

WTO Ministers Aim to Do Doha "Stocktaking" Early in 2010

Whether or not the Doha Round can be completed in 2010 will be known by the end of March when the World Trade Organization (WTO) will hold a "stocktaking" meeting to assess progress in the negotiations. Trade ministers attending the WTO Ministerial Conference in Geneva Nov. 30-Dec. 1 agreed to hold the session, but did not decide if the meeting would be at the ministerial or senior-official level. WTO Director General Pascal Lamy conceded that March 31 is probably the latest date for reaching a breakthrough in the talks, because it will take another seven to nine months to complete the detailed "scheduling" of specific commitments in tariff cuts for industrial and farm goods and market opening promises for services. Lamy tried to stress, however, that "stocktaking is not a deadline; it is a moment."

Intense negotiations will be needed in the next three months to fill in the gaps in the existing draft texts, U.S. officials warned. "Right now the cupboard is bare," one U.S. official told WTTL. "There is no stock to take stocktaking of," he said.

Throughout the three-day conference, the buzzword was "endgame." Ministers repeatedly said publicly they are ready to enter the endgame of Doha negotiations. Privately, however, many officials expressed deep skepticism about the chances of completing the round by the end of next year. For U.S. sources, the skepticism is based on their contention that advanced developing countries are not making sufficient market-opening offers.

For the rest of the world, pessimism stems from the belief that the round and trade in general is not a priority for President Obama, and until it is, it is too soon to make final commitments. Obama's priorities are Afghanistan, health care and the climate change summit in Copenhagen, Netherlands Foreign Trade Minister Frank Heemskerk told one program. "I can't disagree with those priorities," he said. Heemskerk also cautioned against declaring Doha dead even if talks move slowly next year. "Negotiations are always about the final three minutes," he said.

Kirk Snaps Back at Critics of U.S. Demands for More Tariff Cuts

U.S. Trade Representative (USTR) Ron Kirk Dec. 2 forcefully defended Washington's insistence on getting more tariff-cutting offers from advanced developing countries in Doha Round negotiations and dismissed complaints from many other trade ministers at the WTO



ministerial conference that the U.S. was delaying progress in the round because it was the only country that has not accepted the December 2008 draft texts on industrial and farm goods agreements as the basis for negotiations. It was “absolutely untrue” that other WTO members were in agreement on closing the December texts, Kirk told a press conference after the close of the ministerial conference.

“The more time that is wasted on trying to convince us that we’re going to close Doha” based on texts that failed to result in a deal during three previous ministerial attempts “is just time not well spent,” he asserted. “The texts are called drafts for a reason...because they haven’t been completed,” Kirk said. “Not everyone agreed to those texts, including South Africa for example, who rejected them,” he added.

In May 2009, the U.S. met “almost a complete wall of resistance” when it said new strategies were needed in the round, Kirk said. Five months were needed to get everyone to realize the multilateral engagement needed to be supplemented with bilateral negotiations, he stated. “In the last several months, the United States has...introduced sustained direct bilateral engagement as a way for key partners to achieve needed clarity and close gaps with regard to market-opening contributions by advanced developing countries,” the trade representative said. In his opening statement, however, he was cryptic about how well those bilaterals have been going. “The question now is the willingness of partners to engage in a meaningful way,” he said.

“If we really want to deliver on the promise of Doha, we have to be willing to open ourselves to moving beyond our comfort zones in order to close the deal,” Kirk told reporters. “Anyone who advocates to you that they will not move beyond the comfortable position they are in right now is someone who doesn’t want to make a deal,” he said. “A deal only gets done when everyone has to move to some level of discomfort in order to get to a great place of promise. That’s all we’re advocating,” he stated.

Developing Countries Have Different View of Doha’s Status

Listening to U.S. officials and senior diplomats from advanced developing countries in Geneva was like watching two separate and completely different sets of negotiations in two parallel universes. All participants in the talks appear to be offering self-serving descriptions of what is happening in an effort to maneuver public opinion. All claim they are ready to make a deal and blame others for the lack of progress. There is some truth in all their complaints. Half jokingly, it was suggested that if Brazil, India, China and other advanced developing countries actually said yes to U.S. demands, USTR Ron Kirk couldn’t bring the deal back to Washington because President Obama isn’t ready politically for a new trade pact.

At the end of the WTO ministerial conference Dec. 2, several senior officials of developing countries told WTTL they left the meeting pessimistic and uncertain about the chances of finishing the round in 2010. They claim Kirk’s statements and actions are inconsistent. Many delegations think “the U.S. is not yet ready” to engage in the talks, one trade diplomat said. As a result, they’re reluctant to negotiate. “They don’t want to open up their cards, because they believe there’s no point in showing the cards when the U.S. is not ready,” he said.

“We’re not closer to a deal now than we were in September after the Dehli ministerial,” one diplomat told WTTL; noting several meetings of senior officials and bilateral talks. “The question is what does the U.S. really want,” one Asian diplomat said. “Somebody is in denial ...It’s either the U.S. or the rest of the world, but maybe in a stocktaking the U.S. will show that it has more support; that it’s not just Canada and Costa Rica who support it,” he said. The U.S. has presented some developing countries with specific demands, but foreign trade officials claim the demands are unrealistic and often include items the U.S. doesn’t even export to those countries. The U.S. has told these countries that the bilateral talks will sort out the problems, one diplomat reported. But sources close to U.S. talks with Brazil say the Brazilians don’t see

anything happening in those talks. They say Brazil received a detailed request from the U.S., but it covered 3,000 tariff lines, almost half the country's total, including some the U.S. doesn't export to Brazil. Sources say India has not received a specific request with a list of tariff lines. The U.S. request for more market access "was very general and no specific terms at all," one diplomat said. U.S. talks with China haven't been specific either, he said.

Iran Making Bid to Join WTO

While the U.S. and other nations are contemplating new trade sanctions against Iran for its continued nuclear fuel development, Tehran has launched a bid to join the WTO. "We studied in our country, and especially in the ministry of commerce, and decided that despite advantages and disadvantages, to continue the accession to the WTO," Iranian Commerce Minister Mehdi Ghazanfari told WTTL in an exclusive interview during the WTO ministerial in Geneva Dec. 2. He said a WTO working party has been formed to review Iran's application for membership. Tehran submitted a memorandum to the WTO Nov. 16 describing its foreign trade regime, and WTO members have until Jan.18 to submit their questions to Iran on the paper.

No chairman has been selected yet for the working party, which will develop the accession protocol that will spell out the details of Iran's requirements for WTO membership. The chairman of the WTO General Council, Chile's Ambassador Mario Matus, is expected to begin consulting members the week of Dec. 7 on the selection of a working party chairman. Selection of the chairman will be a sensitive task, without too many volunteers, sources in Geneva say.

Ghazanfari tried to play down concerns that the U.S. or another country might try to block its accession. "The WTO is an organization of trade and economy," he told WTTL. "It is not a political organization. We hopefully want to discuss regarding trade. The politicians are somewhere else," he said. "I hope they can be separate," he added. "The WTO is an organization to increase the level of cooperation between countries. I think it is not a place of political challenge and disputes," he said.

Ghazanfari also noted that Iran is already a member of other international organizations, including the U.N. "In this case, we should also be in the WTO," he said. "Because of the level of trade and cooperation with other countries, it is good to have the rules-based system that the WTO has prepared already," Ghazanfari said. He conceded that "some obligations and commitments may be so high that we somehow have to deal with this obstacle." Like many countries, Iran is trying to avoid being locked out of various free trade agreements (FTA) and preferential trade agreements (PTAs). "It is a good way to make you free from a number of individual FTAs and PTAs. If you are not a member of the WTO, you have to deal with different countries individually," he told WTTL.

Developing Countries Resist Deal on Environmental Goods

A deal to cut tariffs and non-trade barriers (NTB) to environmental goods and services in the Doha Round, a key goal of U.S. industry, faces trouble because developing countries are waiting to see what comes out of the Copenhagen climate-change conference, as well as Doha talks on agriculture and NAMA. Developing countries are also raising the specter of "compulsory licensing" for advanced technologies to reduce carbon emissions or create clean energy. "Some developing countries are reluctant to address climate change through trade," one source said.

They say they don't want to liberalize trade in this sector until they see what commitment developed nations make toward reducing carbon emissions. "It doesn't make any sense" to make a commitment until after Copenhagen, Indian Commerce Minister Anand Sharma told WTTL. "Let's see what Copenhagen comes out with," he said. "Before even Copenhagen has taken place, how can I make a commitment," he added. The WTO environmental talks have identified

334 tariff lines with a value of \$1.5 billion that potentially could be covered by a deal. Some of these product are protected by patents, which restrict access to them, or are subject to high licensing fees, developing countries complain. They want the negotiations to map out which technologies are patented and which are in the public domain. For technologies that are patented and crucial to cutting carbon emissions or providing clean energy, they want to be able to impose “compulsory licensing” that is permitted for some items under WTO rules.

Flexibilities Are Key to NAMA Deal, Chairman Says

In an exclusive interview with WTTL, the chairman of the Doha Round talks on non-agriculture market access (NAMA), Luzius Wasescha, the Swiss ambassador to the WTO, said the flexibilities that advance developing countries will be given in the agreement to exempt certain goods from full tariff cuts will likely be applied against imports from China and not the U.S. or European Union (EU). Countries such as South Africa and Argentina will use their flexibilities for apparel, shoes, toys and other products where China has established a strong export trade, he said. The flexibilities shouldn’t matter to the U.S. and Europe, Wasescha argued.

A Doha deal in 2010 “isn’t totally excluded,” but it means “work, work, work,” he said. The number of open questions has to be reduced to “five” before calling in 153 trade ministers to cinch the deal over two or three days, Wasescha said.

The Swiss diplomat said he translates the U.S. position – that it can’t use the December 2008 texts on agriculture and NAMA as a basis for negotiations – to mean that it wants to reopen the texts. “When you have a text which is the result of six or seven years of negotiations, and you come and you open it, you have to pay,” he cautioned. U.S. trade partners aren’t sure the U.S. is going to pay, he said.

The coefficient of nine in the Swiss formula modality for developed countries in the draft NAMA text is big, Wasescha acknowledged. This will eliminate tariff peaks, he noted. Because it is in the draft text, it’s been pocketed by other countries, he said. Countries may ask to open the NAMA text to get “more flexibilities,” especially in light of the global economic crisis, he suggested. Country-specific exceptions have already been agreed on preliminarily for countries such as South Africa, Argentina and Venezuela. South Africa was locked into the status of a developed country with full obligations in the Uruguay Round because of its apartheid policy at the time, and now it wants to be reclassified as a developing county.

Sectoral agreements on chemicals, electronics and autos will need developing countries to cinch a deal, Wasescha suggested. “The Uruguay Round chemical sector initiative was basically the result of negotiations between the business communities of the U.S., the EU, Switzerland and Japan,” he said. Extending it now requires taking onboard products exported by India and China. “The Brazilian chemical industry has similar interests,” he said. “This would make sense because in the chemical industry, from the raw material until the end product, you have a world journey of the product and at each stage you still have tariffs, so at the end you have the effect of four or five different steps paid by the same company,” he said. Other sectorals might cover electronics and autos, although U.S. and EU carmakers face competition from China which is entering the auto market, he said. “The car sector is tough,” Wasescha said.

22 Countries Pledge to Cut Tariffs Themselves

Twenty-two developing countries agreed Dec. 2 to a trade preference plan they say will pave the way for them to cut tariffs by at least 20% on some 70% of the goods they export to each other. The agreement, announced during the WTO ministerial, is the result of the San Paulo Round of the Global System of Trade Preferences (GSTP) among developing countries. It will also include voluntary request-offer and sectoral negotiations. Among the countries participating in

the GSTP are several advance developing countries from which the U.S. is seeking greater tariff-cutting commitments in the Doha Round, including Argentina, Brazil and India. GTSP countries account for 13% of global GDP, 38% of the population, 15-18% of world trade, 43% of global agriculture production and 16% of industrial production, Brazilian Foreign Minister Celso Amorim told a press conference where the agreement was announced. The group also will seek in the future to address air and maritime shipping and trade finance, he said.

Brazil has previously announced a duty-free/quota-free trade preference program for least developed countries, Amorim said. That program will cover 80% of tariff lines starting in 2010 and 100% in 2014, he said. India also announced plans to extend duty-free/quota-free tariff preferences for 90% of tariff lines with least developed countries, he said. Key issues such as rules of origin will be negotiated before September 2010, the group plans. The actual goods covered by the agreement will be the subject of scheduling negotiations in 2010.

Only Two Official Agreements on WTO Ministerial Agenda

The WTO ministerial was not all talk. Trade ministers agreed to two pre-arranged measures that renewed a customs moratorium for tariffs on electronic commerce until 2011 and extended a moratorium on submitting “non-violation” cases under the Trade-Related Aspects of Intellectual Property Rights (TRIPS) agreement to the WTO dispute settlement process. The e-commerce moratorium will remain in place until the next formal WTO ministerial, which members also agreed to hold at the end of 2011 in Geneva unless another city volunteers to be host.

The e-commerce moratorium covers advertising, sale and distribution of products or services electronically. The WTO will continue its existing e-commerce work program, and the WTO General Council will review the work in July and December of 2010 and in July 2011, members agreed. The TRIPs non-violation provisions were intended to allow a country to seek dispute settlement when it believed another country has taken an action that doesn’t directly violate TRIPS but is designed to circumvent the rules by what some call “creative legislative activity.”

Chinese Growing More Comfortable as World Trade Leader

In their official and informal comments at the WTO Ministerial, Chinese officials demonstrated that they are becoming more comfortable in Beijing’s role as a major power player in WTO negotiations and in the world trading system. In addition to taking a more active role in the Doha Round negotiations, the Chinese are also moving toward the negotiation of historic free trade agreements with Taiwan and Switzerland.

“China is always a firm supporter of the multilateral trading system, a faithful defender of free trade principles and an active promoter of the Doha Round,” Chinese Commerce Minister Chen Deming told the ministerial plenary. “China is ready to work together with other members towards building a more democratic, more efficient, more just and more balanced trading system,” he added.

Outside of the WTO, Beijing is taking concrete steps to expand its trade relations with key trading partners. It will begin FTA talks with Switzerland in February, Swiss Economic Affairs Minister Doris Leuthard announced. Chinese and Taiwanese officials have spent the last year preparing for an agreement early next year to start formal FTA talks. Taiwan is officially known as Chinese Taipei. There has been an informal “exchange of views,” Taiwan’s Minister of Economic Affairs Yen-Shiang Shih told WTTL. He said he expect the FTA talks to begin early in 2010 and conclude within the year. The goal is an FTA covering industrial goods, services, intellectual property rights, telecommunications and investment, Shih said. Meanwhile, China has also become more active in the group of developing countries with

interest in agriculture, known as the G-20. Beijing appears to see its agriculture interests better served through the G-20 than bilaterally with the U.S. “Personally, in my opinion, I don’t want to have a bilateral conversation [between] the USA and China,” says Chinese Agriculture Vice Minister Niu Dan. “I would like to have the negotiations in the multilateral system. The WTO is the main channel to solve the problem. The bilateral is not necessary for us,” Niu asserts.

Niu says the problem is U.S. protection of its agriculture from imports from G-20 countries, including China. “We have a lot of agriculture products that have good quality and are good competition, but USA market access [barrier] is high,” he says. “We cannot export our agriculture products from my country to your country. Now we import a lot of agriculture products from the USA to China,” Niu complains. Although China benefits from lower import prices for farm goods that receive U.S. subsidies, he says he supports Brazil’s opposition to such subsidies. “I don’t like cheap agriculture products from your country because the subsidy from your government to USA farmers is too much. Your agriculture products are cheap, but for us is not a good thing,” he says.

Delay in Agriculture Deal Stirs Alternative Ideas

The delay in reaching a Doha Round deal in agriculture has stirred up discussion of alternative approaches to liberalizing international farm trade. The chance of concluding even modalities in the farm talks in 2010 is “pretty bleak,” said Carlo Trojan, former European Commission (EC) ambassador to the WTO. A “Plan B” may be needed to avoid Doha falling “completely apart,” he said on a panel sponsored by the International Center for Trade and Sustainable Development (ICTSD) on the sidelines of the WTO ministerial. One suggestion could be a “Doha Lite” agreement on agriculture and non-agriculture market access (NAMA) using existing texts, Trojan said, using a term often applied derogatorily to a less ambitious Doha deal. Implementation of such an accord would be conditional on agreement on a second stage of negotiations, he said.

Another proposal has come from former U.S. trade negotiators Andrew Stoler and Peter Gallagher. They have tried to identify “some practical alternative framework that could avoid repeating in the future what is certainly an unhappy experience in the Doha Round,” Stoler told the ICTSD conference. The interpretation of the single-undertaking doctrine, on which the Doha talks are based, is contributing to difficulties in the negotiating dynamics and may produce “undesirable results that could haunt the WTO for years to come,” said Stoler, who is now executive director of the Institute for International Trade at the University of Adelaide. The single undertaking has made a difficult situation “much worse,” Stoler said.

Instead of a single undertaking, a critical mass approach (CMA) could reach a “faster and more robust” agreement to expand agriculture trade, he said. He pointed to CMA deals in the 1990s on information technology, financial services and basic telecommunications, plus the “codes” that came out of the Tokyo Round and earlier trade deals. CMA rulemaking is sometimes the first step toward universal acceptance among WTO members, Stoler said. “Abandoning the single undertaking doesn’t necessarily mean the end of a single set of obligations,” he said, “although it may mean a delay in getting there.”

One main question is how many countries would be needed to hit the notional threshold of 90% of international agricultural trade in the 30 most traded products, Stoler said. He estimates that refined sugar would require participation of 74 countries; wheat, just seven for exports and 36 for imports; bovine meat, nine for exporters and 20 for importers. A group of 38 countries trade 80% of the top 30 traded agricultural products at the six-digit level, he calculates. Stoler proposes that the CMA would be a voluntary opt-in deal, covering both market access and subsidies issues, with benefits extended on a most-favored-nation basis to all WTO members. Its obligations, however, would be binding only on those who opt-in. Two other questions are whether the liberalization and subsidy commitments would be bound in multilateral schedules and whether the CMA would be judiciable under the WTO dispute-settlement understanding.