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At press briefings, the Ministers of the US, EU, Brazil, India, and Japan gave their versions of the collapse of the talks.

Below is a report of the events at the WTO. A version of this was published in the SUNS.

**With best wishes
Martin Khor
TWN**

All Doha talks suspended at WTO as G6 Ministerial collapses

By Martin Khor (TWN): Geneva, 24 July 2006

A decision has been made at the WTO to indefinitely suspend the WTO's Doha negotiations across the board after the breakdown of the meeting of G6 Ministers that took place on Sunday and Monday.

The suspension of the Doha talks was announced on Monday by several of the Ministers of the G6 (the United States, European Union, Brazil, India, Japan, Australia).

It was confirmed by WTO director general Pascal Lamy at a press briefing starting 6.00 pm on Monday. Lamy said the WTO members had agreed to this at an informal heads of delegation meeting on Monday afternoon.

At the heads of delegation meeting, the G6 Ministers explained the situation and other delegations gave their preliminary responses.

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The sudden stopping of the Doha negotiations came as a shock to the WTO members, as there was an expectation that the G6 Ministers would revive the flagging talks after the G8 Summit last week at which the political leaders of G8 countries and five developing countries had pledged to direct their Ministers to show additional flexibilities in their respective positions.

The G6 meeting of 23-24 July was to have been the first of a series of several meetings, out of which an agreement among the G6 members on the modalities on agriculture and non-agricultural market access (NAMA) was supposed to emerge.

The WTO delegations were already preparing to put aside their vacation in the first half of August, or even for the entire month, due to expectations that any progress in the G6 process would then oblige the other WTO members to consider the new proposals that would be emerging.

Few, if any, expected the first G6 talks to collapse so completely. The next meeting, originally scheduled for 28-29 July, has been cancelled. There are no plans for any more G6 talks for the time being, and the talks will thus hibernate, at least for several months. Some of the G6 Ministers when asked did not discount the possibility that the "suspension" could last for years.

The immediate cause of the dramatic breakdown was the refusal or inability of the US to provide even a hypothetical improvement on its present offer on reduction of the allowed or bound maximum level of trade-distorting domestic support in agriculture.

According to several of the G6 Ministers, each delegation except the US had put forward possible new positions, or "flexibilities", that it may make if it was matched by new and adequate offers by the others.

The G6 discussions were solely on agriculture, starting with the tariff-cutting formula in agriculture, then moved on to sensitive products, special products (SPs) and special safeguard mechanism (SSM), before turning to domestic support.

At this stage, the US officials reportedly refused to say what they were willing or able to offer, even hypothetically. They claimed that they could not see any offers on market access from the others. This crunch time came late on Sunday evening.

After dinner, the G6 Ministers met again and decided together with the WTO director general Pascal Lamy that there was no point in continuing. At a one-hour meeting from 11.00 on Monday morning, the decision was taken that the whole Doha negotiations should be suspended, and there would be no new deadlines or timetables on when to resume or to conclude the talks.

The US and EU waded immediately into a new "blame game". (See separate article on the US and EU press briefings).

The US Trade Representative Susan Schwab and the Agriculture Secretary Mike Johanns kept insisting that the US was prepared to show more flexibility on domestic support, but it had realized in the past 30 days that there would be no market access in terms of new trade flows from either the EU or the "advanced developing countries", due to "loopholes" such as sensitive and special products.

As at the end-June Ministerial-level meeting at the WTO, the US top officials tried to fob off the blame to the EU and the developing countries, challenging the EU's claim that its offer would result in 800,000 more tons of beef imports into the EU, and attacking the developing countries for allegedly blocking 95-98% of their agricultural markets through SPs.

When challenged by a journalist to provide evidence or examples of how the developing countries would block the United States' market access, neither Schwab nor Johanns was able to respond. Johanns in fact said that the figure of 95-98% had come from the WTO Secretariat.

[He may have been referring to the controversial figure cited by the chair of the agriculture negotiations Crawford Falconer (which he said had been worked out by the Secretariat) in his reference paper on special

products. After protests by the G33, Crawford in a revised version of his paper dropped the reference that the figures had been worked out by the Secretariat.]

The EU's Trade Commissioner Peter Mandelson launched into a vitriolic attack on the US, saying that everyone except the US indicated further flexibility, and that the US was unwilling to acknowledge the flexibilities of others nor to show flexibility on farm subsidies.

By withholding an indication of its flexibilities, the US had judged that the negotiations should be suspended at this stage, and this was not in line with the decision at the G8 Summit in St Petersburg, charged Mandelson.

Mandelson attacked the US for believing it was entitled to compensation "dollar for dollar" from developing countries in terms of new market access for what the US had to do anyway. "The idea that the price of reforming farm subsidies which are the most distortive aspect of world trade, is the opening up of developing countries' markets to rich countries' farmers, is not a principle we can accept."

[On this principle, Mandelson seems to have forgotten that he on behalf of the EU has been leading the charge for developing countries to open up their markets for industrial goods (through a coefficient 10, meaning that tariffs be drastically cut, with a maximum level of 10%) and services (with a proposal for "benchmarking" in services, or a demand that developing countries commit to open up in more than half their services sectors), in exchange for the EU's offers in agriculture.]

Mandelson indicated that the Doha negotiations would go into long-term hibernation when he said that tough it is still possible to pick up the talks in the future, "there is no possibility of this happening around the corner."

It is a big failure and whether this it is a definitive failure only time will tell, he added, lamenting the damage not only to development but also to the multilateral trading system and to world political stability, that the suspension would cause.

Indian Commerce Minister Kamal Nath put the talks' collapse in a wider development perspective. He told the media that the suspension of talks "fills us with a sense of sadness and loss" after all the effort put in by developing countries.

"It is a significant failure, not just of a gap in numbers. It is inherently because of a gap in mindset," said Kamal Nath. "Unless we can bridge this mindset gap there is not future in this Round.

"This is a Development Round, completing it is extremely important but equally important is the content of the Round. The content has to demonstrate new opportunities for developing countries, primarily market access of developing countries into markets of developed countries.

"This Round is not for perpetuating the flaws in global trade especially in agriculture, it's not to open markets in developing countries in order for developed countries to have access for their subsidized products to developing countries.

"We say the Round should correct the structural flaws and distortions in the system, and there should be fair trade, not only free trade. They say 'we want market access and only if we get it the way we want it can we correct the structural flaws.' There is no equity in that argument."

Kamal Nath said after the G8 summit there was an attempt to move with flexibility, "but unfortunately those who want to turn this into a market access round for their subsidized products had a problem to move."

Nath said "we are out of the negotiating mode for the time being" but India would continue to voice the concerns of developing countries when the Round gets into negotiating mode again.

Asked if the US and EU Ministers were "shedding crocodiles tears" when they said they were sorry for developing countries that the talks had failed, Nath said those countries had got the whole concept of the Round inverted, they that advocated "market access" that would displace millions of farmers, and this was a

problem of their whole mindset. "This is not what the Doha Declaration and the Hong Kong Declaration is about."

Asked if the suspension would be for months or years, Nath said "I don't know, at the moment it is a complete state of suspension. There is no time line at the moment."

Asked if he would declare the Round dead or in intensive care, Nath responded: "The Round is not dead, it's definitely between intensive care and the crematorium."

Nath was asked to comment on Mandelson's statement that in the G6 meeting he (Nath) had been willing to discuss the number and treatment of special products, but the US by contrast had criticised the "layers of protection" that SPs represented.

Nath said that what he sought on special products was in the Hong Kong Declaration, a provision for livelihood security. "If this Development Round does not have (a recognition for livelihood security), then which Round will have it? If a country sees this as an impediment to market access, then it is challenging the Hong Kong Declaration."

Nath said he did not want to engage in a blame game. But the EU did make a movement. Everyone put something on the table except for one country which said it could not see anything on the table.

"If to correct trade distortions, which should not be there in the first place, developing countries are asked to pay for that, then it won't work."

Brazilian Foreign Minister Celso Amorim at his press briefing said this was a sad moment which shouldn't be new for someone like him who had gone through many setbacks and crises for example in Brussels (during the Uruguay Round), Seattle and Cancun. But this moment was even more sad for several reasons.

For the first time, we are in a Development Round, which was important for developing countries. Unlike Seattle or Brussels, "we were very close to agreement." There was no conceptual difference, we were in the same ball-park, unlike previously where there were contentious issues such as labour standards, environment and the Singapore issues.

"We were discussing the same things and in a range that was not small but that was bridgeable." Everyone expressed commitment to engage and to show flexibility but it was not good enough for two reasons.

First, "we had expressed this before but it was not able to work." Secondly, this is not a situation where we can hibernate for a time and just resume later because "life goes on, other priorities emerge, people change".

As a result, said Amorim, there is a temptation to tinker with previous agreements, and also to withdraw what had been flagged but not written down.

"We are also sad as we had put in so much work, the developing countries had put in so much technical work in the G20, which changed the politics of the negotiations."

Amorim said the achievements to date in the agriculture talks included the commitment to eliminate export subsidies; on domestic support there was the principle to put effective cuts in place; and there would also be real market access.

"All these cannot be lost. It is our task to make sure it doesn't disappear in thin air."

Amorim added that just a week ago "we had a mandate to conclude the Round, to show flexibility. Seldom in world history has a mandate given by a prime minister is so quickly discarded. This will affect how world business is conducted. Trade negotiations are too serious to be left to trade negotiators alone."

He added that Brazil had been ready to show flexibility at the G6 meeting but there was no moment to test if Brazil was flexible. "I won't want to find culprits but one has to recognize that the area we were lagging behind

was domestic support. If leadership was shown on domestic support, there was a strong possibility everything would fall into place (with one or two points here and there).

"The fact is, although the leaders asked for flexibility to be shown (by their own negotiators), this was not realised in actual numbers."

On the suspension of negotiations, Amorim said "we don't know when we will come back, it is uncharted waters, we may have the political will but we are short of a compass and a roadmap."

Amorim said this situation was especially sad for Brazil which had bet so much on the multilateral system. "There is a disappointment that cannot be compensated for by bilateral agreements and so on. There is no substitute for the WTO and the multilateral trading system with regard to developing disciplines for example in agricultural domestic support and antidumping, where the WTO is irreplaceable.

"A lot of effort is needed, first that the work done is not to unravel, and second to progress."

Asked if there would be more disputes as a result of the breakdown, Amorim said "surely if we can't progress (in the talks), trade disputes will continue and there will be more recourse to the WTO dispute settlement system."

Asked if there is a suggestion that Lamy should prepare a text that contains the substance that is on the table, Amorim said "I did not make any suggestion of that sort. If that course can be considered it won't be now. It would be suicidal and I won't recommend anyone to commit suicide."

Asked further on the matter, Amorim said a Lamy text should not be suggested unless "he gets a collective signal to bridge a gap here and there."

An informal heads of delegation (HOD) meeting was held starting 3.00 pm on Monday, at which the G6 Ministers presented their versions of what had transpired at their meeting.

According to one of the G6 Ministers, at the Monday morning session of the G6 meeting, Lamy had asked the G6 Ministers to do the explaining, as it has not his responsibility to do so.

Several other WTO delegations also spoke. In the corridors, some developing countries were wondering how six WTO members could decide for the whole membership that the entire set of Doha talks should be suspended.

There was a lot of uncertainty on what this meant, for example, whether the official schedules that this week included negotiations on trade facilitation and consultations with the Chair on domestic regulations in services, would now be scrapped.

There was even more uncertainty and confusion as to whether the Doha negotiations would be suspended indefinitely.

"We expected that if things didn't work out with the G6 that the August meetings would not go on, but that there would be an effort to resume after the summer break, in September," said one delegate from a developing country. "Now we don't know what happens in September and the rest of the year."

There was however no denying a collective sigh of relief on one issue. All those diplomats that had planned on taking leave in the traditional August break can now proceed to do so, instead of having to hang around in Geneva or at the WTO and to be "on call" in case the G6 made a breakthrough or in case Lamy wanted to continue with his "confessionals" with them.

The WTO negotiations have been transferred from the active mode and the standby mode and gone into the hibernation mode. It is however not yet on "switch off" mode altogether, not officially anyway.

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