

## The Debacle of Doha

By Walden Bello | July 28, 2006

Several guilty parties were responsible for the recent collapse of the Doha round of trade negotiations, but none guiltier than the United States. U.S. Trade Representative Susan Schwab refused to make a serious offer on cutting domestic subsidies for U.S. farmers. Worse, at a late stage in the negotiations, she appeared determined to eliminate any protection for developing country farmers. The WTO's December 2005 Hong Kong Declaration designated "special products" for exemption from tariff cuts, and Schwab singled out these provisions for attack.

Why the United States chose protection of its farming lobby over the survival of the multilateral trading system it had taken the lead in creating will long be a matter of debate. In the hotly contested congressional elections in November, the Midwestern farming states could determine whether or not the U.S. Congress will remain under Republican control, and Karl Rove was not willing to let anything get in the way of continuing GOP dominance.

U.S. intransigence may well go beyond electoral considerations. It reflects Washington's unilateralist thrust since George W. Bush came to power in 2001. Like its refusal to ratify the Kyoto Protocol, the U.S. refusal to substantially cut its agricultural subsidies reflects a strategy of making others, including traditional allies, bear the costs of necessary adjustments in the global economy. Last Monday's unraveling of the Doha Round, in this view, was the death knell of multilateralism.

What is not a matter of debate is that the Doha Round was *never* meant to be a round to end poverty, as the Group of Eight leaders meeting in St. Petersburg depicted it. The idea that the Doha Round is a "development round" could not be farther from the truth.

At the very outset of the Doha negotiations in November 2001, the developed country governments rejected the demand of the majority of countries that the talks focus on the hard task of implementing past commitments and avoid initiating a new round of trade liberalization. From the very start, the aim of the developed countries was to push for greater market openings from the developing countries while making minimal concessions of their own. Invoking development was simply a cynical ploy to make the process less unpalatable. According to the *Financial Times*, these "poor tactics" backfired.

### Lopsided Negotiations in Agriculture and Industry

The state of the agricultural negotiations before Monday's unraveling reflected the imbalance of power in the positions of the developing and developed worlds. Even if the United States had conceded to the terms of WTO Director General's compromise on cutting its domestic support, the United States would still keep a massive \$20 billion worth of allowable subsidies. Even if the European Union (EU) had agreed to phase out its export subsidies, it would have maintained 55 billion euros in other forms of export support. In return



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for such minimal concessions, the United States, EU, and other developed countries wanted radically reduced tariffs for their agricultural exports in developing country markets.

The WTO negotiations, if concluded on such lopsided terms, would result in the slashing of poor countries' farm tariffs while preventing them from maintaining food security. This is a recipe for massively expanded hunger and threatens to further impoverish hundreds of millions of the poor worldwide. A Philippine government negotiator at the WTO Agriculture Committee perhaps best summed up the consequences for the South: "Our agricultural sectors that are strategic to food security and rural employment have already been destabilized as our small producers are being slaughtered by the gross unfairness of the international trading environment. Even as I speak, our small producers are being slaughtered in our own markets, [and] even the more resilient and efficient are in distress."

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The developed countries want not only radically reduced agricultural tariffs from developing countries, but also maximum entry to southern markets for their industrial and other non-agricultural goods. In the NAMA (Non-Agricultural Market Access) negotiations, they have demanded that the industrializing economies of the South cut their

non-agricultural tariffs by 60-70% while offering to cut theirs by only 20-30%. This absurdly inequitable proposal violates the GATT-WTO principle of less-than-full-reciprocity. The South African government reflected the frustrations of most of the global South about the Doha process when it stated that "Developing countries will not agree to destroy their domestic industry on the basis of unreasonable and irrational demands placed on them by the developed countries."

The extinction of agriculture and deindustrialization is not the only price that developing countries are being asked to pay for a successful conclusion to the Doha Round. In addition, the General Agreement on Trade in Services (GATS) negotiations in the WTO are pressuring the countries of the global South to allow foreign corporations more rights to buy and control their public services, at the expense of guaranteeing essential public services for the poor.

## The Cost-Benefit Equation

It is no longer just the developing countries or global civil society that is warning that WTO-managed liberalization will be detrimental to the interests of the developing world. Even the most pro-liberalization agencies are now admitting that the benefits of the Doha Round to the poor have been greatly inflated. According to a 2005 study by the World Bank, developing countries would gain a mere \$16 billion in ten years in a "likely Doha scenario" of reforms. That's a miniscule 0.16% of developing-country gross domestic product, or less than a penny a day per capita. The poorest billion people are projected to increase incomes by a mere \$2 per year. That's why it is so heartbreaking to see "the poor" being invoked to sell the project of massive corporate expansion of the Doha agenda.

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Though more realistic than its previous studies, the 2005 World Bank report is still inadequate, for it does not factor in many costs that the WTO regime imposes on developing countries. It fails to account, for instance, for the negative impact of corporate patent monopolies under the WTO's "Trade-Related Intellectual Property" agreement, which forces the poor to pay vastly increased prices for access to life-saving medicines.

Indeed, the poor might not get even their annual \$2. The Doha costs may be larger than the Doha gains. For example, a recent United Nations Conference on Trade and Development (UNCTAD) study predicts that the losses in tariff income for developing countries under Doha could range between \$32 billion and \$63 billion annually. This loss in government revenues—the source of developing-country health care, education, water provision, and sanitation budgets—is two to four times the mere \$16 billion in benefits projected by the World Bank.

Africa, the least developed region, will be one of the most prominent victims of a successfully concluded round. Summing up the findings of other recent research from the Carnegie Endowment, the European Commission, and the Food and Agriculture Organization (FAO), Aileen Kwa of Focus on the Global South points out that "The majority in Africa will be faced with losses in both agriculture and industrial goods liberalization. Even if agricultural export markets were open to Africa, the majority of African farmers—subsistence farmers—will not be in a position to compete. In addition, they will lose through having to open their domestic markets in the negotiations. The poorest countries in Africa will be worst hit—many are LDC countries in Sub-Saharan or East Africa."

## Breaking out of the WTO Paradigm

The economic costs of a potential Doha conclusion clearly outweigh any projected benefits to the poor. Moreover, the loss of policy space for developing countries—to create jobs through industrialization, guarantee public services, and protect farmers and food security—would be tantamount to kicking away the ladder of development, to use the image of Cambridge University economist Ha Joon Chang, and preventing developing nations from using the very tools used by developed nations to climb out of poverty.

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Trade can be a medium of development. Unfortunately, the WTO framework subordinates development to corporate-driven free trade and marginalizes developing countries even further. It is time to cease entertaining illusions about the alleged beneficial effects on development of the

Doha Round. *The collapse of the Doha Round will be good for the poor.* With the unraveling of the WTO talks, the task should shift to creating institutions other than the neoliberal WTO, alternative mechanisms that would make trade truly beneficial for the poor.

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