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Doha Goes on Life Support

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The impasse continues in the WTO's Doha negotiations, to the point that even the relentlessly optimistic Secretary General Pascal Lamy, after another deadline-driven search for concessions, admitted that there is no movement and little basis for an agreement. Doha is on life support while he and the WTO leadership assess what can be salvaged from ten years of trade negotiations.

Life support is not a cure for what ails the Doha Round. As crisis after crisis roils the global economy, the WTO has drifted toward irrelevance. New market-access demands from the U.S. and other developed countries may make political sense at home, but they do nothing to make the Doha agenda compatible with its initial promise of development. Leave Doha on life support or pull the plug, but we should all use the crisis to remember why development matters and why a multilateral trading system is important to a complex global economy facing multiple crises caused not by too little liberalization but by too much.

Former U.S. trade negotiator Susan Schwab and others pointed fingers at the unwillingness of Brazil, China, and India to make concessions commensurate with their growing economic importance, but that's not why Doha's in intensive care. Its parent, the WTO, charged with developing a fair and legitimate multilateral trading system, has been left in the dust of swirling world economic events mouthing hollow words about the benefits of liberalization.

The global financial crisis was caused by weak regulation of financial markets, yet WTO negotiators keep talking about further deregulation of financial services. Similar deregulation allowed a run of commodity speculation, contributing to two waves of food price spikes and rising hunger in developing countries. As Jayati Ghosh wrote recently, these countries were more vulnerable precisely because of prior liberalization. Should they really be considering more?

The world has passed Doha by. Worse, from the perspective of developing countries, the development promises that brought them to the table in Qatar have been abandoned. Remember, these are principles fully enshrined in the Doha negotiations: "special and differentiated treatment," with the formal recognition that developing countries deserve greater policy flexibility; "less than full reciprocity," in recognition that high-income countries need to give more than they demand if the promise of development is to be achieved. As the South Centre's Martin Khor wrote, "there is hardly any development content left" in Doha.

Yet now the U.S.'s Ron Kirk comes demanding full liberalization from emerging countries in key industrial sectors. Meanwhile, Africa's cotton-producing countries lose market share by the day, while the U.S. government uses every tactic to avoid implementing a ruling that found U.S. agricultural support programs in violation of existing trade rules. U.S. tactics include the side deal with Brazil to subsidize Brazilian cotton farmers to buy time for U.S. reforms, a measure that only adds insult to economic injury for African farmers.

Surely, Doha deserves its apparent fate. After all, economic projections showed limited gainsfor developing countries and potentially high costs, in terms of lost tariff revenues and lost policy space. Recent figures from the Peterson Institute, widely cited by Doha proponents, jump to $300-700 billion only by making heroic assumptions about progress in services, sectorals, and other areas.

Still, it is worth taking a longer and more dispassionate view. As recent history keeps showing us, a global recession is an unlikely time to get new concessions from trade negotiators. Facing large new pockets of poverty and unemployment, WTO negotiators come to the table less willing (and politically less able) to make any concession that could be perceived to result in a loss of jobs back home.

Nowhere is this truer than in the United States, where the Obama Administration has seized on trade agreements as key tools to open markets, expand exports, and create jobs in a sluggish economy. It is debatable whether those jobs would really be created by a successful Doha deal – or FTAs with Korea, Colombia, and Panama, or the TransPacific Partnership negotiations with Pacific Rim countries. But new U.S. demands for concessions fall on deaf ears, because every other government is equally concerned about protecting domestic employment through the crisis.

In retrospect, Doha negotiators probably should have declared a hiatus in negotiations in 2008 after the financial crisis hit. The world did not need a new round of liberalization and deregulation, and no one was going to make the concessions necessary to reach agreement. We needed to avoid a new round of protectionism, and most evidence suggests that this was achieved, no small accomplishment. Negotiators could have used the hiatus to focus on recovering from the financial crisis and to reregulate the sectors that had caused the damage.

But what now? Whether or not negotiators pull the plug on the Doha Round, the multilateral trading system needs a few acts of good faith. As Schwab and other commentators have argued, there are useful provisions that could be agreed on their own: trade facilitation; restrictions on agricultural export subsidies, credits, and other measures; cuts to fishing subsidies; opening access to "green" technologies.

Her list would be a good start, but developed countries should go further if they want to maintain some level of faith in the multilateral system. Duty-free, tariff-free market access for Least Developed

Countries is perhaps the most important symbol of Doha's development promise, and it should be granted. So too should prompt U.S. compliance on cotton, which was supposed to get accelerated treatment in the negotiations. (Former Indian WTO Ambassador Bhatia offered a more ambitious list recently.)

Finally, and perhaps most important, there should be a moratorium on new bilateral and regional trade and investment agreements, which Jagdish Bhagwati and many other economic analysts decry. They create trade diversion, add to the "spaghetti bowl" of trade regulations, and allow the U.S., E.U. and other powerful nations to exact concessions from weaker trading partners that they would never get at the WTO. Each new bilateral deal undermines the impetus for a multilateral trade agreement. And, as Richard Baldwin pointed out recently, they often don't deliver on their limited promise, even for rich countries.

Whether a new multilateral trade agreement comes out of a revived Doha Round or its successor, the world still needs multilateral trade rules that are fair, recognize the special needs of developing countries, and correspond to today's economic realities.

A Spanish version of this article appeared in Puentes Quincenal, from the Geneva-based International Centre for Sustainable Development, in a special issue on the future of Doha. You can read more on Wise's work on the WTO.