

## Why is the Doha Round failing?

By Carin Smaller

In the past few weeks global trade talks have been dealt a series of stunning blows. President Bush appointed Rob Portman, his chief trade negotiator, as budget director. The move was widely viewed as a shift in the administration's priorities to focus on internal matters rather than the conclusion of the Doha Round. The European Commission stiffened its negotiating position by announcing that it would make no further reforms to its Common Agriculture Policy without substantive tariff reductions for industrial goods and market access for services in return. And perhaps most importantly, WTO Director-General Pascal Lamy cancelled a planned ministerial level meeting, ensuring that the WTO would miss a crucial deadline for agreeing to specific targets to reduce tariffs and subsidies in agricultural goods and manufactured products.

The trade talks have been severely criticized from nearly all sides. India's chief trade negotiator Kamal Nath told the media that there was nothing to negotiate if the mandate of development was violated and stressed "no deal is better than a bad deal." African trade ministers warned that they would not accept any agreement that left out the issues of concern to Africa. Big agribusiness exporters from Australia, New Zealand and the U.S. don't think what's on the table will improve their access to foreign markets. Service providers from Europe and the U.S., including the financial, energy and maritime transport sectors, are angry that the WTO talks are centred around agriculture and are loath to accept a deal unless they see clear gains for their industries.

Countries with little to sell in world markets are deeply concerned about the potential consequences of opening their own markets to increased imports. Their concerns have been backed by a series of devastating economic reports on the potential outcomes of the Doha Round from the World Bank, the UN and several think tanks including the Carnegie Endowment. Each report shows steadily shrinking returns for developing countries. The World Bank has drastically reduced its estimates for potential gains from the Doha Round over the last few years. Initial projections of \$500 billion in 2003 have been reduced to a mere \$96 billion in 2005, with only \$16 billion going to a few developing countries, such as China and Brazil, and the remaining \$80 billion going to the developed world. Added to this, the UN predicts that the developing world is set to lose \$63 billion in revenues from reduced tariffs on industrial goods. Africa, the poorest continent, is set to come off worst. The actual numbers include too many assumptions to be taken as gospel. Nonetheless, they clearly show how

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wrong the bold promises made at the time of Cancún in fact were and indicate that current proposals have very little to do with development.

All over the developing world, businesses, trade unions, farmers and governments have expressed serious fears about the displacement of local agricultural production, closure of factories, massive job losses and lost government revenue associated with reduced tariffs. Developing country negotiators are having to answer to strong domestic constituencies opposed to aspects of the Doha Round including: India's 650 million subsistence farmers; industrial trade unions in Argentina, Brazil and South Africa; fisherfolk in the Philippines; millions of subsistence rice farmers in Indonesia; and textile workers all over South Asia and southern Africa. The growing power of developing countries in the global trade talks makes it ever harder for the negotiators to ignore these voices.

The deterioration of WTO trade talks is not surprising. The whole premise of the Doha Round—deep tariff cuts and agricultural rules that ignore food security and livelihood concerns—is wrongheaded. Most countries are not interested in the radical tariff cuts being pushed by a few developed countries and still fewer developing countries; they cost too much monetarily in lost revenues and politically in lost jobs.

As the U.S. House Speaker Tip O'Neil once famously said, "All politics is local." And negotiators are finding out that's true even at the WTO. The contradictions between promised benefits at the global level and more complicated realities on the ground are harder and harder to explain. People around the world are becoming aware of how the liberalization of trade and finance is affecting their daily lives. Cheap food, clothing or electronic goods are of little use to people who cannot earn a living in decent working conditions. The deregulated markets sought by free traders today tend to concentrate wealth and undermine public access to decision-making. The Doha Round needs a quiet burial. We need a fresh start toward devising a trading system focused on improving people's livelihoods and providing the space for poor countries to develop their economies. ▣

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