the end of 2004, the talks have been progressed slowly, stricken by disagreements, in particular over agriculture.

Earlier this year there were repeated attempts to reach a broad agreement that would allow the Round to be completed by mid-2007. This deadline is due to the expiry of the authority of the US president to negotiate trade deals and get them passed by Congress without amendment.

However, the stalemate between the US, the EU and key developing countries could not be resolved. The Round was then suspended at the end of July 2006.

It is not clear when, or whether, the talks will resume. If this does not happen in the next six months or so, the Round could remain frozen until 2009.

This paper summarises: the Round's launch and progress in almost five years of negotiations; prospects for resumption; and possible consequences of long-term suspension – or collapse – of the Round. Appendices give an outline of key issues in main areas, and signposts to further useful resources.

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Summary of main points

The Doha 'Development' Round was launched in November 2001 at Doha, Qatar. It has progressed slowly, with periodic crises and a string of missed deadlines.

A successful conclusion to the Doha Round was a key element of the trade aspect of the UK's 2005 G8 presidency agenda on Africa. However, the main event for trade in 2005 – the Hong Kong WTO Ministerial in December – avoided collapse, but other than a limited 'development package' saw little progress.

At Hong Kong negotiators committed to completing the Round by the end of 2006. A deadline of the end of April 2006 was set for 'modalities', essentially the framework of a final deal, in two key areas – agricultural support/market access, and non-agricultural (industrial) market access. This deadline was missed.

Intensive consultations followed. A 'triangle' of three key issues emerged, which would require the US to further reduce agricultural subsidies, the EU to further reduce agricultural tariffs, and key industrial countries (particularly Brazil and India) to further lower tariffs and offering more services trade liberalisation. However, talks between the key G6 – the parties mentioned above, plus Australia and Japan – failed to overcome divisions. The Doha Round was then suspended at the end of July 2006.

It has been suggested that there is a six-month window of opportunity for reviving the talks between October 2006 and the end of March 2007. The US President's 'Trade Promotion Authority' (TPA) expires in July 2007. TPA allows trade deals to be submitted to Congress for a yes/no vote, without any amendments. This has provided the Round's effective end-date for some time, though recently there have been suggestions that TPA could be extended if the talks resume and sufficient progress is made by March 2007.

However, if the stalemate cannot be broken in the next few months, domestic political circumstances in the US and other key countries could mean the talks remain frozen for years, perhaps until 2009.

The suspension has raised fears that the potential gains from the 'development' dimension of the talks could be lost (although there have been controversial calls for development-focused parts of the Doha programme to be salvaged in a separate deal if the talks cannot be revived). Two further possible consequences of prolonged or permanent suspension are thought to be:

- a continuation and acceleration towards bilateral and regional trade deals, which some NGOs believe can be damaging for developing countries; and
- an increase in the number of WTO dispute cases, particularly those issues that could have been addressed within the Doha Round talks, such as agricultural subsidies.

Both raise concerns over support for the multilateral trading system and the WTO itself.

The Library's *Economic Indicators* research paper series has previously featured articles on the Doha Round, which may be of interest:

- "[Trade Justice, the WTO Doha Round and Hong Kong 2005](#)" prior to the Hong Kong conference (December 2005 edition); and
- "[The Doha WTO Trade Round: July 2006 update](#)" gives an update on progress in the Round in the run up to the critical end-July deadline (July 2006 edition).

Detailed notes on Round the key areas of the negotiations are available from the trade subject pages on the Library's intranet.

Doha Round Chronology

1999	WTO Ministerial in Seattle fails to launch new trade round
2000	Agriculture and services talks begin as part of the 'built-in agenda' of the respective Uruguay Round agreements
14 November 2001	Doha Round launched at Doha WTO Ministerial, Qatar
March 2003	Deadline for an agricultural liberalisation framework missed
10-14 September 2003	Cancún Ministerial collapses
31 July 2004	'July package' agreed, re-launching the Doha Round
6-8 July 2005	Gleneagles G8 statement pledges support for successful Doha Round and Hong Kong Ministerial in December 2005
31 July 2005	Deadline for 'first approximations' – an outline deal enabling broad agreement to be reached at Hong Kong – missed
10 October 2005	US issues offer outlining parameters of a possible deal on agriculture
11 October 2005	EU issues counter-offer focusing on agriculture and covering other areas
28 October 2005	EU issues revised offer
13-18 December 2005	Hong Kong Ministerial fails to establish modalities, but agreement on limited 'development package'
28 February 2006	Hong Kong deadline for 'plurilateral offers' in the services talks
30 April 2006	Hong Kong deadline for modalities in the agriculture and industrial products negotiations missed
28 June-1 July 2006	Meeting at WTO in Geneva fails to finalise modalities
24 July 2006	Talks between key G6 group collapse; Director General recommends suspension of negotiations
27-28 July 2006	WTO General Council agrees to suspend the Round
31 July 2006	Hong Kong deadline for new revised services offers missed (the 31 October 2006 deadline for final draft services schedules will also be missed due to the suspension of the Round)
9-10 September 2006	Trade ministers meeting alongside G20 ministerial in Rio de Janeiro expresses desire to restart the Doha Round
19-20 September 2006	IMF and World Bank annual meetings in Singapore supportive of resumption of Doha talks
20-22 September 2006	Trade ministers meet alongside Cairns Group meeting, Australia; possible compromise discussed, but no breakthrough seen
Future dates/events	
10-11 October 2006	WTO General Council meeting, first since Round suspended
October 2006-March 2007	A 'window of opportunity' to restart the Round
6-9 June 2007	G8 summit, Heiligendamm, Germany
July 2007	US Trade Promotion Authority due to expire

Frequently used abbreviations

ACPs	African, Caribbean & Pacific countries	MPH	Make Poverty History
G20	Group of 20 larger developing countries (including Brazil, India, and China)	NAMA	Non-Agricultural Market Access, or industrial products
GATS	General Agreement on Trade in Services	NGOs	Non-Government Organisations
GATT	General Agreement on Tariffs & Trade	RTA	Regional trade agreement (or area)
IMF	International Monetary Fund	S&D	Special and differential treatment
LDCs	Least Developed Countries	TJM	Trade Justice Movement
MDGs	Millennium Development Goals	TPA	Trade Promotion Authority
MFN	Most Favoured Nation	WTO	World Trade Organisation

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I Trade, development & poverty

In 2005 the UK's agenda for its G8 and EU presidencies and the activities of the Make Poverty History coalition contributed to a heightened public awareness of global poverty, in particular in Africa, and three routes to combating it: debt relief, international aid and trade reform.

The G8 group of major developed countries reached an agreement on aid and debt relief at the Gleneagles summit on 6-8 July 2005. However, while there were some trade issues on which the G8 could have made progress, trade required the agreement of a much wider range of countries.¹ In recognition of the more multilateral nature of trade, the G8 invited major non-member trading nations to their trade discussions. The G8 trade statement from Gleneagles pledged support for progress in the ongoing Doha 'Development' Round of trade liberalisation talks at the World Trade Organisation (WTO). The G8 also reaffirmed the importance of a breakthrough on a broad framework agreement – known as 'modalities' – for the Round at the WTO's Hong Kong Ministerial Conference in December 2005.²

While Hong Kong avoided the kind of collapse seen at the previous Ministerial in Cancun in 2003, and so avoided outright failure, it was not seen as a success, although a limited 'development package' was agreed (see [IIC](#)).

Stalemate in the negotiations continued into 2006, reaching crisis point in July when the impasse – primarily over agriculture – between the US, the EU and key developing countries could not be resolved. The Doha Round was then suspended indefinitely at the end of July.

This has been seen as a major setback to giving developing countries an opportunity to trade their own way out of poverty. Trade is seen as the 'missing leg' of the Africa agenda of the UK's G8 presidency.

A. Make Poverty History in 2005 & campaigning into 2006

The Make Poverty History (MPH) coalition was a "unique UK alliance of charities, trade unions, campaigning groups and celebrities who [mobilised] around key opportunities in 2005 to drive forward the struggle against poverty and injustice."³ Its goals were to achieve "trade justice, drop the debt, more and better aid".⁴

MPH organised a series of events to encourage world leaders to take action, reaching a crescendo in the run up to Gleneagles, with a rally in Edinburgh and the Live 8 concerts around the world on 2 July. After progress on debt and aid at Gleneagles, attention in

¹ Russia, which holds the 2006 G8 presidency, is not currently a WTO member, though it is negotiating accession after applying for membership in 1993.

² G8 Gleneagles Summit 2006 Trade statement; www.fco.gov.uk/Files/kfile/PostG8_Gleneagles_Trade.pdf

³ MPH manifesto; www.makepovertyhistory.org/docs/manifesto_hi.pdf. Department for International Development response: www.dfid.gov.uk/aboutdfid/make-poverty-history.asp.

⁴ *ibid.*

the second half of 2005 shifted to trade, Doha and the Hong Kong Ministerial. A trade justice lobby of Parliament on 2 November was attended by over 8,000 campaigners.⁵

The MPH coalition disbanded after 2005, but many of its former members continue to campaign for progress on trade, as well as continuing to monitor the commitments made in 2005 on debt relief and aid.⁶ Similar aims have been carried forward by the Global Call to Action Against Poverty.⁷

To maintain pressure a 'Global Month of Action' began on 13 September 2006, with a march to the Treasury in Whitehall on 14 September ahead of the autumn meetings of the International Monetary Fund (IMF) and World Bank in Singapore on 19-20 September.⁸ The 'Month of Action' culminates in a weekend of national events over the weekend of 14-15 October, and 'White Band Day' on 17 October, declared the 'International Day for the Eradication of Poverty'.⁹

B. Trade justice & the Trade Justice Movement

While most countries operate trade barriers – quotas, tariffs or trade-distorting subsidies – successive rounds of negotiations as part of the General Agreement on Tariffs and Trade and then the WTO have sought to progressively liberalise trade by lowering these barriers (see box on page 18).

Classical international trade theory suggests that such barriers prevent the efficient allocation of resources and production. Free trade allows countries to exploit their respective comparative advantages, increasing overall economic output and welfare. Goods and services should be cheaper under free trade, and economic growth should increase.

While in theory free trade through trade liberalisation should benefit all countries, critics argue that it can sometimes be damaging, particularly for developing countries. Domestic economies face adjustment costs when trade barriers are lowered, making their own goods and services less competitive, with consequent implications for unemployment and the allocation of resources.

The Trade Justice Movement (TJM) notes that while espousing the benefits of free trade, developed countries tend to exercise protectionism:

Too often, Northern governments have failed to practice what they preach on trade issues. They argue for free trade, yet erect barriers against imports from developing countries. They argue for rules, yet abuse anti-dumping or health and safety legislation to unfairly restrict imports. They support development, but then deter countries from processing their own products by tariff escalation. A new

⁵ www.tjm.org.uk/news/lobby021105.shtml

⁶ MPH a database of campaigning groups at www.makepovertyhistory.org/getinvolved/index.shtml.

⁷ See www.whiteband.org

⁸ www.christian-aid.org.uk/campaign/beat/beat.htm

⁹ MPH "Stand Up Against Poverty: Global Month of Action, 14 September – 17 October 2006" toolkit; www.makepovertyhistory.org/docs/toolkit.pdf.

and pro-poor trade regime requires a change of mentality among the rich and powerful.¹⁰

As ActionAid notes:

No country has ever become a 'developed country' by pursuing free trade policies [...] Rich countries have used the 'trade justice' approach to get where they are today.¹¹

While there is no single definition of 'trade justice' or 'fair trade', the TJM is concerned with how the benefits of freer trade can be distributed in favour of developing countries in particular, rather than powerful countries and corporations:

We believe that everyone has the right to feed their families, make a decent living and protect their environment. But the rich and powerful are pursuing trade policies that put profits before the needs of people and the planet. To end poverty and protect the environment we need Trade Justice not free trade.¹²

When considering trade liberalisation, the TJM believes that issues of equity, sustainability and the environment, poverty and the plight of the 'losers' from liberalisation should be addressed.

The TJM has set out three aims:¹³

- that Governments, particularly in developing countries, should be able to make their own decisions on poverty and protecting the environment;
- export subsidies that undermine farmers in developing countries should be ended; and
- there should be legislation against corporate actions detrimental to people and the environment.

The Movement is a coalition of 80 organisations.¹⁴ It also formed part of the broader MPH History coalition, and continues to campaign as part of the Global Call to Action Against Poverty.¹⁵ Non-Government Organisations (NGOs) also campaign directly on trade justice issues, notably Oxfam through its *Make Trade Fair* campaign.¹⁶

TJM campaigners are in favour of a genuinely pro-development outcome to the WTO Doha Round, specifically highlighting the need for developing countries to exclude important agricultural products from liberalisation, the exclusion of water services from

¹⁰ Trade Justice Movement, *For Whose Benefit? Making trade work for people and the planet*, www.tjm.org.uk/about/statement.shtml

¹¹ *Trade & the WTO: An introduction*, ActionAid, 19 October 2005; See also "Stop Forced Liberalisation: The Trade Justice Movement's 2005 Challenge to the UK Government", *TJM Policy Briefing*, June 2005

¹² www.tjm.org.uk/about.shtml

¹³ TJM policy briefing, January 2005; www.tjm.org.uk/briefings/TJMpolicy0105.shtml. See also TJM Action Pack, www.tjm.org.uk/briefings/TJMactionpack.pdf.

¹⁴ List of TJM members at www.tjm.org.uk/members.shtml.

¹⁵ See actions.whiteband.org/index_html/switchLanguage?set_language=en, and on trade justice: www.whiteband.org/Lib/issues/trade/gcap_issues

¹⁶ See www.maketradefair.org.

services trade liberalisation, the importance of continued regulation of foreign investment, and the importance of social and environmental standards in liberalisation.¹⁷

NGOs have been particularly vocal in opposition to the brinkmanship of developed countries in WTO negotiations, the perceived pressure on developing countries to accept a disproportionate share of trade liberalisation, and the exclusion of many developing countries from key decision-making arenas and processes. Some NGOs have called on developing countries to reject any Doha deal that failed to properly address their needs.

Outside the WTO arena, the TJM also campaign against the imposition of trade-related conditions on recipient countries by the International Monetary Fund (IMF) and World Bank, and the potential damage which could result from trade agreement negotiations between the EU and the African, Caribbean and Pacific (ACP) countries.¹⁸

Some have argued that the trade justice lobby is misguided, and that trade liberalisation is in the interests of developing countries. For example, Martin Wolf points to evidence that economic and trade openness are linked with higher incomes, that protection is a tax on trade, and that competitive exports depend on competitively priced imports. He concludes that:

This is not an argument for every country to be asked to make binding commitments within the World Trade Organisation or to be forced by the international financial institutions to liberalise. It is, however, an argument against the campaigners' general condemnation of international obligations.

These campaigners for trade justice are, no doubt, well intentioned. But their opposition to trade liberalisation by developing countries and, still more, their hostility to any international pressure upon them to liberalise is misguided. The belief that developing countries should do whatever their rulers prefer, unconstrained by outside pressures, is a mistake. Sovereignty is indeed a good; unbridled sovereignty is not.¹⁹

C. Poverty, trade & Doha: The arguments

Debt relief and aid are undoubtedly important for development and poverty reduction. However, many see trade reform as the most effective and most important means to increase economic growth and reduce poverty in developing countries.

1. Trade & the Millennium Development Goals

The United Nations' Millennium Development Goals (MDGs), agreed in September 2000, recognise the importance of trade. The eighth MDG is to build a "global partnership for development", with a target to create an "open, rule-based, predictable, non-

¹⁷ *ibid.*; see also www.makepovertyhistory.org/docs/manifesto.pdf

¹⁸ These EU-ACP Economic Partnership Agreements will see the preferential tariffs offered by the EU replaced with reciprocal trade agreements. These are controversial, as they will eventually allow EU products duty free access to developing country markets. The TJM argues that the EU is hiding behind WTO rules, and that the EU is attempting to impose rules already dejected by developing countries in the Doha Round. (TJM policy briefing, January 2005; www.tjm.org.uk/briefings/TJMpolicy0105.shtml) For more details see Library Standard Note SN/EP/3370).

¹⁹ "The fighters for trade justice have misread the battlefield", *Financial Times*, 23 November 2005, p19

discriminatory trading and financial system” and in particular address the needs of Least Developed Countries (LDCs).²⁰

Trade is also important for achieving the first MDG, eradicating poverty and reducing extreme hunger, which would see both those living in poverty (defined as less than \$1 a day) and those suffering from hunger reduced by half.

The UN World Summit in September 2006 reviewed progress one third of the way towards 2015, the deadline set for achieving the MDGs.²¹ It concluded that much remained to be done, on trade and on the other goals, and highlighted the importance of the ‘development dimension’ of the Doha Round.²²

In its 2005 *Human Development Report* the UN looked at the relationship between trade and development. It considered Doha as one of three ‘pillars’ of international co-operation, alongside development assistance and security, and noted that:

Good trade rules will not resolve many of the most pressing problems facing developing countries, but good rules can help. And bad rules can inflict serious damage.²³

It also outlined three benchmarks for a successful Doha Round:

First, it needs to produce rules that tackle long-standing unfair and unbalanced trade practices by improving market access for poor countries. Second, it needs to focus in particular on agricultural trade and a reduction in agricultural subsidies. Third, it needs to revisit agreements and negotiations that limit the policy space available to developing countries, directly threaten human development or skew the benefits of integration towards rich countries. The issues raised by WTO rules on investment and intellectual property and by current negotiations on services demonstrate the problem in different ways.²⁴

The South Centre’s *South Bulletin* noted:

While trade can be a sustainable means to lift economies out of poverty, the terms have got to be fair. The current suspension of the Doha talks guarantees further slippages in attaining the MDGs. But it also provides an opportunity for hard rethink to get the original development objectives of the Doha round back on track. Only then can the Doha round deliver on its development promises and

²⁰ See www.un.org/millenniumgoals/. Specific statistical indicators include: % of value of developed country imports (excluding arms) from developing and Least Developed Countries (LDCs) admitted tariff-free; average developed country tariffs on developing countries’ agricultural/textiles and clothing exports; OECD countries’ agricultural subsidies as % of their GDP; % of overseas development assistance (ODA) for trade capacity-building.

²¹ www.un.org/summit2005/

²² UN, *Resolution adopted by the General Assembly, 24 October 2005, passim.* & para 32; daccessdds.un.org/doc/UNDOC/GEN/N05/487/60/PDF/N0548760.pdf?OpenElement. See also UN, *Millennium Development Goals Report 2005*, 2005; unstats.un.org/unsd/mi/pdf/MDG%20Book.pdf. For the UK’s contribution, see also HM Government (DfID), *The UK’s Contribution to Achieving the Millennium Development Goals*, 2005, paras 4.30-4.39, www.dfid.gov.uk/pubs/files/uk-cont-mdg-report.pdf

²³ UN, *Human Development Report 2005*, ch4; hdr.undp.org/reports/global/2005/pdf/HDR05_chapter_4.pdf

²⁴ *ibid.*, p126

thus help make the rightful contribution of the international trade regime to the achievement of the MDGs.²⁵

2. Estimated potential gains from the Doha Round

The UK Government's 2004 *Trade and Investment White Paper* cited World Bank research estimating that:

- the Doha Round could see global gains of \$250 billion-\$600 billion per year, while a 'pro-poor' result would reduce those in poverty by 144 million, including 60 million in sub-Saharan Africa alone (less than \$2 a day measure);²⁶
- total gains from 'significant agricultural liberalisation' could be \$358 billion by 2015.²⁷

Early estimates of the potential gains from trade liberalisation through the Doha Round dwarfed the scale of realistic government funding commitments on aid and debt relief. The largest estimates looked at a world where all trade barriers had been removed. However, as the negotiations have continued it has become clear that actual further liberalisation from the Doha Round will be somewhat more modest. Recent estimates based on realistic Doha scenarios are accordingly significantly lower.²⁸ As Stiglitz & Charlton have noted:

The rich countries often quote grandiose estimates of the potential gains from a successful conclusion to the round in attempts to weaken the resistance of sceptical developing countries. However, the size of the gains resulting from the round cannot be known until the nature and scope of the reform programme is determined in the final agreement. As the round becomes less and less ambitious, the potential economic benefits are becoming smaller and smaller.²⁹

However, the models from which estimates are derived have also been improved, and estimates of gains from wholesale liberalisation have also fallen. For example, the baseline level of protection has been updated, so that the effects of previous liberalisation can now be separated from the direct effects of a Doha agreement.³⁰

²⁵ "Will the Doha Round Deliver for the MDGs", South Centre Bulletin 130, 1 September 2006, p430; www.southcentre.org/info/southbulletin/bulletin130.pdf

²⁶ Citing Anderson *et al*, *Potential Gains from Trade Reform in the New Millennium*, 2000 in DTI, "Making Globalisation a Force for Good": *Trade and Investment White Paper*, July 2004, p10; www.dti.gov.uk/ewt/whitepaper.htm

²⁷ *ibid.*, pp10 & 87 respectively. It also stated that "developed country agricultural policies could cost developing countries up to €75 billion a year, i.e. around 1.5% of their GDP" (p88). The Prime Minister also noted in his 2005 Guildhall speech that a 1% increase in Africa's share of world trade would bring in \$70 billion – three times the increase in aid agreed at Gleneagles.

²⁸ See also: Focus on the Global South, *Recent assessments: Africa to lose out from WTO negotiations, even in Agriculture*, June 2006; www.focusweb.org/content/view/961/36/, and European Commission note on estimates: trade.ec.europa.eu/doclib/docs/2006/september/tradoc_129213.pdf.

²⁹ Stiglitz, J. & Charlton, A. "The Doha round is missing the point on helping poor countries", *Financial Times*, 13 December 2005. See also Stiglitz, J. & Charlton, A. *Fair Trade for All*, 2005 (in Library holdings)

³⁰ See also: Elliott, K. A. "Can Doha Still Deliver on the Development Agenda?", *CGD/IIE Policy Brief PB06-5*, June 2006; www.iie.com/publications/pb/pb06-5.pdf, European Commission, "Who gains from the Doha Development Agenda (DDA) merchandise trade liberalisation?", 1 June 2006; trade.ec.europa.eu/doclib/docs/2006/september/tradoc_129981.pdf and "Comparison of Carnegie, World Bank and CEPII's studies regarding the potential DDA impact on poor developing countries", 1 June 2006; trade.ec.europa.eu/doclib/docs/2006/september/tradoc_129969.pdf

The authors of a 2005 World Bank report, *Poverty & the WTO: Impacts of the Doha Development Agenda*, found that unless it “is considerably more ambitious than the Uruguay Round in terms of depth of cuts in bound tariffs and domestic support, it will achieve little development stimulus.”³¹ (Note: Bound tariffs are agreed WTO maximum tariff levels for a given good).

The report puts global gains from full liberalisation of goods trade at \$290 billion in 2015, rather than previous estimates of around \$400 billion.³² The underlying model is the same as used in the previous estimate, but this research uses 2001 tariff data (earlier estimates were based on 1997 tariffs), accounts for liberalisation agreed as part of the previous Uruguay Round, China’s WTO accession, EU enlargement in 2004, and the abolition of global quotas on textiles from 2005.³³ Of the \$290 billion, 30% goes to developing countries and 70% to developed countries, although in relative terms developing countries do slightly better than developed as a share of income. Among the developing countries the results are variable.

Models of more realistic Doha scenarios suggest estimates of real global income gains of \$95-\$126 billion by 2015. This would see around a third of the notional gains from full liberalisation. Developed countries would get around 40-45% of their ‘potential full liberalisation gains’, and developing countries around 20% of theirs. These figures may be over-estimates, as they assume no exemptions for ‘special’ or ‘sensitive’ agricultural products, which are likely to form part of a Doha Deal.³⁴

One scenario highlighted in the same report sees the \$96 billion in gains in 2015 from a Doha agreement break down into \$80 billion to developed countries and \$16 billion to developing countries (17% of the total). This estimate is based on ‘modest’ tariff reductions by developing countries. However, greater developing country participation including Least Developed Countries (LDCs, which are largely exempt from making new commitments) would see total gains of \$120 billion in 2015.³⁵

The same World Bank report also includes an analysis of the effects of liberalisation on world poverty. This suggests that these effects are variable.³⁶ The biggest declines in poverty are in those economies best able to take advantage of increased opportunities for agricultural exports, notably Brazil and China. However, poverty could actually increase in some countries, notably Bangladesh and Mozambique, although the report found that in the case of Bangladesh poverty could decline in the longer term.³⁷

³¹ Hertel & Winters (eds), *Poverty & the WTO: Impacts of the Doha Development Agenda*, (World Bank) 2005, p8

³² *ibid.*, Anderson, Martin & van der Mensbrugge, D. “Global Impacts of the Doha Scenarios on Poverty”, (chapter 17), p498

³³ Which account for some \$70 billion of gains in 2015 that cannot be attributed to Doha (*ibid.*).

³⁴ *ibid.*

³⁵ *ibid.*, p521

³⁶ *ibid.*, p26

³⁷ *ibid.*, p28

The research also suggests that the effects of full goods trade liberalisation are relatively small, and notes that these are lower than previous estimates, such as a 2002 World Bank estimate of a 110 million reduction in the number of people in poverty:

Overall, the number of poor (those living on less than US\$1 per day) would decline by 32 million by 2015, a reduction of some 5 percent compared to the projected baseline level of 622 million, of which 21 million would be in Sub-Saharan Africa.³⁸

Under the central Doha scenario, the estimates are accordingly lower: 2.5 million fewer on less than \$1 a day, of which 500,000 are in sub-Saharan Africa, although the report notes that these calculations have limitations.³⁹

While estimates of gains and of those lifted out of poverty through trade liberalisation have fallen, the methods behind the estimates have also been criticised.

Robert Hunter-Wade, Professor of Political Economy at the London School of Economics, notes that while lower trade barriers may increase exports, models of gains do not take significant costs into account, such as:⁴⁰

- the loss of revenue from lower tariffs, which can account for 10-20% of some countries' government revenues – this must then be raised by other means, with effects on economic activity (an UNCTAD study estimated \$63.4 billion of total lost tariff revenue);⁴¹
- reduced protection for 'infant industries'; and
- the transition costs of global specialisation are ignored in comparative advantage theory which assumes full employment.

The underlying models - Computable General Equilibrium (CGE) models – have also been criticised. Oxfam recently published a research report critiquing modelling,⁴² while a World Development Movement report states that:

First, these models are based on a set of assumptions that bear no relationship to the real world; for example, an assumption that transport and communications infrastructure functions perfectly. Most models are also based on the assumption that, after liberalisation, workers are effortlessly redeployed across different areas

³⁸ *ibid.*, p498-9 & 513

³⁹ *ibid.*, p520

⁴⁰ Robert Hunter-Wade, "Why free trade has costs for developing countries", *Financial Times*, 11 August 2005, p19

⁴¹ Fernandez de Cordoba, S & Vanzetti, D. Now What? *Searching for a solution in WTO industrial tariff negotiations: Coping with Trade Reforms*, (UNCTAD) 2005 cited in World Development Movement, "Missing presumed dead: Whatever happened to the Development Round?", June 2006, pp21-22; www.wdm.org.uk/wto/missingpresumeddead.pdf. WDM report also states that: "Although it is theoretically possible to replace trade taxes with other taxes, research done for the IMF shows that developing countries have often found it very difficult to fully recoup this fall in tax revenue; the ultimate result tending to be anything between a 30 and 60 per cent recovery of lost revenue. This means that an optimistic result from the Doha Round would be a loss in tax revenue for developing countries of around US\$25 billion."

⁴² Taylor, L. & von Arnim, R. *Modelling the Impact of Trade Liberalisation: A Critique of Computable General Equilibrium Models*, (Oxfam International), July 2005; www.maketradeair.com/assets/english/Taylor%20Final.pdf

of the economy, with no increase or decrease in employment and therefore no impact on society. Many of these models are not designed to deal with such complexity and, even if there are models that can, how do you attach an economic cost to Indian farmers committing suicide in their thousands as they are being steadily marginalised and put out of business?

Second, most of the benefits derived from CGE models usually result from a country's own liberalisation. In other words, most of the gains flowing to developing countries in these models are the result of their own reductions in trade barriers rather than access to markets in the industrialised world. This is because of the assumptions built in to such models at the very beginning on the price changes and efficiency gains that would occur after trade liberalisation with no account taken of real world problems such as the cost of implementing complex new rules, the transitional impacts of unemployment and significant loss of tax revenue.

And third, computer models tend to lead towards aggregate conclusions and ignore important specifics. For example, in many developing countries, the majority of farmers are small and subsistence producers producing for local and domestic markets. Significant subsidy reform in the industrialised world is likely to benefit these producers insofar as it reduces/eliminates agricultural products being dumped on their markets undermining their ability to produce and sell domestically. That said, in the absence of import protection in these countries, subsidised imports may ultimately be replaced by nonsubsidised imports from more 'efficient' agricultural producers in other parts of the world with the same net impact on domestic small and subsistence farmers. It is therefore critical for developing country governments to have the policy flexibility to use trade policy (e.g. import tariffs) to strike an appropriate balance between the interests of rural domestic producers and poor urban consumers.⁴³

As noted above, the gains for developing countries may or may not be significant, but these would be unevenly distributed. Doubts have been raised over agriculture in particular raising fears that support for future liberalisation could be undermined if poorer countries do not receive the suggested benefits from trade liberalisation.

Arvind Panagariya, Professor of Economics at Columbia University, has argued that the belief that developed country subsidies and agricultural protectionism damage the poorest countries is mistaken:

[...] barring a few exceptional cases such as cotton, the least developed countries will actually be hurt by this liberalisation. The biggest beneficiaries of the rich country cuts in farm subsidies will be the rich countries themselves, which bear the bulk of the cost of the associated distortions, followed by the [G20] which will emerge as the main exporters of the liberalised products.⁴⁴

Panagariya also argues that as subsidies keep prices down, removing them will raise world prices, to the benefit of exporters and the detriment of importers. Some 45 of the poorest nations are net food importers, and 33 are net importers of agricultural products: after the removal of subsidies, the positive effects from trade are unlikely to be sufficient

⁴³ *ibid.*

⁴⁴ Arvind Panagariya, "The tide of free trade will not float all boats", *Financial Times*, 3 August 2004, p17

for these countries to become net exporters.⁴⁵ He also notes that after tariff barriers have been lowered, “less transparent regulatory policies, ostensibly for food hygiene and safety” may replace traditional tariffs and quotas, and that the richer developing countries will be in a better position than the poorest to overcome them.⁴⁶

William Cline, of the Centre for Global Development, has noted that more than one third of those in poverty in Least Developed Countries are in countries with food trade surpluses, and that a further fifth have small deficits on food trade but comparative advantage in food production:

The first group would gain unambiguously from global free trade in agriculture. The second group would gain from improved terms of trade on likely future net exports, and would gain even on current trade flows if a 10 per cent rise in food prices (a plausible estimate for global free trade) is more than offset by even a small reduction (0.5 per cent) in world prices of manufactures and other non-food goods. We should expect such a price reduction, or greater, from increased global efficiency under free trade.

The real LDC problem with respect to food trade is heavily concentrated in one country, Bangladesh, with one-fifth of LDC population, and with a comparative advantage in manufactures (mainly apparel). But Bangladesh would benefit from a global deal opening markets in manufactured goods, especially in middle-income countries, and agricultural liberalisation will clearly be instrumental in forging such a deal.

The proper policy implication for the food trade issue is that special assistance may be warranted for Bangladesh and a few other LDCs. The wrong conclusion would be that LDCs as a group should fear losses from global free trade and, by implication, should mobilise to block its negotiation in the World Trade Organisation.⁴⁷

Another issue for developing countries that has been much debated is ‘preference erosion’ caused by multilateral trade liberalisation.

Developed countries offer preferential tariffs to developing countries and LDCs. For example, the EU operates a Generalised System of Preferences (GSP) for developing countries, and within this the ‘Everything But Arms’ initiative for LDCs, which gives duty- and quota-free access to exports of most products except armaments. These lower tariffs are set relative to the Most Favoured Nation (MFN) tariffs that have been agreed through successive rounds of General Agreement on Tariffs and Trade (GATT)/WTO negotiations (see part IIA). Apart from where such preferences exist, the MFN tariff is the highest duty that can be charged on an import of a given good from any other WTO member (unless the two countries are parties to a free trade agreement).

As the MFN tariff level falls, the relative value of these preferential tariffs based on them is also reduced. In theory, aid-for-trade could help offset these negative effects, particularly where these are not balanced by increased market access for developing

⁴⁵ Cline also notes that under the EU’s ‘Everything But Arms’ initiative LDCs get duty- and quota-free access to EU markets, and that opening this to all countries will harm the poorest.

⁴⁶ *ibid.*

⁴⁷ Letter to Editor, “Global agricultural free trade would benefit, not harm, LDCs”, *Financial Times*, 9 August 2004, p16

country exports across the Round as a whole, and for products with large preferential margins.

However, Cline suggests that the LDC gains from improved access to those new markets that do not currently grant deep preferential tariffs would outweigh the losses from preferential access to the EU and the US for their goods. He recommends “immediate comprehensive free entry for imports” from the heavily indebted poor countries (HIPC) and sub-Saharan Africa, and a “tax holiday on direct investment”:

The trade base of these economies is too small to pose a competitive threat to middle-income or industrial countries. A head start on free access within a broader WTO liberalisation timetable would provide development benefits for these countries while locking in the principle of eventual winding down of preferences through the move to global free trade. Especially with such an enhancement but arguably even without it, the LDCs as a group should be counselled that deep global trade liberalisation in the Doha round will be to their benefit, not their detriment.⁴⁸

Given the slow progress and recent suspension of the negotiations, and the lack of clarity about the general framework of a Doha deal, it is impossible to assess with any certainty either the likely gains from a successful conclusion or their distribution among developing countries and LDCs.

As special and differential treatment for these countries, an integral part of the Doha agenda, is likely to be based on exemptions and qualifications of more general principles, these disciplines will not become defined until a framework deal is reached.

⁴⁸ *ibid.*

II The Doha Round: Negotiations so far

A. A 'development' round

An attempt to launch a new 'round' of trade talks at the 1999 WTO Ministerial in Seattle failed. This would have been the first round of trade talks since the Uruguay Round which led to the organisation's creation in 1995.

The WTO

Prior to 1995, a significant proportion of world trade had been governed by the General Agreement on Tariffs and Trade (GATT), which was originally signed in 1947. The creation of the WTO was agreed as part of the Uruguay Round of world trade talks which ran from 1986 to 1994, which made previous *ad hoc* GATT arrangements formal. The GATT continues to govern world trade in goods, while other aspects of trade are overseen through further agreements.

Trade rounds

The original GATT text was developed through a series of multilateral negotiations, or 'trade rounds'. Generally, each round took longer to complete, covered more members, and had wider issue coverage:

Year(s)	Round name	Areas covered	Countries involved
1947	Geneva	Tariffs (customs duties) (goods)	23
1949	Annecy	Tariffs	13
1951	Torquay	Tariffs	38
1956	Geneva	Tariffs	26
1960-61	Dillon	Tariffs	26
1964-67	Kennedy	Tariffs, anti-dumping	62
1973-79	Tokyo	Tariffs, non-tariff measures, framework agreements	102
1986-94	Uruguay	Tariffs, non-tariff measures, rules, services, intellectual property, dispute settlement, textiles, agriculture, creation of WTO, etc.	123
2001-present	Doha	Tariffs on goods, non-agricultural market access (NAMA), services (GATS), special and differential treatment, trade facilitation, etc.	Current membership (149 as at December 2005)

Source: WTO, www.wto.org/trade_resources/history/wto/roots.htm

The UK & the WTO

The UK is a WTO member, as well as being a member as part of the 'European Communities' together with the other EU Member States. They are represented at the WTO by the European Commission, which negotiates on their behalf, operating on the basis of a mandate agreed by Member States. The EU Trade Commissioner, Peter Mandelson, acts as chief negotiator.⁴⁹

In the aftermath of the events of 11 September 2001, a new round was successfully launched at the Doha Ministerial in Qatar in November 2001.⁵⁰ The Doha Development

⁴⁹ For further details on EU trade policy, see Library Standard Note SN/EP/1433.

⁵⁰ Doha Declaration, 14 November 2001; www.wto.org/english/thewto_e/minist_e/min01_e/mindecl_e.htm

Agenda (DDA), the official title of the Doha Round, was intended to have development at its heart, in part as a response to perceptions that the Uruguay Round had been biased toward developed countries.⁵¹

The DDA is a ‘single undertaking’ – nothing is agreed until everything is agreed. Key areas include:

- **agriculture** (covering market access – tariffs – and subsidies);
- **industrial products** (also known as Non-Agricultural Market Access, covering tariffs and non-tariff barriers);
- **services** (also known as the General Agreement on Trade in Services negotiations);
- **special and differential treatment** for developing countries (and measures addressing the particular problems of LDCs) as a thread running throughout the negotiations.

The main issues in these areas are summarised in appendix I, along with the various other parts of the single undertaking listed below.⁵²

- | | |
|-------------------------|--|
| • anti-dumping | • regional agreements |
| • competition | • small economies |
| • dispute settlement | • subsidies |
| • e-commerce | • technical cooperation |
| • environment | • trade and technology transfer |
| • implementation | • trade facilitation |
| • intellectual property | • trade, debt and finance |
| • investment | • transparency in government procurement |

B. From Cancún to Hong Kong

Progress in almost five years of Doha Round negotiations has been slow, although broadly comparable with progress in the previous Uruguay Round which lasted eight years. Also as in the Uruguay Round, persistent divisions between WTO members on key issues, particularly agriculture, had led to a series of missed deadlines and delays.⁵³

The Round was seen as stalled before the September 2003 WTO Ministerial in Cancún, Mexico.⁵⁴ A 31 March 2003 deadline to agree the framework for agricultural liberalisation was missed. Agriculture was and continues to be the dominant issue in the Doha Round, as the Uruguay Round before it, and an agreement here was vital to allow talks in other areas to progress. Cancún was widely viewed as an opportunity to ‘jump-start’ the Round.

⁵¹ The then Secretary of State for Trade and Industry, Patricia Hewitt, said “there is no doubt that one real difficulty in reaching agreement at Doha was the sense among so many developing countries that they had been sold a pup – betrayed – in the Uruguay round”. (HC Deb 15 November 2001 c1001)

⁵² More information available from WTO trade topics gateway: www.wto.org/english/tratop_e/tratop_e.htm.

⁵³ See the Doha chronology at the front of this paper.

⁵⁴ “America and Europe share the responsibility for world trade”, *Financial Times*, 23 April 2003

At Cancún, a joint EU-US approach on agriculture was widely rejected by key negotiators, notably the newly-formed G20 group of major developing countries, led by Brazil and India.

Also, attempts to incorporate 'new issues' into the Doha Round at Cancún were vocally opposed by some developing countries and the Trade Justice Movement. These prospective new rules on investment, competition, trade facilitation (including customs procedures) and transparency in government procurement were known as the 'Singapore issues', after working groups were established on them at the WTO's Singapore Ministerial in 1996. The EU took a position strongly advocating the inclusion of these issues, citing their potential for aiding development through liberalisation. While concessions were made after attempts to get all four Singapore issues onto the Doha Agenda, these were seen to be too late, and the Cancún talks collapsed acrimoniously.⁵⁵

Cancún was followed by a ten-month impasse in the Doha Round, unbroken until talks at Geneva in July 2004 adopted a set of broad principles for the Round (the July Package) allowing negotiations to resume.⁵⁶ This agreement saw some issues dropped from the Doha Agenda (although talks would begin on trade facilitation), a commitment to end agriculture export subsidies (by an unspecified date), and special measures agreed for cotton, along with guidelines for negotiations in other areas.

As well as further talks at Geneva, the first half of 2005 saw a series of 'mini-ministerials'. These informal meetings of small groups of WTO Members were an attempt to progress the negotiations ahead of an end-July 2005 deadline for an agreement on 'first approximations', an outline deal that would enable broad agreement – or 'modalities' – to be agreed at or before the Hong Kong Ministerial in December 2005. While these saw some progress on technical issues, the July deadline was missed, although the Gleneagles G8 summit in July 2005 and campaigning by the Make Poverty History coalition helped prevent a loss of momentum.

Trade: What was agreed at Gleneagles in July 2005?

The summit communiqué reiterated the G8's commitment to a successful Doha Round, specifically success at the Hong Kong ministerial, and to complete the Round by the end of 2006.⁵⁷

A separate trade statement underscored the commitment of the G8 to:⁵⁸

- 'substantially reduce' trade-distorting domestic support;
- improve market access;
- set a 'credible end date' for agricultural export subsidies;
- grant duty/quota-free market access for exports from LDCs.

The statement also advocated trade-related capacity-building and infrastructural projects in African countries (particularly LDCs), and improved preference schemes for developing countries by reforming their 'rules of origin'.

⁵⁵ See www.wto.org/english/thewto_e/minist_e/min03_e/min03_e.htm

⁵⁶ See www.wto.org/english/tratop_e/dda_e/dda_package_july04_e.htm.

⁵⁷ www.fco.gov.uk/Files/kfile/PostG8_Gleneagles_Communique.pdf, para 21 (and also para 35)

⁵⁸ www.fco.gov.uk/Files/kfile/PostG8_Gleneagles_Trade.pdf

After the WTO summer break, the focus shifted towards agreeing ‘full modalities’ – a framework agreement, with details such as formulae for tariff reductions – at Hong Kong.

October 2005 saw a flurry of activity after the US and the EU released offers outlining their broad positions on agriculture and on some other key issues in the Round.⁵⁹ While these offers sparked further activity, intensive negotiations in the run up to the Hong Kong Ministerial in December 2005 failed to close the still wide gulf between the positions of key negotiators. It was clear that Hong Kong would not see the required breakthrough on the framework ‘modalities’ that would allow much more detailed negotiations to begin. Expectations for Hong Kong were accordingly ‘downgraded’.

C. Hong Kong: Neither success nor failure

After failing to narrow differences between key players, the Hong Kong WTO Ministerial Conference from 13-18 December 2005 was always going to be difficult. That Hong Kong did not become the third collapsed WTO Ministerial in succession (after Seattle 1999 and Cancún 2003) was itself seen as a success: as the European Commission put it, Hong Kong “did not deliver great progress but avoided failure.”⁶⁰

Little progress was made on the main issues (agriculture and industrial products), with almost no progress in the many other areas of the Round. Ministers did, however, agree a limited ‘development package’ focused on LDCs (see details overleaf).

Hong Kong also saw agreement on setting up a ‘Task Force’ on Aid for Trade, which would make recommendations contributing to development by increasing poorer countries’ ability to gain from markets opening, and helping bind them into the global economy.

Ministers also agreed a new timetable for the Doha Round in 2006:

30 April 2006	full modalities (with numbers) for agricultural and industrial products
31 July 2006	draft agricultural and industrial products schedules; revised services offers to be submitted
31 October 2006	draft services schedules complete
End of 2006	reaffirmed as the ultimate deadline for completing the Doha Round

The full text of the Ministerial Declaration is available from the WTO website.⁶¹ A more detailed set of deadlines for 2006 is also available.⁶²

⁵⁹ See www.ustr.gov/assets/Document_Library/Fact_Sheets/2005/asset_upload_file919_8128.pdf for details of US offer. For initial EU offer see trade.ec.europa.eu/doclib/docs/2005/october/tradoc_125076.pdf, and for revised offer see ec.europa.eu/trade/issues/newround/doha_da/pr281005_en.htm.

⁶⁰ European Commission website, *The Doha Development Agenda* (accessed 2 July 2006); ec.europa.eu/comm/trade/issues/newround/doha_da/index_en.htm

⁶¹ See www.wto.org/english/thewto_e/minist_e/min05_e/min05_e.htm

⁶² See www.wto.org/english/tratop_e/dda_e/dohatimelines2006_e.htm

Hong Kong: Key agreements

Agriculture	Export subsidies to end by 2013, phased from 2010.
Cotton	Export subsidies eliminated by the end of 2006. LDC cotton exports given duty- and quotas-free access to developed countries (from the beginning of new agriculture agreement). Faster reductions in trade-distorting domestic subsidies.
Development	Duty/quota-free access for LDC exports to developed countries markets for 97% of product lines by 2008. ⁶³ Duty/quota-free access for LDC cotton exports. New developed country 'aid-for-trade' commitments: Japan committing \$10 billion and the US \$4 billion by 2010 (UK had committed to trebling 'aid for trade' to £100 million a year by 2010 in November 2005. The EU will provide €2 billion a year by 2010.) WTO Agreement on Intellectual Property (TRIPS) amended to allow poor countries easier access to cheaper medicines.
Industrial products	Mechanism for tariff reductions agreed (a 'Swiss formula'), with parameters and treatment of developing countries to be determined.
Services	The bilateral request/offer negotiation process would continue; benchmarking proposals dropped, but go-ahead for 'plurilateral' negotiations. LDCs not expected to make any new commitments.

D. Modalities elusive in 2006: the 'basic triangle' of issues

Many had seen Hong Kong as the last realistic chance to establish the framework that would enable the successful conclusion of the Round by the end of 2006. However, negotiators quickly shifted their attention to concluding the elusive modalities by the new deadline of 30 April 2006 agreed at the Ministerial.

With the year's first major deadline approaching, WTO members were once again forced to concede that they remained too far apart on the main issues and that no agreement would be possible by the end of April. This left a little over a year before the expiry of TPA in the US (see box below), raising real fears that the Round was in jeopardy.

After modalities are agreed, more time would be needed to allow progress on the details of the agricultural and industrial product agreements, and in the other areas of the Round, ahead of the WTO's summer recess break. Then preparing national schedules based on the commitments agreed could take up to six months.

⁶³ Some 3% of tariff lines (c.330 product lines) will be exempt, although the details were not agreed. The EU, which already offers duty/quota free access to LDCs through its 'Everything But Arms initiative', had called for complete duty- and quota-free market access, but other WTO members had concerns over the competitiveness of some LDCs, particularly in textiles and clothing.

Why is the Round's ultimate deadline mid-2007?

US trade policy has provided an unofficial ultimate end-point for the Doha Round.

The US constitution gives Congress primacy over trade policy, but in 2002 it delegated this to the Presidency through Trade Promotion Authority (TPA), or Fast Track Authority, as part of the 2002 US Trade Act. Congress renewed this for two years in July 2005.⁶⁴

The President's authority to negotiate trade agreements, which can then only be accepted or rejected by Congress without amendment, expires on 30 June 2007, and Congress must be notified of an intention to sign by April 2007.⁶⁵

The end of TPA would make it almost impossible for the US to agree trade pacts with partners because of the risk of amendments to the related legislation in Congress: "Without it, the US is not considered to be a credible negotiating partner -- multilaterally or bilaterally -- since Congress would then be able to pick apart carefully-assembled deals provision-by-provision, instead of having to give each package a straight up or down vote."⁶⁶

The recent consensus has been that rising protectionist sentiment among legislators would mean that TPA would not realistically be renewed. The end of 2006 was therefore seen as the ultimate deadline for the Doha Round, timetable. More recently there have been suggestions that TPA could be temporarily extended if there was a realistic chance of Doha being concluded soon, or renewed to allow the US to continue bilateral trade talks with key trade partners (the administration is keen to conclude key deals before TPA expires).

The missed deadline was followed by a six-week period of continuous negotiations on the two key areas, agriculture and industrial products (NAMA). Doha talks continued in other fora, for example good progress was being made on trade facilitation. However, it became increasingly clear that agriculture was the 'gateway issue' for the Round. Success in agriculture could unlock progress in the other areas of the talks.

These intensive talks failed to produce signs of progress: the two chairs of the key negotiating groups circulated 'draft modalities' on 22 June.⁶⁷ These reflected the continued lack of consensus. The agricultural text had some 760 bracketed (unagreed) sections, while the text on industrial products was mainly a summary of members' negotiating positions, with some observations on possible ways forward.

In the course of these negotiations a 'basic triangle' (see chart) of issues between the key players emerged, giving an idea of the compromises that would be required in order to resolve the stalemate:

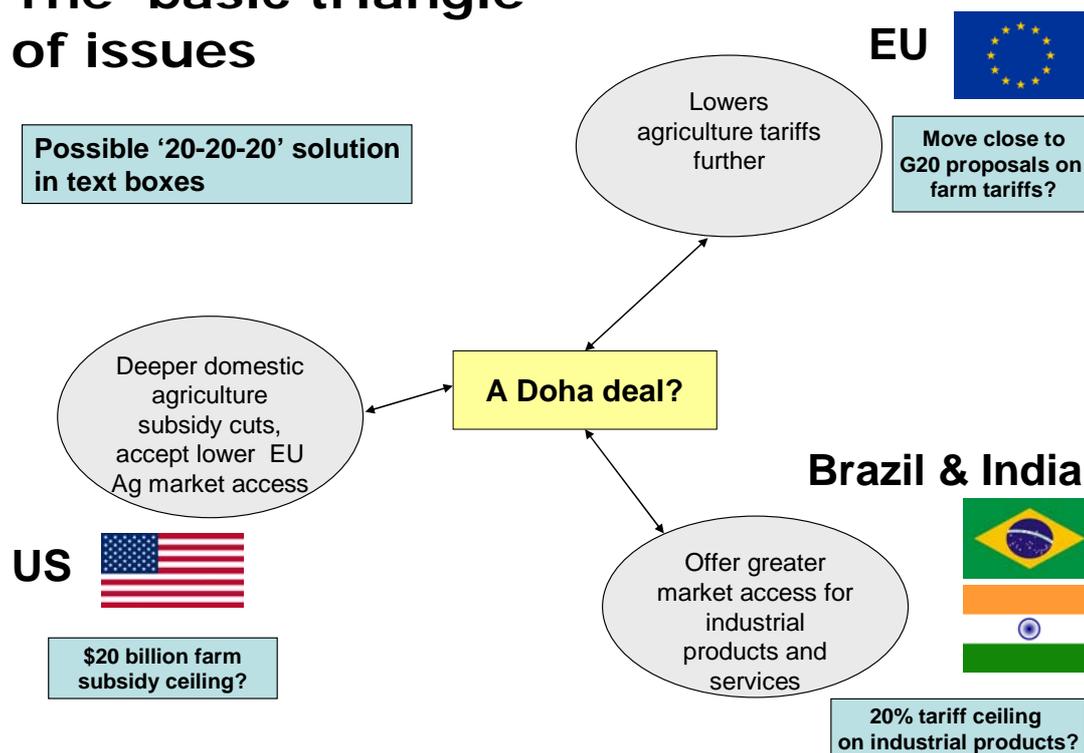
⁶⁴ TPA had previously lapsed in 1994, and was vital for a successful Doha Round covering a wide range of issues. The House of Representatives passed the Bill by a single vote, and the Senate passed it by a margin of 64-34. ("Senate gives president go-ahead to negotiate global trade agreements", *Financial Times*, 2 August 2002)

⁶⁵ Institute for International Economics, *The Doha Round after Hong Kong*, 2006, p6; www.iie.com/publications/pb/pb06-2.pdf

⁶⁶ "Doha round suspended indefinitely after G6 talks collapse", ICTSD *Bridges Weekly* 10:27, July 2006

⁶⁷ Followed by revised texts later that month, see [June/July 2006 modalities](http://www.wto.org/english/tratop_e/dda_e/modalities06_e.htm) page on WTO website; www.wto.org/english/tratop_e/dda_e/modalities06_e.htm

The 'basic triangle' of issues



The current positions of the key countries are complex, but in summary: The US is looking for improved market access, with average tariffs cut by around 66%, while the G20 group of larger developing countries (led by Brazil and India) is looking for a cut of around 54%, and the EU has offered a 46% average cut (though it has indicated it could move close to the G20 position, to around 51%, if others offer concessions). The G20 are looking for reductions in US farm subsidies, greater than the cap offered by the US of around \$22.5 billion, as well as improved market access through lower tariffs.⁶⁸ The EU is looking for improved market access on industrial products to larger developing country markets, with a maximum tariff of around 15%, along with improved services trade access.

Essentially, a breakthrough would need the EU to offer greater reductions in tariffs on agricultural goods, the US to reduce its agricultural subsidies further, and key developing countries (such as Brazil and India) to offer greater market access for other countries' exports of industrial goods.

Meetings were held at the WTO in Geneva from 28 June to 1 July to attempt to finalise modalities.⁶⁹

The WTO Director General Pascal Lamy had previously talked of 20 as a 'magic number', sketching out a possible 20-20-20 solution to the 'basic triangle' (see the

⁶⁸ "Doha round suspended indefinitely after G6 talks collapse", ICTSD *BRIDGES Weekly* 10:27; www.ictsd.org/weekly/06-07-26/story1.htm

⁶⁹ See www.wto.org/english/tratop_e/dda_e/modalities06_e.htm

blue text boxes in the above diagram).⁷⁰ This would see the US set a \$20 billion ceiling on agricultural support, key developing countries set a maximum tariff on imports of industrial products of 20%, and the US and the EU accepting the compromise position of the G20 on agricultural tariff cuts.⁷¹ Lamy called the meeting the 'moment of truth'.⁷²

The 20-20-20 solution would involve significant compromises from all concerned. Despite public statements of possible flexibility in the EU position towards the G20 position on tariffs,⁷³ the French Trade Minister reportedly suggested that that the proposal was unacceptable. In the US, the Presidency was "under strong political pressure from the US Congress, appeared to have little flexibility to move on farm subsidies, without which the other jigsaw pieces would not fall into place."⁷⁴

With no signs of the stalemate being broken, the ministerial meeting ended without agreement.⁷⁵ The *Financial Times* said the meeting was "deadlocked from the start": agricultural support was apparently the main block, with the US calling for lower agricultural tariffs while other countries demanded that the US should reduce agricultural subsidies first.⁷⁶

Lamy reported that there had "been no progress and therefore we are in a crisis."⁷⁷ However, he also said that the gaps between negotiators were "not unbridgeable": Doha was "in crisis, but not yet panic".⁷⁸

A last ditch initiative was then launched. The G6 group of key negotiators on the main issues – Australia, Brazil, the EU, Japan, India and the US – requested the WTO Director General to act as mediator and facilitate an agreement between them. As one trade briefing put it:

Lamy believes that the central players in the negotiations are still waiting for each other to move first, and have not "put all their numbers on the table." He will now attempt to probe further to find out what these still-concealed numbers might be. Some trade officials have suggested that governments might be more willing to reveal their true 'red lines' to Lamy, as compared to in a meeting with other delegations, where negotiators fear that any concessions might be immediately taken for granted and treated as a new basis for ramped-up demands. This would

⁷⁰ "Head of WTO outlines terms for possible Doha accord", *Financial Times*, 29 June 2006, p5. Lamy acknowledged that other important issues would need to be resolved, such as sensitive products. "Lamy says 'magic number' 20, as ministers arrive in Geneva", ICSTD *BRIDGES Weekly* 10:23, 28 June 2006, includes further analysis of this proposal and its implications for the US, the EU and India.

⁷¹ "Lamy outlines schedule for 'moment-of-truth' meetings", *WTO News Release*, 28 June 2006

⁷² *ibid.*

⁷³ "Mandelson: "Every one of us can afford to compromise. None of us can afford to let the Doha Round fail"", *European Commission release*, 29 June 2006; trade.ec.europa.eu/doclib/docs/2006/june/tradoc_129163.pdf, and "Mandelson sets out EU 'landing ground' for farm/manufactures deal", *European Commission release*, 30 June 2006; trade.ec.europa.eu/doclib/docs/2006/june/tradoc_129206.pdf

⁷⁴ "Interim Doha deal proves elusive", *Financial Times*, 30 June 2006, p7

⁷⁵ See DG Lamy's statements to *informal* and *formal* meetings of the WTO's body charged with overseeing the Doha Round, the Trade Negotiations Committee (of all WTO members) on 1 July.

⁷⁶ "Call for Lamy to step in after talks stalemate", *Financial Times*, 3 July 2006, p6

⁷⁷ "Despair as five years of world trade talks fail", *The Guardian*, 3 July 2006, p24

⁷⁸ WTO Audio, *Highlights from press conference*, 1 July 2006; www.wto.org/audio/2006_07_01_wto.mp3

help Lamy assist Members in transcending the brinkmanship that has characterised the talks.⁷⁹

The involvement of the Director General had parallels with the Uruguay Round, where the then GATT Director General Arthur Dunkel produced what became known as the 'Dunkel draft', outlining a possible solution to deadlock in the previous round of talks. However, as the EU Trade Commissioner Peter Mandelson put it, Lamy should act as a "catalyst but not the author of an agreement" in the Doha Round.⁸⁰

This was widely seen as the last chance for the Doha Round: If modalities were not in place before the WTO's summer break from the end of July, it would be difficult to produce the schedules of national commitments and reach agreement in other vital areas of the Round before the expiry of US TPA in mid-2007.

E. The Round is suspended

The G8 St Petersburg Summit statement was supportive of trade and emphasised the importance of the Doha Round, leading to optimism about a possible breakthrough.⁸¹

After Lamy had completed a series of visits to the G6 countries, the group met for final talks which – despite the earlier optimism – broke down on 23 July. The G6 failed to reach an agreement on the two agricultural sides of the 'triangle'; industrial products were not even considered.⁸² As happened in the Uruguay Round, stalemate over agriculture had led to a crisis in world trade talks, despite the declining relative importance of agriculture to international trade as a whole.

In a statement, Pascal Lamy said he would recommend to the WTO the suspension of the Doha Round, not just in the areas being discussed among the G6, but in all negotiating groups across the entire Doha agenda. This would give a "time-out to review the situation, examine available options and review positions."⁸³ Lamy noted that the end of 2006 target for completing the Round would not be missed, and urged negotiators to:

[...] use this period of reflection for precisely that — for serious and sober reflection on what is at stake here. We all know that this is the most ambitious of all the trade rounds over the past 50 years. In fact, what is already on the table today is potentially worth two to three times more than previous rounds, whether for developed or for developing countries.⁸⁴

⁷⁹ "WTO talks in "crisis" as high-level meeting fails; Lamy to try to facilitate consensus", ICTSD *BRIDGES Weekly Special Update*, 3 July 2006

⁸⁰ "Call for Lamy to step in after talks stalemate", *Financial Times*, 3 July 2006, p6. Reportedly, the EU is trying to reach agreement with the G20 on a 51% tariff cut, slightly lower than the G20's position.

⁸¹ G8 statement on Trade www.wto.org/english/news_e/news06_e/g8_stat_july06_e.htm or en.g8russia.ru/docs/16.html; see also "Update on Africa"; en.g8russia.ru/docs/13.html

⁸² Lamy's statement to the WTO Trade Negotiation Committee on 24 July 2006

⁸³ "DG Lamy: time out needed to review options and positions" (Chairman's Introductory Remarks to Informal TNC meeting at the level of Head of Delegation), WTO press release, 24 July 2006; www.wto.org/english/news_e/news06_e/tnc_dg_stat_24july06_e.htm

⁸⁴ *ibid.*

At the 27-28 July General Council meeting, WTO members agreed with Lamy's conclusions and the Round was duly suspended.⁸⁵ No date was set for restarting the Round. The next General Council meeting after the WTO's summer break, scheduled for 10-11 October, may provide some indications.

At a press conference, Lamy said that negotiators had "missed a very important opportunity to show that multilateralism works."⁸⁶ The *Financial Times* called it "one of the darkest days of the WTO since its creation".⁸⁷

The Round's suspension inevitably saw accusations of blame within the G6. An editorial in *The Guardian* said:

When push came to shove, the EU and its US counterparts were not prepared to face down their farmers and cut tariffs and subsidies, in return for the chance to make their own consumers and manufacturers better off and also to channel powerful forces towards aiding the developing world.⁸⁸

The *Financial Times* reported that four of the G6 countries were pointing the finger of blame at the US and its demands for lower agricultural tariffs, without commitments on reducing US subsidies.⁸⁹ As the EU trade commissioner Peter Mandelson put it:⁹⁰

Having been mandated by our heads of government at the G8 to come together to indicate further flexibility, I felt that each of us did, except the US.

The US was unwilling to accept, or indeed to acknowledge, the flexibility being shown by others in the room and, as a result, felt unable to show any flexibility on the issue of farm subsidies.

Kamal Nath, the Indian commerce minister, said that: "Everybody put something on the table except one country who said, 'We can't see anything on the table.'"⁹¹ He also said that trade-distorting subsidies "should not be there to start off with", and that if developing countries would not accept being asked by developed countries to "please pay us to remove these distortions".⁹²

⁸⁵ The General Council is the highest authority of the WTO between biennial ministerial conferences. The meeting also noted the report of the Aid for Trade task force (more detail in part III.B.1). "General Council supports suspension of trade talks, Task Force submits "Aid for Trade" recommendations", *WTO press release*, 27-28 July 2006; www.wto.org/english/news_e/news06_e/gc_27july06_e.htm

⁸⁶ "Talks suspended. 'Today there are only losers.'", *WTO press release*, 24 July 2006; www.wto.org/english/news_e/news06_e/mod06_summary_24july_e.htm

⁸⁷ "Dark day for WTO after talks collapse in acrimony", *Financial Times*, 25 July 2006, p1

⁸⁸ "Into the freezer: World trade talks", *The Guardian*, 26 July 2006, p30

⁸⁹ *ibid.*

⁹⁰ "After five years, world trade talks near collapse", *The Guardian*, 25 July 2006. The Commission have released two statements on the matter: 24 July: ec.europa.eu/comm/trade/issues/newround/doha_da/pr240706_en.htm and 25 July: ec.europa.eu/comm/commission_barroso/mandelson/speeches_articles/temp_icentre.cfm?temp=sppm110_en

⁹¹ "Dark day for WTO after talks collapse in acrimony", *Financial Times*, 25 July 2006, p1

⁹² "Doha round suspended indefinitely after G6 talks collapse", ICTSD *BRIDGES Weekly* 10:27

US negotiators replied that the other G6 negotiators' planned exemptions for certain products from overall tariff reductions would have severely limited any new market access. As the US Trade Representative put it:⁹³

While the United States was prepared to do more, yesterday's focus on the loopholes in market access, on the layers of loopholes, revealed that a number of developed and advanced developing countries were looking for ways to be less ambitious, to avoid making ambitious contributions.

III What happens next?

A. Can Doha be revived?

"The round is not dead [...] But it is definitely between intensive care and the crematorium." (Kamal Nath, Indian Commerce Minister)⁹⁴

Since the Round's suspension at the end of July it has remained unclear whether the talks can be restarted, either quickly or in the longer term, or if the collapse is permanent.

One trade briefing noted that because the General Council "did not formally vote to freeze the talks", rather 'taking note' of the Director General's recommendation to do so, "it will be possible to restart the negotiations without a separate formal decision to do so, which would have given each Member a veto over their resumption."⁹⁵

Since the stalemate most countries continue to call for the talks to be resumed, though there are as yet no signs of the necessary compromises. A flurry of bilateral soundings followed the suspension, which the *Financial Times* called:

[...] a faintly silly game of competitive concern for the revival of Doha, with ministers and officials dashing around the globe ostentatiously holding meetings to prove their commitment to the trade round that their intransigence has just brought to a juddering halt.⁹⁶

An option floated prior to the suspension was a minimal 'Doha-lite' deal. This would have consolidated what had been agreed so far, offering some concessions to developing countries, but not increasing market access significantly.⁹⁷ However, this kind of deal is likely to be unacceptable to the US: Congress would probably not agree to

⁹³ USTR press release, 24 July 2006;

www.ustr.gov/Document_Library/Transcripts/2006/July/Transcript_of_Press_Availability_on_the_Doha_Development_Agenda_with_Ambassador_Susan_C_Schwab_Mike_Johanns_Secretary_of_A.html

⁹⁴ "Round left 'between intensive care and the crematorium'", *Financial Times*, 25 July 2006, p6

⁹⁵ "Doha round suspension receives support of General Council", ICTSD *BRIDGES Weekly* 10:28

⁹⁶ [Leader] "Pointless partial pacts", *Financial Times*, 16 August 2006

⁹⁷ "Shadow of guillotine looms over trade deal", *The Guardian*, 8 May 2006, p30; Brigitte Schmidt Gwyn of the Business Roundtable also wrote to the *Financial Times* against a possible 'Doha-lite' outcome. ("Doha-lite' deal would squander rare opening for global trade, *Financial Times*, 9 May 2006, p12).

a Doha trade bill without significant improvements on access for US agricultural exports.⁹⁸

1. UK Government position

In a September 2006 written statement the Trade and Investment Minister, Ian McCartney, said that the UK Government was “very disappointed” with the progress of the Doha negotiations in 2006, and that:

While it is very disappointing that no agreement has yet been reached, it is premature to say that the Doha Round has collapsed and cannot be revived. We believe that all key players have a responsibility to use the suspension of the negotiations to reflect on their positions with a view to showing flexibility in future that will allow an agreement to be reached. Developing countries, including the poorest countries, are the biggest losers from the failure to reach agreement.

The UK remains committed to achieving an ambitious, pro-development outcome to these negotiations. Our priority now is to encourage all WTO members to re-engage in the negotiations as soon as possible. The UK Government have taken and will continue to take every opportunity to press for this – within the EU and with other WTO members. [...]

The UK will continue to support a multilateral, rules based, international trading system. We believe multilateralism is the best way of tackling unfair trade practices.⁹⁹

The Department for International Development has also said that the Government is “committed to pushing for the negotiations to restart as soon as possible”, as their “number one priority”.¹⁰⁰

2. A ‘window of opportunity’?

The suspension of the talks threatens to become long-term, possibly permanent, unless a breakthrough is seen in the next couple of months. The widely held view, reportedly held by the WTO’s Director General Pascal Lamy, is that there is a six-month ‘window of opportunity’ between October 2006 and the end of March 2007 to restart the Round. The EU Trade Commissioner and the WTO Director General have said that unless the talks resumed by March, the next realistic window could be as far away as 2009.¹⁰¹

These ‘windows’ should be seen in the context of US TPA (see box on page 23). This expires in mid-2007, and looms large as a deadline for the Round: after this, the US Congress would be able to amend any trade deal reached by negotiators, undermining the credibility of the US in trade negotiations. Therefore, an extension or renewal of TPA would be needed for the Round to be concluded.

⁹⁸ A US Senator has also spoken out against a ‘Plan B’ approach. Senator Charles Grassley (Iowa & Finance Committee Chairman), from “White House trade nominee stresses Doha Commitment”, *Financial Times*, 17 May 2006, p9.

⁹⁹ HC Deb 11 September 2006 cc122-3WS

¹⁰⁰ Department for International Development, *World trade: what happens next?* (web-page); www.dfid.gov.uk/news/files/trade_news/doha-update-aug06.asp

¹⁰¹ “US hints at fresh concessions”, *The Guardian*, 18 September 2006, p21

Until recently, the widespread assumption was that TPA would not be renewed. Protectionist sentiment is thought to be widespread among US legislators, with the passage of the Central American Free Trade Agreement-Dominican Republic (CAFTA-DR) Bill only narrowly passing through Congress. However, the US Trade Representative has said that signs of progress in the Round could encourage Congress to grant an extension to TPA,¹⁰² possibly on a case-by-case basis,¹⁰³ or for a year in exchange for rolling forward the current US Farm Bill (which determines agricultural support in the US, and is due for renewal in 2007).¹⁰⁴ Also, if no Doha progress is seen, a potential rush of competitors to reach bilateral and regional trade deals could give an impetus to renew TPA. The loss of TPA would not only make a multilateral deal at the WTO impractical, but also the pursuit of bilateral deals as well.

If some form of extension is possible, then the Round could be resumed some time after the November 2006 Congressional mid-term elections.¹⁰⁵

If an extension is not given, then the “tightening noose of domestic politics in 2006-08” means that 2009 could be the “next plausible window of opportunity” for completing the Round.¹⁰⁶

The outlook for 2007 is mixed: The 2006 St Petersburg summit included a G8 commitment to regular progress reports on Africa from the 2007 summit, to be held in Heiligendamm, Germany from 6-8 June, onwards. Germany’s G8 presidency agenda could help focus governments’ minds, with German Chancellor Angela Merkel reportedly stating at a press conference at St Petersburg that poverty would be on the 2007 agenda¹⁰⁷ Germany also holds the EU presidency in the first half of 2007. Further pressure could come from NGOs, with the Global Call to Action Against Poverty indicating that their 2007 activities would be focused around the time of the summit, a half-way point between the setting of the MDGs in 2000, and their 2015 target (see part IC.1 for more detail).¹⁰⁸

2007 also sees presidential elections in France (in April/May) which may not be conducive to enabling the kind of concessions that the EU may have to make to reach a breakthrough in the Doha Round. The renewal of the US Farm Bill due in 2007, which could cover the next five years, also raises fears that increased agricultural subsidies could make issues in the Doha negotiations more intractable.

¹⁰² “Governments exploring how to restart Doha round talks”, ICTSD *BRIDGES Weekly* 10:28

¹⁰³ Suggested by an official cited in “Bush eager to revive failed Doha trade talks”, *Financial Times*, 27 July 2006, p10

¹⁰⁴ “The rising risk of a backlash against free trade”, *Financial Times: Special Report: World Economy*, 13 September 2006, p5

¹⁰⁵ Recently, the EU Trade Commissioner said that only after the mid-terms would WTO members be able to decide whether “resumption is possible at the turn of the year or the beginning of next year. (“No movement on stalled Doha trade talks”, *National Post*, 12 September 2006)

¹⁰⁶ Simon J. Evenett, “The WTO Ministerial Conference on Hong Kong What Next?”, *Journal of World Trade* 20:2, April 2006, p225 & p221

¹⁰⁷ “Have the G8 kept their promises?”, *Oxfam Q&A*; www.oxfam.org.uk/what_you_can_do/campaign/g8/qanda.htm. The University of Toronto G8 information pages’ prospective G8 agenda suggests that the 2007 agenda will be a meeting determined at a meeting on 11 October 2006 (www.g7.utoronto.ca/evaluations/2007heilgendamm/2007agenda.html).

¹⁰⁸ See www.bond.org.uk/campaign/gcap.htm

3. Post-suspension meetings so far

The first major gathering since the Round was suspended came alongside a ministerial meeting of the G20 group of developing countries in Rio de Janeiro on 9-10 September.

The WTO Director General, EU Trade Commissioner, US and Japanese trade negotiators, and representatives of WTO groups including the ACP and LDCs attended. There was broad agreement that the Round should be revived, and although no date was agreed key “figures in the talks have suggested that there is a window of opportunity for resuscitating the talks during the next six months.”¹⁰⁹ Brazilian foreign minister, Celso Amorim, said that: “The round is alive [...] We have taken the patient out of the intensive care unit and now it’s in the sick bay.”¹¹⁰

There are reports that the EU indicated some new flexibility, subject to similar moves from the US (specifically ‘real reductions’ in trade-distorting agricultural subsidies, and ‘disciplines’ over subsidies).¹¹¹ The G20’s communiqué called for resumption, though remained firm on demands for developed countries to reduce agricultural subsidies and the importance of special products and the ‘special safeguard mechanism’, which could be used by developing countries facing surges in imports of particular goods.¹¹²

At the 19-20 September annual meetings of the IMF and World Bank in Singapore, the G7 finance ministers, the IMF Managing Director and the IMF/World Bank Development Committee all called for the resumption of the Doha Round.¹¹³ However, as a *Financial Times* leader noted:

At successive international meetings, ministers have emitted similarly agonised entreaties but with no discernible impact on the European, American and emerging-market farm lobbies that continue to hold the round hostage. [...]

The appeals from the finance ministers are right, but irrelevant. Maybe they seek to divert attention from their impotence over exchange rates and management of global current account imbalances. Whatever their motivation, they have, alas, brought Doha’s completion no closer.¹¹⁴

The WTO Director General attended the annual meetings, saying that:

¹⁰⁹ “Doha Round Starting To Thaw?”, ICTSD *BRIDGES Weekly* 10:29, 13 September 2006. Pascal Lamy noted that before any restart of talks the “several weeks of discreet preparation work” on technical issues, particularly special products shielded from full tariff reductions, would be needed.

¹¹⁰ *ibid.*

¹¹¹ “Agriculture Discord Stymies World Trade Talks’ Revival”, *The New York Times*, 11 September 2006

¹¹² “Nath reiterates need to scrap farm sector subsidies” & “Correct structural flaws in global farm: Nath”, *The Economic Times* (India), 12 September 2006

¹¹³ See www.imf.org/external/am/2006/index.htm and: Statement by G7 Finance Ministers and Central Bank Governors, 16 September 2006; www.g8.utoronto.ca/finance/fm060916.htm International Monetary and Financial Committee of the Board of Governors of the IMF Communiqué, 17 September 2006; www.imf.org/external/np/cm/2006/091706.htm. Development Committee Communiqué, 18 September 2006; www.imf.org/external/np/cm/2006/091806.htm (also welcomed the recommendations of the two WTO task forces on Aid for Trade and the LDC Integrated Framework; see also Lamy speech to the committee: www.wto.org/english/news_e/sppl_e/sppl36_e.htm)

¹¹⁴ [Leader] “Impotent spectators”, *Financial Times*, 19 September 2006, p16

The challenge is not technical, but political. It is not enough to express concern about the multilateral system and a willingness to continue talking. We need to translate our collective concerns into concrete action and this means engaging in some “political heavy lifting” in constituencies at home. WTO members need to rethink their positions — especially in the two key agricultural areas I have mentioned above — so that the existing differences in positions can be bridged. [...] It is now time to reflect, to consult with stakeholders, to crunch numbers, to work together so that a resumption can take place soon with renewed positions brought to the table. I do not want to minimize the political costs of re-calibrating national positions, finding compromises and embracing freer global trade. But I would argue that the cost of not acting now, of squandering the gains we have made, and of ultimately weakening the multilateral system is much, much greater. And that these costs rise inexorably the longer we drift.¹¹⁵

Key trade representatives also met alongside a ministerial meeting of the 18-stong Cairns Group of major agricultural exporters in Cairns, Australia from 20-22 September.¹¹⁶ Australia had proposed a ‘five and five’ plan to resolve the impasse over agriculture which would see the US reduce agricultural support by a further \$5 billion and the EU increase average agricultural tariffs by a further 5%.¹¹⁷ While both the US and the EU have indicated room for flexibility, neither endorsed the proposal.¹¹⁸

Reportedly, Pascal Lamy sketched out a timetable that would involve an extension of TPA for six months,¹¹⁹ while the EU’s ambassador to the WTO, Carlo Trojan, was quoted as putting the chances of success at ‘50-50 at best’ in 2007.¹²⁰ Also, the US Trade Representative suggested that attempts to resume the Round should not focus on informal talks, not “formal negotiations of ministers in Geneva and artificial deadlines”, and suggested that the G6 may not be the best forum through which to achieve a breakthrough.¹²¹

Apart from the next WTO General Council meeting, scheduled for 10-11 October, the summit meetings of the Asia-Pacific Economic Cooperation (APEC) grouping in Hanoi in November could offer a further opportunity to make progress.¹²²

B. If not? The consequences of collapse

Regardless of divergent estimates of the increases in global gains and the numbers lifted from poverty by a successful Round, the suspension has forced negotiators, the G6 in particular, to consider the consequences of a possible ‘splintering of multilateralism’.

¹¹⁵ “Lamy: ‘political heavy lifting’ at home needed to revive talks” (Statement to International Monetary and Finance Committee), *WTO press release*, 18 September 2006; www.wto.org/english/news_e/sppl_e/sppl35_e.htm

¹¹⁶ See www.cairnsgroup.org

¹¹⁷ It would also see the EU’s subsidy cap reduced by a further \$6 billion from the current offer of \$33 million. (“US backs Australian position on farm trade”, *Australian Financial Review*, 21 September 2006)

¹¹⁸ “EU refuses to budge on tariffs”, *The Australian*, 22 September 2006 & “EU trade boss rejects Cairns plan”, *Australian Financial Review*, 19 September 2006

¹¹⁹ “US offers hope for trade talks”, *The Australian*, 21 September 2006

¹²⁰ “EU willing to ‘stretch’ on WTO talks but success a 50-50 bet”, *Agence France Presse*, 21 September 2006

¹²¹ “Schwab backs ‘quiet’ talks”, *Financial Times*, 22 September 2006

¹²² From 12-19 November; economic leaders meet on 18-19 November (see www.apecsec.org.sg).

Pascal Lamy, the WTO Director General, has said that:

Failure, in my view, would also send out a strong negative signal for the future of the world economy and the danger of a resurgence of protectionism at a time when the pace of globalization is weighing heavily on the social and economic fabric of many countries and when geopolitical instability is on the rise.¹²³

The chorus of concern about the future of the multilateral trade system includes the loss of the 'development dimension' of the Doha and the implications for developing countries, while two further consequences threaten to undermine the WTO: an acceleration of bilateral and regional free trade deals, and an increase in dispute cases, now that negotiations are unlikely to resolve long-standing issues.

In an open letter to trade ministers in the *International Herald Tribune*, Lamy said there would be "no winners" if the Doha talks were not resumed:

All of us would pay. We would pay through lost opportunities to expand trade, increase economic growth and boost development efforts in poor countries. We would pay too, through a weakening of the multilateral trade system in favor of far less effective bilateral trade deals. Moreover, the breakdown in negotiations would be cause for great celebration within the protectionist ranks. Yes, we would all pay for this failure, but it is the poorest and weakest among you who would pay the most.¹²⁴

He also noted that what was currently on the table in the Doha Round stood to be lost:

The pity in all of this is that what is on the table now constitutes greater progress in rolling back farm subsidies and tariffs than anything seen before in global negotiations. Even the least ambitious proposals would have cut trade distorting farm subsidies by two to three times the previous round of talks. Export subsidies would have been eliminated. For the first time members would have limited fishery subsidies, which contribute to the depletion of our oceans. The vast majority of exports from the very poorest countries would have faced no barriers to trade, and practices that had crippled African cotton farmers would have been substantially reformed. Powerful tariff-cutting formulas that were on the verge of agreement would have opened global markets as never before. And the services negotiations held the promise of new business opportunities in sectors like express delivery, banking, insurance, computer services and communications.¹²⁵

The EU Trade Commissioner, Peter Mandelson, has also raised similar fears, saying that the suspension had "dented the credibility of the WTO at a time of global economic and geopolitical uncertainty."¹²⁶ He spelt out the consequences of a Doha failure:

¹²³ "DG Lamy: time out needed to review options and positions" (Chairman's Introductory Remarks to Informal TNC meeting at the level of Head of Delegation), *WTO press release*, 24 July 2006; www.wto.org/english/news_e/news06_e/tnc_dg_stat_24july06_e.htm

¹²⁴ Pascal Lamy, "What now, trade ministers? Doha postmortem I", *International Herald Tribune*, 28 July 2006; www.ihf.com/articles/2006/07/27/opinion/edlamy.php

¹²⁵ *ibid.*

¹²⁶ "Mandelson welcomes ASEAN perspective in Doha review", *New Strait Times* (Malaysia), 23 August 2006; ec.europa.eu/comm/commission_barroso/mandelson/speeches_articles/temp_icentre.cf?temp=artpm033_en

First, the principles and process of multilateralism, which brings the international community together, would be set back, and not just in the trade sphere. Second, we would risk postponing, and possibly losing altogether, the global tariff reductions, the wide removal of subsidies and the strengthening of trade rules that can only be achieved through multilateral rather than bilateral negotiation.

And, third, for my own, European constituency, I would add that while a successful trade round will bring increased competition in our markets - and a real loss for agricultural livelihoods - this will be balanced by the industrial and service sector benefits of more dynamic global markets and new opportunities for European companies. The opportunity cost of failure would be very substantial.¹²⁷

Mandelson also said that:

A failure of Doha would strengthen those who want to turn their backs on globalisation and retreat into protectionism. It would undermine the WTO system, which has brought stability and predictability to the global economy. It would make it much harder to anchor China, India and other growing economies into an open, fair and multilateral trade system. What is at stake if we fail greatly outweighs the relatively small gaps that divide us.¹²⁸

In a letter to the *International Herald Tribune* some NGO representatives saw the suspension as a “symptom that the international system of governance is in a deep crisis,” with the most powerful governments were “prioritizing their short-term interests over multilateral cooperation.”¹²⁹ They said that:

Behind their rhetoric about the need for fair rules and multilateralism, business as usual still prevails in international relations. Big players continue to use their power to defend their short-term, domestic interests rather than working together on a shared vision for the common good.

What is needed is a complete change of mind-set so that multilateral strategic responses to interconnected challenges can occur. This must include:

- a pro-development reform of current world trade rules;
- the enforcement of the International Labor Organization conventions on labor rights;
- an effective protection of the environment;
- and the availability of adequate financing for sustainable development.¹³⁰

1. Loss of the ‘development dimension’

As Pascal Lamy has noted, commitments made in the Doha round so far have been jeopardised by the suspension:

¹²⁷ “Europe’s response to globalisation: where does EU trade policy go from here?”, Speech by Peter Mandelson, Wolfsberg, Switzerland, 4 May 2006; from ec.europa.eu/trade/issues/newround/doha_da/pr040506_en.htm

¹²⁸ Peter Mandelson, “A deal can still be salvaged from the ashes of Doha”, *Financial Times*, 31 July 2006, p15

¹²⁹ Bruno Rebelle (Greenpeace International), Guy Ryder (International Confederation of Free Trade Unions), Bernice Romero (Oxfam International), Tom Crompton (WWF International), Letter to Editor, “A new global agenda”, *International Herald Tribune*, 1 August 2006

¹³⁰ *ibid.*

[...] failure of this Round would be a blow to the development prospects of the more vulnerable Members, for whom integration in international trade represents the best hope for growth and poverty alleviation. This is why it is called “the development round”: it is intended to be a contribution to the Millennium Development Goals.¹³¹

NGOs have reacted to the suspension by highlighting its development impact.

Celine Charveriat, Head of the Oxfam *Make Trade Fair* campaign commented that:

Give them four more months, give them four more years, give them four more centuries – but unless the EU and the US make fundamental changes to their offers then these talks will fail development.¹³²

More recently, on 20 September 2006 at a meeting of the Cairns Group (see part IIIA.3), the director of Oxfam Australia, Andrew Hewett, said that:

For all our criticism of the WTO, it's the only show in town [...] We want the round back on track and to deliver decent developmental terms.¹³³

John Hilary, Director of Campaigns and Policy at War on Want, said he saw the suspension as “good news for the world’s poor”.¹³⁴ In the *Sunday Times* he wrote that:

The time has come to admit that the current WTO system will not result in a pro-development deal [...] The Doha round must be scrapped – the current package would be a bad deal, serving exclusively the interests of the biggest corporations around the world. The only chance for a real development agenda is to bury the Doha round, tear up the text and start anew.¹³⁵

After the suspension, the head of ActionAid's Trade Justice Campaign, Aftab Alam Khan, said: “There must now be root-and-branch reform of the WTO if it is to be a force for good in the world, rather than a forum for the rich to exploit the poor.”¹³⁶

Technically, the key development-focused commitments in the Round so far – duty- and quota-free access for 97% LDC exports to developed country markets, the 2013 end-date for agricultural export subsidies, and the cotton initiative – were contingent on its successful completion. Failure of the Round could see these commitments lost.

However, work on more effective trade-related assistance for developing countries (Aid for Trade), to help integrate them with the world economy and enable them to take

¹³¹ “DG Lamy: time out needed to review options and positions”, *WTO press release*, 24 July 2006; www.wto.org/english/news_e/news06_e/tnc_dg_stat_24july06_e.htm

¹³² “Doha Round suspended indefinitely after G6 talks collapse”, *ICTSD Bridges Weekly* 10:27, 26 July 2006

¹³³ “Doha revival vital to beating poverty: Oxfam”, *Agence France Presse*, 21 September 2006

¹³⁴ “WTO collapse ‘good news for world’s poor’”, *War on Want press release*; www.waronwant.org/?lid=12741

¹³⁵ John Hilary, “Trade talks failure may not be such a disaster”, *Sunday Times*, 2 July 2006, p4

¹³⁶ “WTO talks collapse: where next for world trade?”, *ActionAid press release*, 24 July 2006; www.actionaid.org.uk/100501/wto_talks_collapse_where_next_for_world_trade.html

advantage of improved market access, is technically outside the Doha work agenda, and so can continue despite the suspension.

The Aid for Trade taskforce established after Hong Kong issued its report to WTO members at the July 2006 General Council meeting.¹³⁷ The report called for “substantial additional targeted resources”, stressed “the need for additional, predictable, and effective financing”, and outlined a number of areas of possible assistance.¹³⁸ The Aid for Trade group’s report was noted, but not adopted formally, at the July General Council meeting and WTO Members are likely to consider the report’s recommendations at the next General Council (10-11 October).

Pascal Lamy has said that while Aid for Trade is “not a substitute for a successful Doha Round” it “is a necessary and valuable piece of our broader trade and growth agenda.”¹³⁹ The UK Government has also stated that it will:

[...] continue to press for progress on Aid For Trade for developing countries. Building developing countries’ capacity to trade is important in helping them integrate into the global economy and for providing a route out of poverty and we do not believe that Aid for Trade should be conditional on the successful conclusion of the DDA.¹⁴⁰

The EU Trade Commissioner Peter Mandelson has proposed extracting the development elements of the Doha agenda,¹⁴¹ allowing an “early harvest for the most needy developing countries”.¹⁴² He outlined seven elements of a development package:

- Continue negotiations on **Aid for Trade** (as noted above, this is likely anyway);
- Continue negotiations on **trade facilitation**;
- Continue negotiations on **special and differential treatment** for developing countries within specific WTO agreements on a “fast track and stand alone basis”;
- Implement, and potentially improve, the **duty and quota free access for LDCs** agreed at Hong Kong (the EU’s Everything But Arms Initiative means it already offers this);
- Reform of **rules of origin** requirements, which determine which country a good is judged to have come from for tariff treatment purposes;
- Expansion of the **Integrated Framework**¹⁴³ for trade-related technical assistance for LDCs (a separate taskforce reported on enhancing the framework in July);
- Review dispute procedure with a view to lowering costs of disputes for developing countries, noting that for smaller countries retaliatory tariffs are an insufficient threat.

¹³⁷ WTO, “Recommendations of the Task Force on Aid for Trade”, *WTO document WT/AFT/1*, 27 July 2006; docsonline.wto.org/imrd/directdoc.asp?DDFDocuments/t/WT/AFT/1.doc

¹³⁸ “WTO aid for trade task force submits final report to members”, *ICTSD BRIDGES Weekly* 10:28

¹³⁹ “Lamy: ‘political heavy lifting’ at home needed to revive talks” (Statement to International Monetary and Finance Committee), *WTO release*, 18 September 2006

¹⁴⁰ HC Deb 11 September 2006 cc122-3WS

¹⁴¹ “Mandelson proposes salvaging development elements of Doha following suspension of negotiations”, European Commission release, 24 July 2006; ec.europa.eu/comm/trade/issues/newround/doha_da/pr240706b_en.htm

¹⁴² “We need to look ahead and to rebuild: Transcript of Peter Mandelson’s remarks on his return from Geneva following the suspension of the WTO Doha negotiations”, *EC release*, 25 July 2006; trade.ec.europa.eu/doclib/docs/2006/july/tradoc_129461.pdf

¹⁴³ “IF management bodies adopt recommendations on an enhanced IF”, *WTO press release*, 5 July 2006; www.wto.org/english/news_e/news06_e/if_5july06_e.htm

Apart from aid for trade, continuing negotiations in these areas would “violate the long-standing tradition that trade agreements are a ‘single-undertaking’ in which nothing is agreed until everything is agreed.”¹⁴⁴ ICTSD’s trade briefing noted that “initial reactions from many developing country WTO Members were lukewarm, particularly with regard to continuing negotiations in some areas while those in others are frozen”, and reportedly the US and some developing countries objected to continuing their deliberations on trade facilitation outside the Doha agenda.¹⁴⁵

It was also noted at the July General Council meeting that developing countries stand to be worst hit by a lack of negotiating capacity: an LDC representative said that while larger WTO members could accept indefinite suspension, LDCs were not able to, and asked for Doha to resume in September.¹⁴⁶

2. More bilateral & regional trade deals

Many commentators see bilateral, region-wide and region-region trade agreements as the biggest threat to the WTO and the multilateral system that it governs. These deals are known collectively as regional trade agreements, or RTAs.

A long or indefinite suspension could quicken the “stampede to conclude bilateral deals that fragment global markets”, which for signatories of those agreements would “erode their incentive to support global liberalisation”.¹⁴⁷ A *Financial Times* leader argued that:

Erosion of WTO principles and disciplines would replace the rule of law with the law of the jungle. Nations' use of trade policies as offensive political and economic weapons would no longer be restrained by multilateral rules, increasing the risk of economic conflict. And as rival trade deals proliferated, global markets would fragment.¹⁴⁸

Another *Financial Times* leader noted that:

WTO talks are a loom that weaves thousands of mercantilist strands into a tapestry of free trade. Without that framework, rich countries' export interests will create a tangled skein of regional and bilateral treaties.¹⁴⁹

The Economist warned that: “If the Doha round collapses, regionalism, despite its unarguable economic inferiority, will replace multilateralism as the organising principle of global trade.”¹⁵⁰

¹⁴⁴ “Mandelson on call to rescue parts of agenda”, *Financial Times*, 27 July 2006, p10

¹⁴⁵ “With round in disarray, Mandelson proposes carving out 'development package'”, ICTSD *BRIDGES Weekly* 10:27

¹⁴⁶ “Doha round suspension receives support of General Council”, ICTSD *BRIDGES Weekly* 10:28

¹⁴⁷ “Undermining Doha”, *Financial Times*, 16 September 2005, p20; for more details on bilateral trade agreements and the WTO, see Library Standard Note SN/EP/1308.

¹⁴⁸ “Doha in the doldrums: Rising protectionism is putting the world economy at risk”, *Financial Times*, 6 April 2006, p18

¹⁴⁹ [Leader] “The real cost of a failure in Doha: Multilateralism must trump short-term interests to survive”, *Financial Times*, 15 May 2006, p16

¹⁵⁰ “Slouching towards disaster”, *The Economist*, 8 July 2006, p12

RTAs are not new. For example, in recent years the US has pursued a dual-track policy of “competitive liberalisation”: supporting the Doha Round while negotiating bilateral deals with trade partners. Before the suspension, US legislators called for a focus on bilateral deals over a Doha Round beset by seemingly intractable problems.¹⁵¹

Regional Trade Agreements & the WTO

RTAs are a recognised weakness of the WTO, and are an exception to the WTO’s general principle of non-discrimination between members.

They undermine the notion of ‘Most Favoured Nation’ tariffs that are faced by all trade partners. A 2005 report on challenges facing the WTO highlighted RTAs, noting how MFN had become “Least Favoured Nation” because of the scale of RTAs and preferential trade with developing countries.¹⁵² While RTAs are subject to WTO rules – they must cover “substantially all the trade” among signatories, and be completed in a reasonable timescale – key elements are not defined.¹⁵³

Before the Round’s suspension, an RTA ‘transparency mechanism’ was agreed.¹⁵⁴ RTA signatories will have to provide the WTO with information on coverage, tariff concessions, rules of origin, and import statistics, improving on current arrangements where such information is variable.¹⁵⁵ Pascal Lamy called it “an important step towards ensuring that regional trade agreements become building blocks, not stumbling blocks to world trade”.¹⁵⁶

The mechanism will not judge an RTA’s compliance with WTO rules, which members are yet to agree, with issues of the definition of “substantially all” trade, the length of transition periods for RTAs, and special and differential treatment for developing countries in ‘north-south’ agreements with developed countries.

The European Union – itself, as a customs union, a type of RTA – has worked towards regional free trade with countries in the Balkans, the Middle East and North Africa, and is negotiating inter-regional RTAs with the Gulf Cooperative Council countries and Mercosur. It is also currently re-negotiating trading relations with the six regions of the African, Caribbean and Pacific country group.¹⁵⁷

¹⁵¹ Chairman of Way & Means Representative Bill Thomas, cited in “Focus on bilateral trade deals, Bush is urged”, *Financial Times*, 4 April 2006, p9

¹⁵² WTO Consultative Board, *The Future of the WTO — Addressing institutional challenges in the new millennium*, 2005, p19; www.wto.org/english/thewto_e/10anniv_e/future_wto_e.pdf

¹⁵³ RTAs subject to GATT article XXIV paras 4-10 (clarified by a Uruguay Round understanding: www.wto.org/english/tratop_e/region_e/regatt_e.htm), and GATS article V for services trade.

¹⁵⁴ See WTO Negotiation Group on Rules, “Transparency Mechanism for Regional Trade Agreements: Draft Decision”, *WTO Document JOB(6)/59/Rev5*, 29 June 2006; www.wto.org/english/news_e/news06_e/job06_59rev5_e.doc

¹⁵⁵ The WTO Secretariat then produces a presentation on that RTA, followed by review by the WTO Committee on Regional Trade Agreements, or the Committee for Trade and Development for ‘south-south’ RTAs. This does apply to preference schemes for developing countries. “Members reach consensus in principle on RTA transparency mechanism”, ICTSD *BRIDGES Weekly* 10:24, July 2006

¹⁵⁶ “Lamy welcomes WTO agreement on regional trade agreements”, *WTO release*, 10 July 2006; www.wto.org/english/news_e/news06_e/rt_a_july06_e.htm

¹⁵⁷ The EU Trade Commissioner has noted that ‘pro-development’ Economic Partnership Agreements could be used to “compensate where we can for the lost benefits those poorer developing countries would have gained through early completion of the Round” (“We need to look ahead and to rebuild: Transcript of Peter Mandelson’s remarks on his return from Geneva following the suspension of the WTO Doha negotiations”, *EC release*, 25 July 2006; trade.ec.europa.eu/doclib/docs/2006/july/tradoc_129461.pdf)

Nevertheless, the EU has emphasised its commitment to multilateralism and the WTO, exercising a moratorium on any *new* trade negotiations since the beginning of the Doha Round. The Round's slow progress and suspension, and the increasing RTA activity elsewhere, has brought this moratorium into question. A Centre for European Policy Studies report said that the moratorium was being "seriously undermined" by other countries' bilateral negotiations, with the EU risking "trade diversion as trade is lured to other countries through preferential tariffs."¹⁵⁸ The CEPS report sees the rush to RTAs as a "self-reinforcing process [...] 'a race for markets'."¹⁵⁹

The EU Trade Commissioner indicated the future direction of EU trade policy in a speech to the European Parliament:

[...] our commitment to Doha will remain paramount; nothing can replace the WTO. First, it is based on equality and rule of law – rather than on raw power. Second, some benefits can only be achieved in a multilateral context, such as new disciplines on farm or fisheries subsidies, or a new agreement on trade facilitation, or new disciplines for anti-dumping tools, and better and clearer rules on regional trade agreements. Third, it is the only type of negotiations where smaller developing countries can punch their collective political weight. Finally, the Dispute Settlement System is one of the cornerstones of the WTO system, and a unique feature in international law. There is no doubt that any erosion of confidence in the multilateral trading system would, in the long term, also affect its dispute settlement system.

Bilateral and regional deals are not an alternative for multilateral negotiations, but rather an add on, a complement which helps to address more in depth reduction in tariff and non tariff barriers, as well as establishing disciplines in areas where the WTO members have decided, at least for the time being, not to negotiate (competition, government procurement, and labour dimension).¹⁶⁰

In a September 2006 speech, the Commissioner maintained the centrality of the WTO, but advocated "new free trade agreements designed to deliver more open markets and fairer trading conditions in new areas of growth, particularly in Asia."¹⁶¹ India, South Korea and the Association of South East Asian Nations (ASEAN) have been suggested as prime candidates. The *Financial Times* saw this as a "not-so-subtle shift in emphasis that is likely to raise concerns at the WTO and other supporters of the multilateral approach."¹⁶²

A "new strategic partnership" between the EU and ASEAN, including a free trade agreement, was recommended by a 'vision group' set up to look at its feasibility.¹⁶³ The

¹⁵⁸ Glania, G. & Matthes, J. *Multilateralism or Regionalism? Trade Policy Options for the European Union*, CEPS 2005, p102

¹⁵⁹ *ibid.*

¹⁶⁰ "Mandelson: Rio offers chance for Doha discussion and review", *EC release*, 5 September 2006; ec.europa.eu/trade/issues/newround/doha_da/pr050906_en.htm and speech trade.ec.europa.eu/doclib/docs/2006/september/tradoc_130023.pdf

¹⁶¹ "Mandelson: October EU trade policy shake-up will reject protectionism at home, seek open markets abroad", European Commission release, 18 September 2006; ec.europa.eu/trade/issues/sectoral/competitiveness/pr180906_en.htm

¹⁶² "Mandelson call for bilateral EU-Asian trade agreements", *Financial Times*, 18 September 2006

¹⁶³ Vision Groups Report: Trans-regional Partnership for Shared and Sustainable Prosperity (see ASEAN Economic Ministers-EU Consultations at www.aseansec.org/18418.htm)

October 2006 EU-India summit could see further moves toward a trade agreement, while a trade deal with China is increasingly a prospect, with the Commission consulting on a 'strategic review' of EU-China relations (with a Commission Communication expected by the end of 2006).¹⁶⁴ The Andean Community is a further candidate for an inter-regional RTA, while stalled EU-Mercosur talks could be resuscitated.

Details of future EU trade policy are likely to be outlined in more detail in a new European Commission 'external competitiveness strategy', due in October 2006.

Views on RTAs differ, but from an economic perspective they are generally considered to be sub-optimal compared with multilateral liberalisation, with gains and poverty effects comparatively lower, although in practice this depends on the terms of liberalisation.

While RTAs may be easier to conclude than complex multilateral talks, being adjusted to the particular circumstances of a given trading relationship, and easier to sell domestically, they have also been criticised for their lack of depth and breadth (product coverage), and the exclusion of agriculture and/or 'sensitive products'. There are also trends towards RTAs bringing in sensitive issues, such as the protection of intellectual property rights and services trade, and issues such as investment where negotiations have been rejected multilaterally.

However, RTAs fragment the multilateral trading system, and have the potential to fuel protectionism. Aside from their inherent economic inefficiency, they introduce new administrative burdens for exporters and higher transaction costs, and also have variable rules for determining the source country of a good and its eligibility for preferential treatment – known as 'rules of origin'. Overlapping agreements and variable rules pose a particular problem for companies that source production in multiple countries, which is increasingly common. The fear is of a 'spaghetti bowl' of overlapping, divergent and incompatible trade agreements.

While broader deals can have developmental aspects, such as in the EU's free trade agreements with South Africa, Mexico and Chile, the needs of developing countries may not always be fully taken into account.

'North-south' RTAs are thought to disadvantage poorer countries as developed countries use their economic power to extract concessions that could not be wrested due to developing country solidarity in multilateral talks at the WTO. The very poorest and most vulnerable countries, with little to offer in terms of trade, may also be ignored completely. It has also been argued that reducing 'south-south' trade barriers between developing countries, often cited as being the highest form of tariffs, is better achieved multilaterally than bilaterally.

Oxfam has warned of the risks for developing countries of RTAs, arguing that having been responsible for the breakdown of the Doha Round "rich countries are now competing to gain better access to developing country markets through regional deals

¹⁶⁴ "Commission launches public consultation on EU-China trade relations in the twenty-first century", *EC release*, 8 May 2006; ec.europa.eu/trade/issues/bilateral/countries/china/pr080506_en.htm

that only serve their interests”.¹⁶⁵ The head of Oxfam’s *Make Trade Fair* campaign, Celine Charveriat, said that developing countries “have climbed out of the frying pan to be faced by hundreds of fires.” She also noted that:

Developing countries have less bargaining power in regional negotiations and are more susceptible to bullying. They are not guaranteed special treatment as they are at the WTO, and some of the issues most important for poverty reduction, like the reduction of agricultural subsidies are not addressed. Free trade deals deprive developing countries of the space they need to use trade policies as a tool for development [...]¹⁶⁶

Oxfam also note that RTAs can often go beyond WTO requirements, so-called ‘WTO+’ deals, and affect access to medicines, small-scale farmers, and lack labour and environmental standards.

On the other hand, RTAs could – potentially – assist in providing the conditions needed to allow the Doha Round to be revived. The US Trade Representative has stated that it will be able to complete outstanding bilateral negotiations between the US and key partners, such as South Korea, under TPA before it expires in mid-2007 (see box IID).¹⁶⁷ However if negotiations run into problems, then doubts would be raised that these could be completed before TPA expires. Therefore, TPA may need to be extended to enable them to be completed. This would effectively delay the ultimate cut-off point for the Doha Round beyond mid-2007.

Fred Bergsten, Director of the Washington-based Institute for International Economics, has suggested that an ambitious new large free trade initiative should be launched, perhaps a free trade area of the Asia-Pacific (FTAAP) among the Asia-Pacific Economic Co-operation (APEC) forum countries.¹⁶⁸

He argues that this could have a catalysing effect on the Doha Round, mirroring an APEC free trade and investment announcement in November 1993 which he states as a major factor in breaking the Uruguay Round impasse, forcing the EU into making agriculture concessions.¹⁶⁹ An FTAAP would bring greater gains than Doha, cover half of the world, subsume all ongoing bilateral and regional negotiations into a single standard approach, prevent the creation of a tri-polar world (EU, NAFTA and Asia), and give the US Congress an incentive to renew TPA (which could therefore help revive Doha).

While this initiative could risk accelerating regionalism on a larger scale, resulting in trade diversion away from non-APEC countries, Bergsten argues that this is a preferable

¹⁶⁵ “Oxfam warns of threat of regional trade deals for poor countries”, *Oxfam Press Release*, 4 August 2006; www.oxfam.org.uk/press/releases/wto_040806.htm

¹⁶⁶ *ibid.*

¹⁶⁷ A USTR spokesperson said bilateral deals with Vietnam, Peru, Colombia and Oman could be concluded this year, and that a deal with South Korea was on track to be complete by next summer. “Politics Weighing on Trade Accords; Timing and opposition pose obstacles to passing some deals sought by the Bush administration”, *Los Angeles Times*, 4 September 2006

¹⁶⁸ Fred Bergsten, “Plan B for world trade”, *Financial Times*, 15 August 2006; www.ft.com/cms/s/390d8cec-2c82-11db-9845-0000779e2340.html

¹⁶⁹ Japan has also floated the idea of an East Asian free trade area covering ASEAN, Japan, China, India, Australia and New Zealand.

'second-best' to failed general liberalisation through the Doha Round. In the view of the *Financial Times*:

The likelihood of a seriously deep and broad regional trade agreement on east Asia or Apec lines in the short term is approximately nil. Congress, already huffing and puffing about China, will have a fit if the White House exposes yet more American companies to Chinese competition. And no east Asian pact will have much depth as long as it tries to yoke together economies as diverse as Burma, Vietnam, Japan and Singapore.

The present trouble with trade talks is not that ministers are not talking to each other enough. They seem to do little else. It is the lack of support for trade liberalisation sufficiently broad to knit together varying strands of exporter interest into a multilateral tapestry. And no amount of sticking pins into maps of Asia and dreaming of free trade is going to change that.¹⁷⁰

3. Overloading the WTO dispute system

A further fear is that a failed round, or one that was unlikely to resolve long-standing issues, could see countries, in particular developing countries like Brazil and India, increasingly resort to the WTO's dispute procedures. This route can be time-consuming, though, with some cases, such as a dispute over bananas, lasting over ten years.

Increased tensions caused by greater dispute activity could have implications for the dispute procedure. This could "weaken governmental support for the WTO dispute settlement mechanism",¹⁷¹ and perhaps the WTO itself. As Pascal Lamy has argued, "shifting priority away from negotiations and to litigation [...] could damage the fragile balance that exists between interpreting existing rules and creating new and more relevant WTO agreements."¹⁷²

A 2005 Oxfam report highlighted some \$13 billion of subsidies that could be in violation of the WTO Agreement on Subsidies and Countervailing Measures.¹⁷³ It found some €3.6 billion of illegal EU subsidies and €7.9 billion of illegal US subsidies in 2004, and warned that without reform, cases could be brought against the US on commodities like rice, corn and sorghum (a type of cereal grass), and against the EU on butter, fruit, milk, tobacco, vegetables, and wine and spirits. Agricultural subsidies are particularly vulnerable to dispute challenges after a 'peace clause' expired in 2004; now the Doha suspension has brought these issues back to the fore.

An initial sign came at the start of September 2006, when Brazil requested an investigation into alleged lack of implementation and compliance after the WTO's Appellate Body ruled in Brazil's favour in March 2005 that some US cotton subsidies and export credit programmes violated WTO rules. The US contends that it has undertaken

¹⁷⁰ [Leader] "Pointless partial pacts", *Financial Times*, 16 August 2006

¹⁷¹ "Doha round suspended indefinitely after G6 talks collapse", ICSTD *BRIDGES Weekly* 10:27

¹⁷² "With negotiations frozen, potential WTO disputes looming", ICTSD *BRIDGES Weekly* 10:28

¹⁷³ "Truth or consequences: Why the EU & the USA must reform their subsidies, or pay the price", *Oxfam Briefing Paper* 81, November 2005; www.oxfam.org.uk/what_we_do/issues/trade/downloads/bp81_truth.pdf; press release: www.oxfam.org.uk/press/releases/trade_301105.htm.

sufficient reforms, and objected to the establishment of a panel,¹⁷⁴ but it is not able to block a further request should Brazil make one the WTO Dispute Settlement Body's next meeting.¹⁷⁵

Gawain Kripke, senior policy advisor to Oxfam's *Make Trade Fair* campaign, said that:

The WTO mechanism for settling trade disputes is an expensive, complicated option of last resort [...] Poor countries shouldn't have to seek development through litigation, but with the collapse of the Doha round and the unwillingness of the US to take its international obligations seriously, litigation is one of the few options available.¹⁷⁶

As the *Financial Times* noted:

If a barrage of litigation does start flying at US farm programmes, the grudging US acceptance of WTO rulings could well give way to anger and rejection of the entire system. If the US can get the market access it wants through bilateral negotiations, support for the WTO from its largest member may well begin to dissipate.¹⁷⁷

On the other hand, some argue that disputes may actually help to revive Doha:

In current circumstances, some governments may be motivated to pursue dispute settlement at least in part to demonstrate the costs of allowing the Doha Round to break down, and to help raise the political pressure for its resumption.¹⁷⁸

¹⁷⁴ "US blocks Brazil's first-time request for compliance panel in "cotton" case", *WTO release*, 1 September 2006; www.wto.org/english/news_e/news06_e/dsb_01sept06_e.htm

¹⁷⁵ "US Blocks Brazil Request For Compliance Panel In Cotton Case", *ICTSD BRIDGES Weekly* 10:29, 13 September 2006

¹⁷⁶ "US must reform agricultural subsidy programme", *Oxfam Press Release*, 1 September 2006; www.oxfam.org.uk/press/releases/wto_010906.htm

¹⁷⁷ "WTO faces an uncertain future as its negotiating system seizes up", *Financial Times*, 25 July 2006, p6

¹⁷⁸ McGivern, B. "WTO Dispute Settlement After Doha: A 'Risk of Imbalance'?", *ICTSD Bridges Monthly Review* 10:5, August 2006; www.ictsd.org/monthly/bridges/BRIDGES10-5.pdf

Appendix I Summary of Doha Round areas & issues

This section summarises the key issues in four main areas of the Doha Round negotiations, and briefly notes other aspects of the Doha agenda.

This is not intended as an exhaustive guide to each area, and the issues and perspectives on them. More detailed notes, with background and links to further information, are available for the four main areas via the 'trade' subject page on the Library's intranet.¹⁷⁹

The WTO's Trade Negotiations Committee (TNC) was established to oversee the Doha Agenda negotiations.¹⁸⁰ The TNC is chaired by the Director General, and reports to the WTO's General Council, the organisation's highest authority between ministerial conferences. The WTO website features an organisation chart of its various bodies.¹⁸¹

Agriculture

Agriculture was first brought under world trade rules as part of the Uruguay Round, through the Agreement on Agriculture.¹⁸² Generally, tariffs are higher on agricultural products than on manufactured goods.

Agriculture has become the 'gateway issue' for the Round, despite its relative lack of importance to overall world trade compared with industrial products and services. Some developing countries believe that WTO rules should enable them to use their comparative advantage in agriculture.

The Doha Round negotiations cover market access (reduced tariffs) and domestic support (limits to subsidies) and export subsidies. The focus is on liberalising the protected agricultural markets of the US, the EU (with the Common Agricultural Policy) and Japan. Further aspects include 'special products' (special treatment for specific goods that can be shielded from tariff cuts) and a 'special safeguard mechanism' (a safety net for developing countries facing import surges).

During the GATT Uruguay Round, a bilateral US-EU deal on agricultural liberalisation – the 1992 'Blair House' agreement – was ultimately accepted by the other countries. However, a similar approach at the 2003 Cancún WTO Ministerial failed, after it was rejected by developing countries, such as the newly formed G20 group of larger developing countries, which includes Brazil and India.

Two sides of the issues triangle that emerged in 2006 (see part IID) involve agriculture: the US and some developing countries want the EU to go further in its offer to reduce agricultural tariffs, while the EU and some developing countries want the US to further reduce the cap it has offered on farm subsidies. Continued stalemate led to the Round's suspension in July.

The Doha Round agriculture negotiations take place in 'special sessions' of the WTO agriculture committee, and the cotton sub-committee.

See also: WTO page - www.wto.org/english/tratop_e/agric_e/agric_e.htm

European Commission page - ec.europa.eu/trade/issues/sectoral/agri_fish/agri/index_en.htm

¹⁷⁹ See also the WTO's trade topics gateway: www.wto.org/english/tratop_e/tratop_e.htm.

¹⁸⁰ See www.wto.org/english/tratop_e/dda_e/tnc_e.htm

¹⁸¹ See www.wto.org/english/thewto_e/whatis_e/tif_e/org2_e.htm

¹⁸² See www.wto.org/english/tratop_e/agric_e/ag_intro00_contents_e.htm

Industrial Products (Non-Agricultural Market Access, or NAMA)

The industrial products talks cover trade in manufactures and all other goods not included in the agriculture talks (fuels, mining products, fish/fish products, forestry products).¹⁸³

The Uruguay Round saw industrial good tariffs reduced significantly, and a large increase in the number of tariff lines 'bound' (i.e. a WTO maximum tariff set).

The Doha Round talks are looking at both tariff and non-tariff barriers. On tariffs, the aim is to lower tariffs generally, address tariff 'peaks' (very high tariffs often on sensitive products), tariff escalation (higher duties on semi-processed and processed products), and increase bound tariff lines. Non-tariff elements of the talks cover labelling requirements, licensing, quotas, and 'rules of origin' (which determine the country a good comes from).

NAMA is an important element of the Doha Round, and one in which the EU would like to see further liberalisation. NAMA liberalisation could also contribute to increased 'south-south' trade between developing countries through the lowering of their (generally higher) tariff barriers.

The talks will look at those goods that developing countries are particularly interested in exporting, with 'special and differential treatment' (see box below) for developing countries and LDCs, including 'less than full reciprocity' for them in any commitments made.

Slow progress in NAMA reflects the overall slow progress of the Round, and the difficulties in the agricultural talks. The EU have urged negotiators to 'balance' an overall deal between NAMA, agriculture and services (see box below).

At the 2005 Hong Kong Ministerial members agreed to use a so-called 'Swiss formula' for reducing tariffs, which would see the highest tariffs reduced the most. However, the detail is yet to be agreed, and the end-April 2006 deadline for NAMA 'modalities' was missed.

NGO criticisms of the talks concentrate on developed countries' disproportionate ambition in this area, particularly the US and the EU; fears that developing countries will receive insufficient special treatment; fears that developing countries will lose control of their industrial development policies; the potential for de-industrialisation with improved market access for foreign competitors; lost revenue from lowered tariffs; and concerns over the potential negative environmental effects of liberalisation.

A new Negotiating Group on Market Access was set up for the Doha negotiations.

See also: WTO page - www.wto.org/English/tratop_e/markacc_e/markacc_negoti_e.htm
European Commission page - ec.europa.eu/trade/issues/sectoral/index_en.htm

Services (the General Agreement on Trade in Services, or 'GATS')

As with agriculture, the Uruguay Round brought services trade under world trade rules for the first time. The Uruguay Round GATS committed negotiators to a new round of talks in 2000, which were later incorporated into the Doha Round.

Services are an increasingly important aspect of world trade. Liberalisation here is of interest to the EU, and also for developing countries with expanding service sectors, such as India.

Reflecting slow progress in other areas, the services negotiations have progressed slowly. The basic process of the talks is a bilateral 'request-offer' process: one country suggests areas of liberalisation from another, which offers a certain level of liberalisation, followed by bilateral negotiations.

¹⁸³ www.wto.org/English/tratop_e/markacc_e/nama_negotiations_e.htm

Services (cont...)

A series of deadlines have been missed, such as the May 2005 target for the submission to the WTO of revised GATS offers. While many key WTO members did meet this deadline, some had not submitted initial offers by that time.

At the December 2005 Hong Kong Ministerial, members called for remaining initial offers to be submitted, with revised offers by 31 July 2006 and draft schedules by 31 October 2006. There was also agreement on a new 'plurilateral' approach, between groups of WTO members, with resulting liberalisation opened up to all members (with requests to be submitted by 28 February 2006). Controversial benchmark proposals, as proposed by the EU, which some saw as contrary to the bottom-up/positive list approach that had underlain the services negotiations so far, were rejected. The July deadline was missed, and the October deadline will be missed, as the talks have been suspended.

Service liberalisation touches sensitive parts of economies, such as provision of education and health services. This has provoked controversy, and criticism from NGOs and civil society. Key issues include the potential threat to existing public services, domestic regulation, national policy objectives, and public procurement, and also the practical 'irreversibility' of GATS commitments agreed through negotiations. While the negotiations endorse special and differential treatment for developing countries, issues specific to those countries include: their capacity to undertake effective bilateral negotiations and draft complex GATS 'schedules'; and the importance of liberalisation in one of the four GATS modes of supply, the 'temporary movement of workers to provide services', which is of particular interest to countries like India. There have also been allegations that developing countries have been pressured into service sector liberalisation by more powerful countries.

The negotiations take place in 'special sessions' of the Services Council.

See also: WTO page - www.wto.org/english/tratop_e/serv_e/serv_e.htm

Commission page - europa.eu.int/comm/trade/issues/sectoral/services/index_en.htm

Special & differential treatment (S&D) for developing countries & LDCs

In recognition of the special needs of developing countries and LDCs, the Doha Round talks are looking to grant them favourable treatment in WTO agreements. All such provisions are to be reviewed in 'special sessions' of the WTO's Trade and Development Committee.

S&D negotiations have progressed slowly, in part because of disagreements over the priority given to agreement-specific issues and cross-cutting issues. A further issue that has arisen is how to offer S&D without creating subcategories within the WTO membership, aside from the existing developing/LDC categories (subcategories are opposed by developing countries). Because of problems in the Round as a whole, particularly on fixing modalities upon which many S&D provisions are likely to be designed, the effectiveness of S&D is impossible to determine.

A limited 'development package' was agreed at Hong Kong, which included special measures for cotton, and the granting of duty- and quota-free access for LDC exports by developed countries (which was qualified to 97% of tariff lines, which could exempt large proportions of certain countries' actual exports).

Negotiations are also ongoing on capacity building, including the Integrated Framework for LDCs, and the aid for trade taskforce.

See also WTO trade & development page - www.wto.org/english/tratop_e/devel_e/devel_e.htm

Commission trade and development page - ec.europa.eu/trade/issues/global/development/index_en.htm

The other negotiation areas are briefly summarised below. In the electronic version of this document, the titles are linked to relevant WTO pages.

Dispute settlement	Review of existing arrangements, and potential improvements. Not technically part of Doha agenda. Negotiations on a new dispute understanding take place in 'special sessions' of the Dispute Settlement Body.
E-commerce	WTO members do not charge customs duties on electronic transmissions. Members are looking at new recommendations in this area, but current practice will continue until new recommendations are made.
Environment	Talks on aspects of the relationship between WTO rules and Multilateral Environmental Agreements (MEAs), also covering barriers to trade in environmental goods and services and fisheries subsidies. Negotiations take place in 'special sessions' of the Trade and Environment Committee (market access talks for environmental goods and services in 'special sessions' of the Negotiating Group on Market Access and the Services Council).
Implementation	Covers developing country issues in implementing existing WTO agreements. Negotiations take place in the relevant bodies (according to paragraph 12 of the Doha Ministerial Declaration).
Intellectual property	Negotiations take place in 'special sessions' of the Council for Trade-Related Aspects of Intellectual Property Rights (TRIPS). Includes: Geographical Indications (GIs): The EU is particularly keen to extend geographical indication (GI) protections that are currently only applicable to wine and spirits. An international register of GIs in all WTO Member States, where countries would register products for protection, is unpopular among some WTO members. Trade & technology transfer: Looking at how the WTO can help transfer technologies to developing countries and LDCs.
Rules	Negotiations take place within the Negotiating Group on WTO rules. Includes: Regional trade agreements (RTAs) , to 'clarify and improve' rules and examine development issues (see also part IIIB.2 above); and Subsidies and countervailing measures and anti-dumping , to 'clarify and improve' rules and examine S&D. Dumping is exporting a product at below the home market price, and requires an investigation to prove allegations before anti-dumping duties can be applied. The 'Friends of Antidumping' group are looking to tighten the WTO rules on the use of AD measures.
Small economies	Looking at the 'specific challenges' facing small and vulnerable countries in integrating into the world economy, without creating a 'subcategory' of WTO member.
Technical cooperation	Assistance and capacity-building for developing countries.
Trade facilitation	Covers areas such as customs procedures, goods transit and information, and technical assistance for implementation in developing countries. The only remaining 'Singapore issue' in the Doha agenda, added as part of the July 2004 package (see below). Negotiations take place in the Negotiating Group on Trade Facilitation, and have been relatively successful. See also European Commission page europa.eu.int/comm/trade/issues/sectoral/facilitation/index_en.htm
Trade, debt & finance	Looking at debt problems and financial crises faced by developing countries and possible trade-based solutions to them, though the Working Group on Trade, Debt and Finance.

Also, the 'July package' agreed in July 2004 saw the following 'Singapore issues' removed from the Doha work programme. There will be no further WTO talks in these areas during the Doha Round:

Competition	Looking at how domestic and international policies on competition interact with trade, including anti-trust laws.
Investment	See WTO page (www.wto.org/english/tratop_e/invest_e/invest_e.htm)
Transparency in government procurement	Negotiations on government procurement on services form part of Working Party on GATS Rules (WPGR). There is also a plurilateral WTO government procurement agreement (i.e. an agreement to which only some WTO members are signatories).

Appendix II Selected further resources

Parliamentary reports

Lords European Union Sub-Committee A, *The World Trade Organization: The Hong Kong Ministerial*; www.publications.parliament.uk/pa/ld200506/ldselect/ldeucom/77/77.pdf

Commons International Development Committee, *The WTO Hong Kong Ministerial and the Doha Development Agenda*, 27 April 2006; report: www.publications.parliament.uk/pa/cm200506/cmselect/cmintdev/730/730i.pdf, evidence: www.publications.parliament.uk/pa/cm200506/cmselect/cmintdev/730/730ii.pdf, Government response, July 2006, www.publications.parliament.uk/pa/cm200506/cmselect/cmintdev/1425/1425.pdf

Commons Trade and Industry Committee, *The European Commission's negotiating strategy for the World Trade Organisation Hong Kong Ministerial Conference*; evidence: www.publications.parliament.uk/pa/cm200506/cmselect/cmtrdind/711/711we01.htm

World Trade Organisation (WTO): www.wto.org

Doha Development Agenda Gateway	www.wto.org/english/tratop_e/dda_e/dda_e.htm
2006 modalities pages	www.wto.org/english/tratop_e/dda_e/modalities06_e.htm
Trade topics gateway	www.wto.org/english/tratop_e/tratop_e.htm
WTO organisation chart	www.wto.org/english/thewto_e/whatis_e/tif_e/org2_e.htm
Forthcoming meetings	www.wto.org/english/news_e/meets_e.pdf
Director General schedule	www.wto.org/english/thewto_e/dg_e/dg_agenda_e.pdf
Events calendar	www.wto.org/english/news_e/events_e/events_e.htm

European Commission DG Trade: ec.europa.eu/trade/index_en.htm

DG Trade newsletter	trade.ec.europa.eu/eutn/RegistIndex.php
Trade & development	europa.eu.int/comm/trade/issues/global/development/index_en.htm
Press releases	trade-info.cec.eu.int/doclib/cfm/doclib_type.cfm?type=1
Really Simple Syndication (RSS) feeds	ec.europa.eu/trade/gentools/menu_feeds_en.htm
<i>Doha Development Agenda: EU Trade Policy in the WTO</i> , April 2006; trade.ec.europa.eu/doclib/html/128505.htm	
<i>Doha Development Agenda: Making trade work for all</i> , updated June 2005; europa.eu.int/comm/trade/centre/infopack_en.htm	
<i>Making trade work for development: Trade-related assistance: an update</i> , December 2005; trade.ec.europa.eu/doclib/html/118805.htm	
Making globalisation work for everyone: The European Union and World Trade, 2003; ec.europa.eu/trade/centre/publications/ww_730en.pdf ;	
EU Doha Round Sustainability Impact Assessments (SIAs): ec.europa.eu/comm/trade/issues/global/sia/studies_wto.htm	

UK Department of Trade & Industry (DTI) www.dti.gov.uk

DTI, <i>'Making Globalisation a Force for Good': Trade and Investment White Paper</i> , July 2004; www.dti.gov.uk/europeandtrade/trade-policy/t-i-white-paper/page23431.html	
Europe & World Trade pages	www.dti.gov.uk/europeandtrade/index.html
Doha Round pages	www.dti.gov.uk/europeandtrade/trade-policy/doha_%20development_%20agenda/page28186.html
Doha dossiers	www.dti.gov.uk/europeandtrade/trade-policy/doha_%20development_%20agenda/dda_dossiers/page28231.html

Some NGO websites

ActionAid International	www.actionaid.org
Bilaterals.org	www.bilaterals.org
British Overseas NGOs for Development (BOND List of 'Gleneagles +1' reports)	www.bond.org.uk www.bond.org.uk/campaign/gleneagles.htm
Christian Aid	www.christian-aid.org.uk/
ELDIS Trade Policy Resource Guide	www.eldis.org/trade/index.htm
International Centre for Trade & Sustainable Development (ICTSD)	www.ictsd.org
Overseas Development Institute, <i>WTO portal</i>	www.odi.org.uk/wto_portal/index.html ;
Oxfam International (Make Trade Fair campaign)	www.oxfam.org/en www.oxfam.org.uk/what_you_can_do/campaign/mtf.htm
South Centre	www.southcentre.org
Trade Justice Movement (news)	www.tjm.org.uk/news.shtml
World Development Movement	www.wdm.org.uk

Selected books/articles (see also footnotes above)

- Cline, W. R. "Achieving a Grand Bargain in the Doha Round", *Centre for Global Development/International Institute for Economics Brief*, December 2005;
www.iie.com/publications/papers/cline1205.pdf
- Das, Bhagirath Lal. *The Current Negotiations in the WTO: Options, Opportunities & Risks for Developing Countries*, 2006
- Das, D., "Development, Developing Economies & the Doha Round of Multilateral Trade Negotiations", *CSGR Working Paper 207/06*, May 2006;
www2.warwick.ac.uk/fac/soc/csgr/research/workingpapers/2006/wp20706.pdf
- Hertel & Winters (eds), *Poverty & the WTO: Impacts of the Doha Development Agenda*, (World Bank) 2005; see [overview](#)
- Ken Heydon, "After the WTO Hong Kong Ministerial Meeting: What is at Stake?" *OECD Trade Policy Working Paper 27*, 2006; www.oecd.org/dataoecd/51/40/35984888.pdf;
- Limão, N. & Olarreaga, M. "Trade Preferences to Small Developing Countries and the Welfare Costs of Lost Multilateral Liberalization", *World Bank Economic Review*, 20(2), May 2006, pp.217-240 (see wber.oxfordjournals.org/cgi/content/short/lhj013v1)
- Newfarmer, R. (ed) *Trade, Doha and Development: A window on this issues*, (World Bank) 2006
- Oxfam, *The view from the summit: Gleneagles G8 one year on*, 2006;
www.oxfam.org.uk/what_we_do/issues/debt_aid/downloads/g8_gleneagles_oneyear.pdf
- Panos Institute (London) *Making or missing the links? The politics of trade reform and poverty reduction*, August 2006; www.panos.org.uk/PDF/reports/prsptoolkit3.pdf.
- Panos Institute (London), *Signed and Sealed? Time to Raise the Debate on International Trade Talks*, July 2006; www.panos.org.uk/PDF/reports/prsptoolkit2.pdf
- Stiglitz, J. & Charlton, A. *Fair trade for all: How trade can promote development*, December 2005
- Tokarick, S. "Trade Issues in the Doha Round: Dispelling Some Misconceptions", *IMF Policy Discussion Paper 06/04*; www.imf.org/external/pubs/cat/longres.cfm?sk=19398.0
- World Bank (www.worldbank.org) [Trade pages](#) and [Trade Notes](#)