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Doha Development Round Agricultural Negotiations



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INTRODUCTION

The multilateral trading system has been bolstered since the conclusion of the Uruguay Round with the inclusion of agriculture, services, and intellectual property in its disciplines. The challenge undertaken in the current multilateral trade negotiations, better known as the Doha Development Round, has been dealing with a very ambitious agenda that will “allow for more equitable global distribution of the welfare gains of free trade, which, until now, have mainly benefited developed countries” (WTO 2001).

The opening of trade brings many benefits with it and, in the case of agriculture the greatest benefit is enhanced access to markets, because it provides consumers with cheaper products, while encouraging more efficient use of national resources. However, in the opening of markets, countries need to amend their domestic policies to phase out some policies that distort international markets.

The current negotiating process is extremely ambitious in that it establishes development as the central issue in the adoption of disciplines. This has led to countless disagreements and hindered the progress of the talks by adding a further dimension of complexity. Nonetheless, recent events have been encouraging and there are signs that the dialog will recommence.

The risks associated with another breakdown in the talks are many and diverse. Of particular concern is the potential loss of credibility of the multilateral trading system, which could lead to an intensification

of treasury wars, with dire consequences for world trade, especially in developing nations.

The intention of this chapter is to give a brief description of the evolution of the Doha Development Round, from its beginnings in 2001 to the current situation in the negotiations, which as of June 2007 are now recommencing after a period of crisis. We will also be analyzing scenarios that may arise in the immediate future and their implications for market integration.

THE NEGOTIATION PROCESS: FROM DOHA 2001 TO GENEVA 2006

The Doha Development Round was launched in Qatar in December 2001 in the aftermath of the terrorist attacks on the United States, which is why certain observers viewed the Ministerial Declaration, which marked the beginning of a new negotiating period for the WTO, as nonviable. However, not only was a negotiating mandate achieved, but for the first time, the agenda of this multilateral organization for the regulation of world trade included a series of provisions to address the development concerns expressed by WTO developing member countries.¹

In the Doha Declaration, WTO Member Countries committed themselves to holding negotiations that would “allow for more equitable global distribution of the welfare gains of free trade, which, until now, have mainly benefited developed countries” (WTO 2001). This commitment and the objectives of the Doha Round highlight a concern for development previously absent from the GATT agenda.

The objectives of the Doha Development Round can be summed up as follows:

1. to proceed with the reform process and the liberalization of trade policies;
2. to ensure that international trade plays an important role in the promotion of development and the alleviation of poverty;
3. to make a concerted effort to see that developing countries, particularly least developed nations, share in the growth of international trade;
4. to promote greater and more beneficial integration of least developed countries into the multilateral trading system and the global economy;

¹ It should be noted that, during the reform period initiated once the WTO came into force, the countries embarked on an intense information exchanging process. Likewise, the various coalitions formed by developing nations that are members of the WTO participated actively in the Doha Round.

5. to work in conjunction with the Breton Woods institutions with a view to drawing up a more coherent global economic policy; and
6. to make a commitment to sustainable development.

Negotiations on agriculture commenced at the beginning of 2000, pursuant to article 20 of the WTO Agriculture Agreement on the continuation of the reform process as follows:

Recognizing that achieving the long-term objectives of substantial and progressive reductions in support and subsidies that translate into a fundamental reform is a continuous process, the members agree that negotiations on the continuance of this process should commence one year before the end of the implementation period, taking into account:

- a) Experience gained up to this date in the implementation of commitments to reduce support and subsidies;
- b) The effect of commitments to reduce support and subsidies on international trade in the agricultural sector;
- c) The non-trade related concerns and special and differential treatment of developing countries and the objective of establishing an equitable, market-oriented commodities trading system, in addition to the other objectives and concerns mentioned in the Preamble to this Agreement;
- d) That new commitments are required to achieve the aforementioned long-term objectives (WTO 1994a).

By November 2001, when the Doha Ministerial Conference was held, 121 governments had already submitted numerous negotiating proposals. These negotiations will continue, under the framework of the mandate set forward in paragraphs 13 and 14 of the Doha Declaration, which also included a series of negotiating deadlines. The Declaration builds on the work already undertaken, confirms and elaborates on the objectives, and sets a negotiating timetable.

The Doha Declaration includes key deadlines for:

- The submission of formulas and other “modalities” for the commitments undertaken by member countries: by 31 March 2003 at the latest.
- Global commitment projects: by the Fifth Ministerial Conference held on 10-14 September 2003 in Cancún, Mexico.

- Balance:² by the Fifth Ministerial Conference held on 10-14 September 2003 in Cancún, Mexico.
- Deadline for conclusion: not later than 1 January 2005, as part of the single undertaking.

It should be noted that none of the Doha negotiation deadlines have been met due to differences in the viewpoints of Member Countries. Agriculture currently forms part of the so-called “single undertaking,” in which virtually all of the linked negotiations were to end by 1 January 2005, a deadline that was extra-officially pushed back, first to the end of 2006 and then to 2007.

The Doha Declaration confirms the long-term objective already stipulated in the current Agriculture Agreement: “establish an equitable, market-oriented trading system through a program of fundamental reform” (WTO 1994a). The program encompasses strengthened rules and specific commitments on government support and protection for agriculture. Its aim is to correct and prevent restrictions and distortions in world agriculture markets.

During this process and based on the pillars of the Agriculture Agreement, member governments commit themselves to comprehensive negotiations aimed at:

1. market access: substantial improvements;
2. export subsidies: reductions of, with a view to phasing out, all forms of these;³ and
3. domestic support: substantial reductions in support that distorts trade.⁴

Likewise, the Declaration makes special and differential treatment for developing countries integral throughout the negotiations, both in countries’ new commitments and in any relevant new or revised rules and disciplines. It says the outcome should be effective in practice and should enable developing countries to meet their needs, particularly in the areas of food security and rural development.

² The Fifth Session of the Ministerial Conference was to take stock of progress in the negotiations, provide any necessary political guidance, and take decisions as necessary (WTO 2001).

³ The July framework agreement of 2004 established a more precise mandate, while the Hong Kong Declaration of December 2005 provided for the complete elimination of all forms of export subsidies by the year 2013 (WTO 2004, 2005).

⁴ As part of the WTO July framework agreement of 2004, developing countries agreed to reduce domestic subsidies that distort trade by 20 percent, as soon as the negotiated agreement comes into force.

The ministers also took note of nontrade concerns (such as environmental protection, food security, rural development, etc.) reflected in the negotiating proposals already submitted, and confirmed that the negotiations will take these into account, as provided for in the Agriculture Agreement.

Since the beginning of the negotiating process in December 2001, progress has been slow, which has created frustration, especially among developing member countries. At this point, it should be mentioned that in the process of mutual gain that takes place under the framework of multilateral negotiations, the functioning of the WTO allows for and encourages the formation of coalitions among nations that share the same interests. The most relevant actors in the Doha process that largely determine the outcome are: the European Union, whose 25 members negotiate with one voice and form the first world trade bloc; the United States, which, until the Uruguay Round, tended to lead the multilateral negotiations and whose interests generally coincide with those of the European Union, Japan and other developed nations, and, finally, the G-20, a bloc created at the Cancún Summit that includes the major developing countries with large export and domestic markets. This bloc is spearheaded by Brazil, India, and China.⁵ The cohesion of the G-20 bloc undermined the leadership of the Cairns Group,⁶ formed by developed countries and developing nations that export agricultural products, who played a major role in the Uruguay Round negotiations.

Also deserving of mention is the G-90, a group of 49 members classified as least-developed countries and another 40 poor nations, mainly in Africa and East Asia. There is another bloc known as the G-33,⁷ comprised of 46 countries that have played an important role in the negotiating process, particularly at the Hong Kong Ministerial Summit.

Throughout the negotiation process, several Ministerial Conferences have been held in line with the negotiation deadlines. These conferences are the supreme body of the WTO, responsible for the adoption of decisions

⁵ The G-20 emerged as a result of the Cancún Ministerial Meeting and has sustained an extremely aggressive stance in the negotiating process. Its members are: Argentina, Bolivia, Brazil, Chile, China, Cuba, Egypt, Philippines, Guatemala, India, Indonesia, Mexico, Nigeria, Pakistan, Paraguay, South Africa, Tanzania, Thailand, Uruguay, Venezuela, and Zimbabwe.

⁶ Member countries of the Cairns Group include Argentina, Australia, Bolivia, Brazil, Canada, Chile, Colombia, Costa Rica, Philippines, Guatemala, Indonesia, Malaysia, New Zealand, Paraguay; Peru, South Africa, Thailand, and Uruguay.

⁷ The G-33 is comprised of Antigua and Barbuda, Barbados, Belize, Benin, Bolivia, Botswana, China, Congo, Korea, Ivory Coast, Cuba, Dominica, El Salvador, Philippines, Grenada, Guatemala, Guyana, Haiti, Honduras, India, Indonesia, Jamaica, Kenya, Madagascar, Mauricio, Mongolia, Mozambique, Nicaragua, Nigeria, Pakistan, Panama, Peru, Dominican Republic, St. Kitts and Nevis; St. Lucia, San Vicente and the Grenadines, Senegal, Sri Lanka, Suriname, Tanzania, Trinidad and Tobago, Turkey, Uganda, Venezuela, Zambia, and Zimbabwe.

and the drawing up of the organization's policies, and must be convened at least once every two years.

The Fifth Ministerial Conference of the WTO was held in Cancún, Mexico on 10-14 September 2003. The main task of this meeting was to weigh the progress made in the negotiations and other work within the framework of the Doha Development Program. However, the meeting bore little fruit due to a disagreement on the pillars of the Agriculture Agreement, including a reduction in cotton subsidies, while the "Singapore issues"⁸ resulted in a stalemate. The G-20 played a relevant role in this process.

When the Ministerial Conference of September 2003 ended in a deadlock, WTO members in Geneva resumed efforts to get the negotiations and the rest of the work program back on track. These efforts were stepped up in the first half of 2004, with the objective of reaching a consensus on a package of framework agreements and, at the end of July, the so-called "July Package" was adopted as a basis for the establishment of binding commitment modalities in the agricultural sector. Consensus on a rapprochement of standpoints vis-à-vis the three pillars of the Agriculture Agreement allowed negotiations to resume.

The most significant outcomes of the so-called "July Package" included changes to market access, export competition, and domestic support, each of which are discussed in turn.

Market Access

Substantial progress was called for on the rules governing market access, which must be applied to all agricultural products. A category of sensitive products subject to differentiated treatment was included and member countries were given the flexibility to designate these without defining tariff line percentages. A tiered formula for structuring tariff cuts that provided for greater reductions in the highest overall tariffs was introduced. Developing members demanded proportionality measured in relation to the results of tariff cuts, while developed countries argued that proportionality should be reflected in the components of the reduction formula and not necessarily the outcome. The definition of tariff reduction percentages was left to the second phase of the negotiations, as was the definition of the percentage of sensitive products that each member could designate.

⁸ The Singapore issues were: investment, trade facilitation, competition policy, and transparency in government procurement. At the Singapore Ministerial Conference, it was stated that these issues should be included in the next trade negotiations round, but the only issue incorporated in the Doha Round was trade facilitation.

On the issue of special and differentiated treatment, the July Package established lower tariff cuts and longer implementation periods for developing countries. It also stated that developing countries could designate an undefined number of products to be classed as special products and that a special agricultural safeguard mechanism was to be developed for use by developing countries. Regarding article 5 of the Agriculture Agreement, the current clause provides for the use of a special agricultural safeguard by all Member Countries, but the text of the July agreement takes no position on its retention.

Export Competition

A commitment was established for the elimination of export subsidies and the definition of procedures and rules for food aid, state trading enterprises, and export credits.

Domestic Support

A commitment was undertaken to achieve substantial reductions in all trade-distorting support, bearing in mind the following criteria:

- countries with the highest levels of trade-distorting domestic support will be subject to higher reductions;
- the setting of limits on specific products that receive benefits included in the Aggregate Measure of Support (AMS);
- a reduction in permitted *de minimis* levels, with special and differentiated treatment for developing countries;
- the introduction of limits on blue box subsidies (five percent of the value of production in the case of developed countries and ten percent in the case of developing countries); and
- the sum of blue and amber box plus *de minimis* support will be reduced by 20 percent during the first year of implementation of the new reduction commitments.

Clearly the July Package achieved a degree of conceptual consensus that facilitated the negotiating process. Divisive issues, such as tariff reduction coefficients, the process of disciplining domestic support and deadlines for compliance were left to a later phase of the negotiations.

The Sixth Ministerial Conference of the WTO was held in Hong Kong, China, on 13-18 December 2005, where the progress achieved during the year and a half since the Geneva Meeting was assessed. While the results can be judged minimal, the final declaration (WTO 2005) encompassed agreements reached on a series of issues, indicating that differences between the members were being smoothed over. More importantly, it

pointed to a way forward and a possible consensus in the negotiations. At this meeting, a new negotiating timetable for 2006 was agreed on and the members decided to conclude the negotiations by the end of that year at the very latest. By then, the initial deadline of 1 January 2005 had expired.

Based on a paper by Chibbaro, the main outcomes and debates that took place at the Hong Kong meeting can be summed up for the three pillars of reform as follows.

Market Access

Four bands were established for the structuring of tariff cuts, but no agreement was reached on thresholds. Special and differential treatment was permitted, with different bands being established for developed and developing countries. One of the modalities yet to be defined was the tariff reduction formula. The G-20 and the United States proposed the same thresholds, except that the latter did not take into account special and differential treatment. The European Union's proposal differed from that of the G-20 in that it established broader intervals for developed nations. The European Union and G-20 proposed a ceiling on tariffs of 100 percent for developed countries and of 150 percent for developing countries, while the United States proposed an upper limit of 75 percent.

As regards sensitive products, the majority of proposals provided for one percent of tariff lines to be included in this category, with the exception of the European Union, which requested eight percent. No agreement was reached on this issue.

Developing member countries were to be given the flexibility to self-designate an appropriate number of tariff lines as special products, based on food security, livelihood security and rural development criteria, although no further specifications were made.

It was agreed that tariff-rate-quotas should remain in place, but opinions differed as to their utilization: the G-20 and the United States proposed an increase based on consumption, while the European Union suggested using historic imports as a base.

As for the special agricultural safeguard mechanism, the Hong Kong Ministerial Declaration states that higher safeguard duties can be triggered automatically when import volumes rise above a certain level, or if prices fall below a certain level. However, it was not stipulated whether the coverage of this mechanism would be limited or if it would apply to

all products. The proposal provided for the triggering of the safeguard in the year in which it could be implemented.

In the case of safeguards triggered by import volumes, it remains to be decided whether the calculation will be, based on imports themselves or in relation to consumption levels, what the reference period will be and what the base period will be. In the case of safeguards triggered by a drop in prices, the central issue was the price variation level under which it would be appropriate for the mechanism to be employed. Several proposals were put forward, but no consensus was reached.

Export Competition

It was agreed that export subsidies would be eliminated by the end of 2013. With respect to disciplines on export credit programs and credit guarantees, the proposed reforms call for maximum repayment periods of no more than 180 days. As well, the programs are to be self-financing in the sense that insurance premiums are to be set so that they cover the operating costs and program losses over a five-year time frame. There are special and differential treatment provisions under which developing countries would have longer phase-in periods to implement the proposed disciplines, and the repayment of loans for the acquisition of basic foodstuffs by the least developed and net food importing countries could extend beyond one year.

On food aid, commitment to maintaining an adequate level and to take the interests of food aid recipient countries into account was reconfirmed. To this end, a “safe box” for *bona fide* food aid was provided for to ensure that there was no unintended impediment to dealing with emergency situations. Beyond that, it was agreed that commercial displacement should be eliminated and that effective modalities should be established for this purpose.

Disciplines on export credits, export credit guarantees or insurance programs, exporting state trading enterprises, and food aid were to be agreed upon by 30 April 2006 as part of the modalities, but this deadline was not met.

Domestic Support

The agreement adopted in Hong Kong provided for the establishment of three bands for reductions in the final bound total AMS and in the overall cut in trade-distorting domestic support, with larger linear cuts in higher bands. The member with the highest level of permitted support – the European Union – would be in the top band; the two members with

the second – and third-highest levels of support – the United States and Japan, respectively – would be in the middle band and all other members would be in the bottom band. The need to develop disciplines to achieve effective cuts in trade-distorting domestic support was also discussed.

The overall reduction in trade-distorting domestic support would still need to be made, even if the sum of the reductions in the final bound total AMS, *de minimis*, and blue box payments, were otherwise less than the overall reduction. The idea here was to avoid displacements from one box to another. Developing country members with no AMS commitments would be exempt from reductions in *de minimis* and the overall cut in trade-distorting domestic support.

The Hong Kong Agreement stipulated that modalities for all three pillars should be established prior to 30 April 2006 and that a schedule of commitments should be submitted before 31 July of that same year. To date, no agreement has been reached.

In keeping with the deadlines set forth in the 2006 calendar, ministers and delegation heads met in Geneva in July of that year to lay the groundwork for the final text of the Doha Round. However, the negotiating platforms of the main actors, known as the G-6,⁹ were particularly inflexible on the issues of agriculture and nonagricultural market access (NAMA) and resulted in the collapse of the meeting. The chances of reaching a minimum consensus seemed remote and it was under these bleak circumstances that the Director General of the WTO announced the indefinite suspension of negotiations, marking the beginning of a period of reflection.

THE SUSPENSION OF NEGOTIATIONS

The “sole agreement” system, which implies that nothing has been negotiated until everything on the agenda has been negotiated, was adopted for the Uruguay Round negotiations. According to this provision, the agreements reached between 2001 and the Hong Kong Ministerial Summit are not valid until the entire Round of negotiations is concluded.

Whereas under the GATT system a handful of developed countries would reach agreements among themselves and extend these to other nations, generally in the form of special and differential treatment for developing countries, the WTO system ensures that its rules are applicable to all Member Countries and that its decisions are legitimate because they are

⁹ The G-6 is comprised of Australia, Brazil, the United States, India, Japan, and the European Union.

agreed on during a negotiating process that includes both developed and developing nations.

There are significant differences of opinion on issues that make up the so-called “negotiating triangle” – access to agricultural markets, domestic subsidies, and access to markets for industrial products – and it is these issues that have impeded consensus on a draft of the final package. Consequently, what we have seen during the negotiating process is a confrontation between developed and developing countries on core issues and, as such, the blame for the Doha Round crisis falls equally on the shoulders of all members, both developed and developing.

The G-6 proved to have an internal conflict of interest and assumed an offensive position on certain issues and a defensive one on many others. Multilateral negotiations between such different countries are never straightforward, while the ambitious scope of the negotiating agenda in such a short period of time only served to exacerbate the problem.

The impasse in the negotiations pivoted around the “triangle” issues of access to agricultural markets, domestic subsidies, and nonagricultural market access (NAMA). Each of these is now discussed in more detail.

Access to Agricultural Markets

Pressure is on the European Union, Japan, and India. The European Union and Japan are being asked to make deeper tariff cuts. Brazil is asking for a reduction of 54 percent, the United States 66 percent, and Australia 60 percent. They are also being asked to reduce their list of sensitive products¹⁰ that would not be subject to normal tariff cuts to less than eight percent of tariff lines. Likewise, the European Union is asking India to reduce its list of special products¹¹ to less than 20 percent of tariff lines. These tariff line percentages would allow the European Union, India, and Japan to restrict the majority of agricultural imports.

¹⁰ In the July Package of 2004, it was agreed that every Member Country could designate sensitive products, the number of which was to be negotiated. These products would face lower tariff cuts in return for improved market access via tariff rate quotas (WTO 2004). Positions currently vary between one and 15 percent of tariff lines.

¹¹ The July Package stipulates that developing Member Countries may designate special products, the number of which was not specified and has yet to be negotiated, while the Hong Kong Ministerial Declaration (WTO 2005) clarifies that: 1) each developing member country may self-designate special products; 2) that an “appropriate number of products” may be designated special products; and 3) that these products will be selected based on indicators and food security, livelihood security, and rural development criteria. But translating these guidelines into practical modalities has not proven an easy task.

Domestic Subsidies

On this issue, pressure is on the United States, which is being asked to reduce domestic support linked to production and prices from its \$19 billion ceiling to ten to \$12 billion. In its proposal submitted in October 2005, the United States offered to restrict these payments to \$22 billion, which would imply an increase in current payment levels. The European Union, Australia, Brazil, and India are pressuring the United States to make more substantial reductions.

Another controversial issue is the selection of base years. The original proposal suggests using the 1995-2000 period, but the United States is proposing 1999-2001, a period in which US spending on domestic support programs was higher. This would give the United States consolidation levels much higher than the reductions demanded of other countries.

Nonagricultural Market Access

The European Union, the United States, and Japan are asking countries like Brazil, India, and several of their negotiating allies to reduce tariffs to less than 15-20 percent, which would imply cuts of about 60 percent in their bound tariffs. It is in the interests of many developing member countries to strengthen south-south trade with nations that have potentially large markets. However, both Brazil and India find this proposal inadmissible and argue that reducing tariffs on industrial products using the same reduction coefficient used by all other countries would require them to make greater cuts, because they have higher levels of protection.

It is plain that the G-6 members were insistent in their demands for other countries to open up their markets, but were not so willing to open up their own, and this was one of the reasons for the breakdown in trade negotiations. Moreover, the “sole agreement of understanding” concept, which states that nothing is negotiated until everything is negotiated, means that the agreements reached and progress made since 2001, not just in agriculture and industrial products, but in other areas, have been jeopardized by the suspension of the negotiations.

The following are some of the agreements that could go to waste if the negotiating process is not resumed:

1. the total elimination of export subsidies in the agricultural sector by 2013, which was accepted by the European Union and the United States in the Hong Kong Ministerial Declaration of 2005;
2. a substantial reduction in domestic support for agriculture;

3. a significant improvement in access to markets for agricultural, industrial, and service-sector products;
4. facilitation of trade, which would expedite customs flows and formalities for merchandise in transit and reduce costs;
5. the commitment to grant tariff and duty-free market access to least developed countries;
6. "Aid for Trade" programs for developing countries;
7. the tightening of antidumping regulations to ensure that these are not used for protectionist purposes and rules on fishing subsidies; and
8. the strengthening of the Dispute Settlement Understanding.

Nonetheless, it should be pointed out that developing countries have more at stake in this process, because they are the ones who stand to lose most if attempts to strengthen the multilateral trading system fail.

The situation of countries that have not yet managed to open their markets using bilateral or regional free-trade agreements is more complex, because these nations depend on the multilateral system to gain market access through the Most-Favored-Nation Clause (WTO 1994b).

Finally, there is the risk of a general loss of confidence in the multilateral trading system if the negotiations are not brought to a satisfactory conclusion. Since the creation of the WTO in 1995, there has been the perception that the organization and its agreements benefit mainly developed countries. Consequently, in order for the WTO to consolidate its reputation as a preeminent international economic institution, the Doha Development Round needs to be brought to a close with an agreement that satisfies both developed and developing member countries.

Vitally important to the WTO negotiating schedule is the expiration this June of the US President's Congressional Trade Promotion Authority (TPA). At the moment, it is unlikely a final text will be submitted to Congress in compliance with the established deadline. And since the United States will be holding presidential elections in 2008, there is no way of knowing whether Congress will grant the TPA again so trade negotiations can continue with the certainty that the US has TPA in place. This issue constitutes one of the greatest concerns for the continuation of the negotiations, with some observers pointing out that TPA was initially granted by a small majority and it is not likely to be granted again, especially in the current situation, where protectionist interests predominate.

The impasse in the negotiations and the limitations set by established deadlines lead us to predict that an agreement as ambitious as that of the Uruguay Round negotiations will not be achieved. Negotiations on

“triangle” (domestic support, market access, and NAMA) issues are expected to be concluded in the coming months, but this leaves little time to calculate and revise tariff reductions for all goods, especially those that require special treatment, and even less time to address the other issues on the agenda.

IMPACT OF THE CRISIS

The crisis in the negotiating process has a major impact on several levels. On a global level, we can talk of the lost economic welfare derived from the liberalization of multilateral trade, which, according to OECD estimates, would be in the region of \$44 billion a year, derived mainly from the opening of agricultural markets (OECD). A more severe, long-term impact of the crisis is the threat it poses to the credibility and legitimacy of the WTO. Other potential effects of the negotiating crisis include a potential increase in the number of trade disputes, an increase in the number of regional trade agreements, elimination of preferential treatment for developing countries, increased opposition within the WTO to preferential trade practices, and loss of momentum for domestic policy reforms. Each of these is now discussed briefly.

Trade Disputes

Failure of the Doha Round likely will result in an increase in the number of trade disputes. Many countries do not currently resort to WTO panels, as they are confident that the opening of trade will solve some of their present problems. However, if the Doha Round negotiations do not produce results in the near future, these countries are likely to turn to the dispute settlement system.

In this respect, we should also mention the extinction of the Peace Clause set forth in Article 13 of the Agriculture Agreement, which calls for “due restraint” in the filing of disputes against export subsidies and domestic support within the individual countries’ reduction commitments.

Furthermore, the United States lost the dispute over domestic support for cotton farmers filed against it by Brazil and must now make corrections to several programs included in the 2002 Farm Bill. This sets a precedent for countries that feel adversely affected by US domestic support to file complaints against similar programs that benefit other basic products protected under US legislation.

Regional Trade Agreements

There will be an increasing tendency for countries to enter into bilateral and plurilateral free trade agreements. Just as we saw with the extension of the Uruguay Round negotiations in the early nineties, many countries that aren't seeing an increase in their concessions within the multilateral framework will embark on a race to enter into bilateral trade agreements with the United States and the European Union in a bid to gain access to markets that they haven't been able to tap into via the Most-Favored-Nation Clause.

Under such circumstances, Asia will most likely gain ground over Latin America. Australia recently declared an interest in negotiating a free-trade agreement with Asia and the South Pacific. In this context, countries that haven't signed free-trade agreements, like Brazil and Argentina, will be most affected. This is not, however, the case for Mexico and Chile, which enjoy preferential access to many markets and will find it easier to negotiate mutual concessions.

Preferential Trade Agreements

Another significant consequence of the failure of these negotiations is that developed countries will probably step up efforts to eliminate the preferential treatment they unilaterally grant to some developing countries. The current trend in the United States and Europe is to negotiate reciprocal obligations to open up markets rather than to grant unilateral preferential treatment to select countries.

In this respect, the United States Trade Representative has announced the second phase in the review of its Generalized System of Preferences (GSP) program, under which the United States grants preferential treatment to imports from certain developing countries (USTR). Brazil, India, Indonesia, Philippines, and South Africa are a few of the countries that may not be granted continued preferential treatment and will most likely seek out bilateral talks when faced with the prospect of losing preferential market access under unilateral agreements. One of the reasons for this is that the United States does not want to "reward" countries that it feels are not contributing to the conclusion of the Doha Round negotiations¹² with preferential treatment.

WTO Opposition to Preferential Treatment

There is also the risk of greater opposition within the WTO to the preferential treatment granted to certain countries by the United States

¹² Many of these countries are members of the G-20.

and the European Union. Under GATT provisions that were later adopted by the WTO, countries that grant unilateral preferences to a certain group of countries must request a waiver from Member Countries, as this implies exemption from the provisions of the organization's general principles relating to the Most-Favored-Nation Clause. In this regard, there are several developing member countries that are not protected by preferential treatment and that feel they are at a disadvantage vis-à-vis other developing countries that enjoy preferential market access under unilateral agreements.

The European Union's GSP and the United States' Caribbean Basin Initiative require the granting of authorization or exemption by all WTO members, something that is looking increasingly complicated to achieve. Indeed, a few years ago, India, Pakistan, and Paraguay won a trade dispute filed against the European Union's GSP on behalf of the Central American and Andean nations.

The opening of trade potentially afforded by the Doha Round would give developing member countries greater access to markets in the European Union and the United States under the principle of Most-Favored-Nation. However, the suspension of negotiations will lead to less flexibility vis-à-vis the preferential treatment they enjoy.

Loss of Momentum for Domestic Policy Reform

Finally, we should mention that the impasse in the multilateral negotiations makes it difficult to pursue the tightening of domestic support programs that create price and trade distortions in international markets. Failure of the Doha Round will definitely not help when it comes to promoting domestic policy reform programs.

THE 2007 US FARM BILL AND HOW IT RELATES TO THE DOHA ROUND

A special mention must be made with regard to the adoption of the 2007 Farm Bill which is currently in progress in the US (Thompson). Special interest groups are pressuring the US government in order to have a greater degree of influence in the design of this policy. Likewise, these groups seek to obtain greater impact on US policies in multilateral negotiations due to the high content of governmental support programs for certain products.

The 2007 Farm Bill differs in its conception from the 2002 Farm Bill. First of all, the "Ethanol Boom" has caused an increase in the price of certain products. This is particularly true in the case of corn. Secondly,

there is concern in Washington with the federal trade deficit. This creates pressure to decrease public spending on agricultural programs. Thirdly, the WTO negotiations currently underway seek to obtain a greater degree of free trade on a multilateral level.

There are two other elements that loom over the discussion of the current Farm Bill. The first element is the presidential electoral process that creates a more protectionist environment. The other element looming over the talks is the fact that certain groups of producers not directly benefiting from government subsidies are taking a proactive approach in the talks. These producers represent almost two-thirds of the total number of US producers.

The aforementioned circumstances contribute to a very different debate with regards to previous Farm Bill debates. Nevertheless, it is important to remember that three different Farm Bills were adopted (1985, 1990, and 1996) during the Uruguay Round negotiations. These bills progressively reduced the links between the monetary incentives for production and the prices of specific products. This happened because the incentives went from more “distorting” programs (amber box) to less “distorting” programs (green box).

There was a surplus in the federal budget for the 2002 Farm Bill. Also, the consolidated ceilings for the AMS at the WTO were considered a goal to be achieved rather than a parameter to be reduced. This resulted in the reintroduction of amber box programs that do create distortions in the world prices for certain products.¹³

Currently, there are two types of organizations that lobby to achieve a custom-made agricultural legislation. First, representatives of some of the most influential commodity groups in the US (corn, cotton, soy, rice, and wheat) favor a continuation of the 2002 Farm Bill with a few minor adjustments. An argument set forth by this group is the increase in the production of ethanol in the US. According to them, increasing ethanol sales will create more benefits for the US economy than those that can be achieved in the Doha Round. Second, citizen groups representing a diverse array of interests ranging from the environment to support for agricultural development have used the US loss to Brazil in the cotton case as a means to obtain changes in US agricultural subsidies. Their main argument is that the funds directed towards American producers are inequitable and poorly distributed. Thus, the goals of helping families and promoting agricultural development are unfulfilled.

¹³ The most notorious case is the commercial controversy about cotton in which a WTO panel determined that all programs previously classified as green box were, in fact, amber box programs. This created a distortion in the world prices for certain products and they need to be terminated or reduced.

On a different note, there are also international factors that impact the 2007 Farm Bill. Accordingly, some Members of Congress and some in the agricultural department consider that the number of commercial disputes with regards to current policies may increase. They fear more disputes like the aforementioned cotton controversy. Some of their proposals include: 1) a reduction in marketing orders; 2) a reduction in counter-cyclical payments; and 3) getting rid of restrictions with regards to the types of crops that can be planted on land that is eligible for direct payments.

Lastly, it can be said that there are two main tendencies regarding the design of the 2007 Farm Bill. On the one hand, there are those that support the status quo and promote an extension of the 2002 Farm Bill. On the other hand, there are those that think that this is a good time for the US to adopt and introduce the needed agricultural reforms in order to satisfy both domestic and international demands.

The 2007 Farm Bill and the Doha Round impact each other: if the 2007 Farm Bill is adopted before a multilateral agreement is reached, then US laws would not be able to build upon the agreements reached at Doha. This is particularly true in the case of cuts to internal subsidies. In this light, the US negotiators have declared that they do not intend to offer better terms than those presented in October 2005 unless the US is granted greater access to the markets of its commercial partners.

POSSIBLE SCENARIOS

Due to these circumstances, and with the continuation of negotiations, it is important to consider possible scenarios for moving forward. There are three possible outcomes. Each outcome has its own prerequisites and consequences.

Scenario 1: Minimal Accord

This scenario requires that the main players lower their ambitions and their expectations in order to achieve an accord that leads to a completed round of negotiations in the medium term. The requirements for this scenario are as follows.

- Cuts in all forms of agricultural protection. The cuts in tariffs and production subsidies would be modest. They would include the elimination of all cotton subsidies.¹⁴ They would also include the total elimination of export subsidies by 2013.¹⁵

¹⁴ The cotton subsidies topic has been a priority in the Doha Round ever since the Ministerial Meeting in Cancún. So much so, that a special negotiation group was established within the framework of the Agricultural Committee.

¹⁵ This announcement was part of the Hong Kong Ministerial Declaration.

- Modest cuts in tariffs of industrial goods (NAMA) which, nevertheless will allow developed countries to export to developing countries. Specially those members of the G-20 and, particularly, those countries with attractive markets such as: China, India, Brazil, and South Africa.
- Minimum accords will be reached in the service industry which would not include those subjects that are most controversial such as the deregulation of services in developing countries or free worker mobility from developing to developed countries (WTO 1994c).
- A support package for the Least Developed Countries (LDCs) with emphasis on technical and financial support in order to increase their export capacity and free access of their products to the developed nations as suggested by the Hong Kong declaration. These measures would provide some sort of substance to the concept of development and would only apply for all LDCs and not for all developing nations.

If such an accord could be reached, it would allow closing this round of negotiations during 2007. The achievements obtained would help consolidate the WTO, allow for some continuity, and silence those that consider it ineffective. However, this scenario presents some obstacles such as not fulfilling the expectations of most developing countries. This, in turn, will make it necessary to start a new round of negotiations in the medium-term, thus creating the need to secure the leadership of certain countries.

Scenario 2: Extension of this Round of Negotiations

The purpose of this extension would be to seek a more ambitious accord. This calls for extending the negotiation dates for at least two more years to try and obtain an agreement that satisfies all Members and fulfills the objectives set forth in the Doha Declaration. It wouldn't be the first time that the multilateral negotiation process is extended. Both the Uruguay and the Tokyo Rounds of negotiation took four years longer than originally scheduled. A delay in the Doha Round shouldn't represent a major problem, given these antecedents. The new schedule would call for the Doha Round to end towards the end of this decade.

This scenario is the only one that allows the benefits of free trade to fully materialize. The risk is that nothing guarantees that the US president will be granted TPA, as mentioned above, so all negotiators must work without any certainty that the US congress will approve the TPA. The negotiators will face a great deal of pressure to reach an ambitious accord which must also have a great deal of development content.

On the opportunity side of things, if the Round manages to end and the subsequent accord manages to expand and further clarify existing norms, the WTO will demonstrate that it is capable of reaching great goals and this would position it as the cornerstone of future world economic governance. This scenario will generate greater benefits for global customers. However, it is uncertain that the WTO could manage to bring the process to a satisfactory end.

Scenario 3: A Collapse of the Doha Round and WTO Reform Efforts

This is an unlikely scenario which would only happen if the G-6 members become more extreme in their positions and make it impossible to reach a minimum accord. G-20 member countries are more likely to not accept an agreement which does not have a great deal of prodevelopment content. The underlying argument being that the Uruguay Round greatly benefited the developed countries. As a result, the Doha Round should compensate for this imbalance. This means that the developed countries must greatly reduce their agricultural protectionism.

This is a totally negative scenario, no doubt about it. It will have very serious multilateral consequences and prevent some of the potential benefits of free trade from materializing. It will also halt the adoption of new rules and regulations that could be approved in a legitimate and agreed upon fashion. The timing couldn't be worse since current market conditions suggest that such rules and regulations are necessary. The collapse of the Doha Round will create tension in international relations among different countries and groups of countries. This will cause the WTO to immerse itself in a deep crisis. It will also force the WTO to re-evaluate its functions and its decision-making methods.

A multilateral failure could open the door for the strengthening of bilateral and regional commerce processes. These processes are flawed in that they do not incorporate topics such as what to do with regards to domestic support programs, antidumping rules and ways to settle commercial controversies.

CONCLUSIONS

The Doha Round negotiation process has been slow and complex. The tackling of such an ambitious agenda which incorporates criteria that favor a greater and better distribution of the benefits of world agricultural trade demands the adoption of rules and regulations that have deep repercussions in domestic agricultural policies. Those are the probable causes as to why the process has been on the border of collapse twice.

The first time was in Cancun in 2003 and again at Geneva in 2006. Nevertheless, there is a strong will to find an acceptable conclusion to the Doha Round among certain groups whose efforts have included a complex web of underground contacts and meetings. The goals of these meetings have been to bridge the differences amongst different positions which will, in turn, lead to the writing of a final negotiated text.

After a careful analysis of the Doha Round it becomes clear that there are conceptual agreements. Problems arise when the conceptual agreements are translated into figures, amounts, compromises, and deadlines. This requires the adoption of multilateral commitments and also the reform of certain national policies.

The possible consequences of a crisis in the negotiating process create complex situations on a global level. These situations have a significant impact on trade. Most of the risks are associated with:

- an increase in trade disputes;
- a strengthening of regionalism and bilateralism;
- elimination of preferential bilateral agreements;
- enhancement of domestic subsidy programs; and
- the loss of WTO credibility as a governing body for world trade.

The implementation of multilateral rules and regulations will allow for the adoption of ways to overcome problems such as dumping, trade disputes, domestic subsidies, and other domestic help programs. The strengthening of market integration requires a bilateral normative framework that regulates access to different markets. It also requires a different set of multilateral institutions to serve as a guide and to provide efficient procedures to solve any disputes derived from trade.

Different possible outcome scenarios for the Doha Round have been analyzed. Perhaps the best possible scenario, in terms of creating benefits for all 150 WTO Member Countries, is the extension of the negotiations for two more years. This will allow the achievement of the goals set forth in the negotiating process as well as satisfying the demands of all parties involved. Nevertheless, there is concern amongst all parties involved that the US Congress may not grant the President new TPA.

Recent developments within the WTO lead us to identify a renewal of the negotiating process. The WTO Director General has said that there is the will and the necessary agreement to end the Doha Round this year (WTO 2007d). This is the result of intense underground activity whose goal was to bridge the differences between the different negotiating positions.

By the same token, the President of the Agricultural Committee, Mr. Crawford Falconer from New Zealand, presented documents on 30 April and 25 May 2007 (WTO 2007a, 2007b) that reflect the fact that the different negotiating positions have been brought closer to each other. The documents also contain several propositions (dubbed the “center of gravity”) for each main topic on the agricultural project. These documents seek to foster consultations between the Member Countries reflected by a greater degree of agreement within the documents. Therefore, the involved parties are better prepared to continue the negotiations.

The Director General of the WTO, Mr. Pascal Lamy, stated that the aforementioned reflection period helped clarify the fact that a positive outcome is still possible for this Round of negotiations (WTO 2007c). This, in spite of the precious little time left, since the schedule calls for an end of the negotiations by the end of 2007. The challenges ahead are partly technical but mostly political in nature. They require strong leadership, a serious commitment from Member Countries, and the acknowledgment of common goals to guarantee success.

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