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Whatever happened to the
Development Round?

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1. Introduction

*"As it stands, the Doha Round is heading towards a conclusion that would do very little for the poorest countries."*¹

Joseph Stiglitz & Andrew Charlton

*"Paradoxically we find that developed partners are taking defensive positions precisely in those areas and on those matters where they should be accommodating the interests of developing countries, while taking aggressive and sometimes uncompromising postures where their own interests will be served vis a vis those of developing countries, in areas such as NAMA and Services. This cannot be the road to a development outcome."*²

Ransford Smith, Jamaican Ambassador to the WTO. 29 July 2005

*"What can we give to developed countries in return for concessions? Nothing, because in the majority of our countries, the developed countries are already in control of our economies. It is therefore not possible to have trade-offs between countries whose economies are not at the same level of economic development."*³

Ambassador Love Mtesa, speaking on behalf of the Least Developed Country group at the WTO

It seems incredible that seven years of trade talks, supposedly called a 'development round', have yielded so little for the poor. But that is exactly where we are in the summer of 2006.

Despite the lofty rhetoric of the so-called 'Doha Development Agenda' - a name invented by Pascal Lamy, Europe's head trade negotiator after the Doha meeting of the World Trade Organisation (WTO) - it is hard to find any evidence of development on the agenda.

In fact, we have seen the opposite; a steady process of opposing, ignoring and sidelining development issues and the insertion and promotion of the interests of rich countries and their corporations; a demotion of the broader public interest in favour of the corporate interest.

The most recent major meeting of the WTO in Hong Kong was effectively the last nail in the coffin for a development outcome. It tied developing countries into a bad deal. The only question now is: how bad?

In such circumstances, the best outcome now is that this round should stop and the various negotiating texts should be torn up.

For some, this may seem a shocking conclusion to reach. How can you possibly advocate putting an end to the "development round"? Surely there is still hope that something good can come of it? WDM has not always called for the round to halt. It is a position we have reached by following developments in the talks. In this report we explain how we have come to this conclusion.

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This is not a report in the traditional sense; it is predominantly the story of the past six year's of trade negotiations. WDM has been following these talks from the very beginning, and this is our understanding of what has happened. It does not include every single detail of every issue and every negotiating meeting – although in places it strays into technicalities – and it does not attempt to describe all the varied activities of civil society over this period. But it does aim to give you a sense of how these talks have 'progressed' (or more accurately, regressed) and how the main players have acted on the international stage.

For those who know less about trade liberalisation and development, there is a short introductory guide. If you already understand the issue, skip this bit and move straight on to how we got to this position; from the outcome of the last round of trade talks to the launch of the current round, through the collapse of the Cancun Ministerial Conference and right up to the present day.

Also, we realise that calling for the current negotiating text to be torn up may seem to some like a worse outcome than cobbling together some sort of agreement based on what is currently on the table. Chapters 5 and 6 of the report therefore address the principal arguments used to justify the 'any deal is better than no deal' approach; namely, the benefits of liberalisation for developing countries, particularly in agriculture, and the risk that 'failure' poses to multilateralism and developing countries.

2. Trade and development: The basics

2.1 Against the Washington Consensus

*"The way trade liberalization is recommended under the 'Washington Consensus', it is a recipe for destruction of the industries which are at their early stages of infancy, or development, without necessarily leading to the emergence of new ones."*⁴

Mehdi Shafaeddin, former Head of UNCTAD's Macroeconomic and Development Policies Branch

Expressed as a 'word equation' the conventional argument for free trade goes something like this:

'Eliminating trade barriers (ie, freer trade or trade liberalisation) = more trade = more economic growth = more jobs for the poor = more cash for the poor = more happiness for the poor. So trade liberalisation is good for the poor.'

It is a simple equation which can be heard repeated by many politicians, especially those based in Washington or Brussels. Simple, but wrong.

So here is the tension: a standard textbook economic theory that presents trade liberalisation, opening markets or reducing trade barriers as necessarily and always beneficial versus the real world experience of the past 20 years showing that while some forms of liberalisation can sometimes be useful, trade barriers are a vital tool to help development.

WDM bases its analysis of trade liberalisation on development history as played out in the real world, rather than on textbook theory. This has brought us into conflict with the ‘defenders of the faith’ of the Washington Consensus and those who most often benefit from the application of ‘the faith’ (business interests in industrialised countries). It has also brought us into coalition with respected economists who reject the oversimplifications of standard theory, with development experts at the UN and most importantly millions of people in developing countries defending the rights of the poor and resisting the imposition of free trade.

2.2 History lessons

“Developed countries did not get to where they are now through the policies and the institutions that they recommend to developing countries today. Most of them actively used ‘bad’ trade and industrial policies, such as infant industry protection and export subsidies – practises that these days are frowned upon, if not actively banned, by the WTO.”⁵

Ha-Joon Chang, Assistant Director of Development Studies, University of Cambridge

What has worked in the real world is a complex mixture of trade policies. The evidence demonstrates the need to regulate trade and foreign investors to create benefits for people and the environment. This means using what are pejoratively labelled ‘trade barriers’.

Few if any countries have achieved development without the strategic use of ‘trade barriers’ across a range of policy areas including import taxes (tariffs), subsidies, investment regulation and weak intellectual property laws. These are policies that can be used to stimulate domestic manufacturing industries which provide better jobs and incomes than producing and trading agricultural products.

As Economist Erik Reinert points out, *“No nation has ever taken the step from being poor to being wealthy exporting raw material in the absence of a domestic manufacturing sector”* (emphasis as in original).⁶ He goes on to say, *“Today the application of the rules of the Washington Consensus – essentially that the historically proven procedure of artificially creating a comparative advantage in manufacturing is no longer allowed – means that the road to development that has been followed by absolutely all industrialised countries up until now, is completely blocked for the Third World of today”* (emphasis as in original).⁷

The recent history of countries such as China, Korea, Taiwan and Malaysia suggests that it is quite possible to achieve development gains, even with European and US agricultural protection in full swing, by pursuing industrial development policies designed to promote domestic businesses. The experience of Africa on the other hand suggests that severely curtailing the ability of governments to pursue such policies (eg, the reductions in industrial tariffs and investment deregulation imposed on many African countries by the IMF and World Bank during the 1980s and 1990s), results in the collapse of manufacturing leaving countries increasingly reliant on exporting low value agricultural products and raw materials. Perversely, the policies imposed on poor countries in return for debt relief have perpetuated the cycle of debt and poverty.

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The economic cost of this liberalisation process is massive. According to calculations done for Christian Aid, trade liberalisation has cost sub-Saharan Africa US\$272 billion over the past 20 years.⁸ In contrast, countries that have fared better have been those with more interventionist policy.

Table 1: The Impact of Trade Liberalisation in Least Developed Countries (LDCs) 1987-89 to 1997-99⁹

IMF trade restrictiveness index (1 = most open, 10 = most restricted)	Percentage change in US\$1-a-day poverty level in LDCs (figures with every country treated the same, regardless of population)	Percentage change in US\$1-a-day poverty level in LDCs (figures weighted to account for more populous countries)
1	+ 24	+ 16
2	+ 5	+ 5
3	+ 4	+ 2
4	+ 3	+ 8
5	- 1	- 3
6	- 1	- 1
7	- 4	- 4
8	- 7	- 10
9	0	0
10	+ 6	+ 5

(Note: the plus sign denotes an increase in poverty, the minus sign denotes a reduction in poverty)

The table above shows a calculation by the United Nations Conference on Trade and Development (UNCTAD) of whether, and how much, poverty has been reduced in different Least Developed Countries (LDCs) compared to their level of trade restrictiveness. The Table shows that, poverty has on average increased in those countries with the lowest trade barriers (ie, those categorised in the top four least trade restrictive bands). In LDCs where government intervention is greater and policy is more trade restrictive, poverty has, on average, been reduced. But in the most closed LDC economies (ie, those ranking '10' on the IMF's trade restrictiveness scale) poverty also increased. Although the IMF's measure of the trade restrictiveness of government policy is certainly not perfect, this table suggests that, while it is not wise to maintain a closed economy, it makes sense for poor countries to have a fairly high degree of government intervention in trade.

Policy space

It is a phrase used to describe the flexibility that governments have to use a wide range of economic and social policies depending on their circumstances. Rich countries – through the WTO, the World Bank and IMF - have reduced the 'policy space' available to poor countries by forcing them to open their markets, deregulate and privatise.

This real world evidence runs counter to the conventional text-book theory that trade liberalisation is necessarily beneficial for development. Sadly, this evidence has been ignored as industrialised countries, and the institutions they control such as the World Bank, IMF and WTO, have sought to extend liberalisation as far and wide as possible curtailing the 'policy space' open to developing countries to pursue the same development strategy as they did.

3. The Uruguay Round: A bad deal for developing countries

“WTO rules on ... TRIMS and TRIPS are utterly devoid of any economic rationale beyond the mercantilist interests of a narrow set of powerful groups in the advanced industrial countries.”¹⁰

Dani Rodrik, Professor of International Political Economy, Harvard University

To trace the origins in the current impasse in world trade talks, we have to go back to the late 1980s and early 1990s. Our story begins with what was called the ‘Uruguay Round’ of trade negotiations.

At the launch of the Uruguay Round in 1986, 92 countries were signatories to the General Agreement on Tariffs and Trade (GATT), the precursor to the WTO, making the negotiating environment quite different. Although by the end of the round, membership had swelled by a further 36 countries (mainly developing countries), most of them (24) joined in 1993 and 1994 after the ink was already dry on the deal.

As a result, there was an even greater emphasis than today on the US and the EU reaching a deal and then presenting this to the rest of the membership. The opportunity for developing countries to really influence the outcome was very limited. Sadly, although developing countries had to do much less in terms of reducing their tariffs on industrial products, the Uruguay Round still ended up being a bad deal for five key reasons:

1) After intense lobbying by the pharmaceutical industry, the Agreement on Trade Related Aspects of Intellectual Property Rights (TRIPS) was created. In fact, it is well known that it was practically written by US businesses. Dr Supachai Panitchpakdi, then Director of the World Trade Organisation said at WDM’s conference in 2002, that the TRIPS agreement, *“was one of the glaring examples of the pressure coming from the corporate sector on governments – that ultimately resulted in some agreements being forced on governments – that we have to try and prevent”*.¹¹

Despite the fact that rich countries used weak intellectual property laws, and even state sanctioned industrial espionage, during their development process,¹² they forced developing countries into a rigid regime of intellectual property enforcement.

Intellectual Property Rights (IPRs) create costs for the poor: they are not a ‘development tool’. The Center for Economic and Policy Research estimates that enforcing stricter IPRs as required by the TRIPS agreement will cost developing countries anything between 0.5 and 10 per cent of their national income depending on how wealthy they are.¹³ In fact, many economists, including those who advocate free trade, believe that the TRIPS agreement should never have been included in the WTO.¹⁴

Free Trade advocate John Kay has stated, *“The nature of trade negotiations began to change when rules on trade-related intellectual property rights were attached to them. TRIPS were not genuinely multilateral. US political power was used to benefit US companies.”*¹⁵

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Developing country GATT members opposed the creation of the TRIPS agreement because of its fundamentally anti-development nature, but relented in exchange for promised agricultural reform.

2) As a result of intense lobbying by service multinationals, the General Agreement on Trade in Services (GATS) was created. According to David Hartridge, former Director of the WTO Services Division, *“Without the enormous pressure generated by the American financial services sector ... there would have been no services agreement.”*¹⁶

Two whole new trade agreements (GATS and TRIPS) were created because some companies wanted them. The British public weren't consulted about their creation. Both are binding on the UK but neither was debated in parliament until the deal had been done.

The principal focus of the GATS is to steadily eliminate a wide range of government regulations applying to foreign investment in the service sector. Like TRIPS, developing countries resisted the GATS. This was because they opposed the creation of new investment rules (covering services) in the WTO – but relented in exchange for a degree of flexibility in the GATS and in return for promised agricultural reform.

3) The Trade Related Investment Measures (TRIMs) agreement was also opposed by developing countries, again because it meant creating new WTO rules on foreign investment. It would limit their ability to require foreign investors to transfer benefits to the local economy. As with TRIPS and GATS, developing countries eventually accepted a new agreement, albeit limited in this case, in return for promised agricultural reform.

Robert Wade, Professor of Political Economy at the London School of Economics, has stated: *“TRIMs and GATS could have been written by listing all the industrial and technology policies used by east Asian capitalist industries, and then declaring most of them illegal under WTO rules.”*¹⁷

4) A study by the World Bank prior to the Seattle Ministerial estimated the cost of implementing just some of the Uruguay Round agreements at around one year's development budget for smaller developing countries.¹⁸ The study also noted that developing countries would receive little practical benefit from this expenditure, indicating the degree to which the Uruguay Round agreements were skewed to the interests of rich countries, rather than developing countries.

5) The big trade-off of the Uruguay Round was the creation of an Agreement on Agriculture, bringing agricultural products within trade rules for the first time. The expectation of developing countries was that this would result in meaningful changes to the subsidy regimes of the US and the EU and create significant benefits for their farmers.

The reality was that various loop-holes were incorporated into the deal stitched up between the

Uruguay Round: Key Outcomes

- Several new 'anti-development' trade agreements. (TRIPS, TRIMs, GATS).
- An agriculture agreement riddled with loopholes.
- The creation of the World Trade Organisation.
- The creation of a dispute settlement mechanism.
- An expanded membership with many more developing countries.

US and EU in the so-called 'Blair House Agreement' (named after the building in Washington where the two parties met) which meant that the new trade rules required no meaningful subsidy reform.

If Tony Blair and Peter Mandelson had been around at the time, they would no doubt have spun the outcome as a fantastic result for poor countries. Hindsight shows that poor countries got shafted and the costs far outweighed the benefits.

The unbalanced outcome of the Uruguay Round set the scene for the battles to come over the launch of a new round of trade talks.

4. The Story of the 'Doha Round'

4.1 From Uruguay Round to Seattle (1995 – 1999)

Leon Brittan, former European Trade Commissioner (and former member of the UK Cabinet serving under Margaret Thatcher) is one of the principal architects of the current round of trade talks. In the second half of the 1990s, although the World Trade Organisation had only recently been created, he recognised a need to plan ahead. He started advocating a new broad based trade round with a 'single undertaking' (ie, nothing is agreed until everything is agreed). His rationale was likely twofold.

First, Brittan knew that written into the original WTO agreements were mandates requiring further negotiations on agriculture and services, plus some reviews of existing agreements five years after their creation. By 2000, new talks were to start on a limited range of issues. Europe did not want further agricultural reform to become an isolated issue within the WTO, putting the Common Agricultural Policy (CAP) under the spotlight and Europe on the defensive.

Although the EU could have simply obstructed reform for a while, Brittan was also well aware that the so-called 'Peace Clause' protecting a range of subsidies from WTO challenge was due to expire by 2005. This meant that a further deal on agriculture was a necessity. The EU needed a range of bargaining chips in order to reduce the pressure on agricultural reform and to make sure it got something in return for any eventual new deal on agriculture.

The second reason why Brittan wanted to push for a new round was the EU's 'offensive' interests; more market access for European manufactured products and more legally binding rights for European service multinationals to set up operations in other countries.

In fact, while still Commissioner, Brittan was instrumental in creating the European Services Forum (ESF), a Brussels-based business lobby group which aims, amongst other things, to lobby the European Commission and European Union member states to open markets for European Service companies.¹⁹

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After passing the European Trade Commissioner baton to Pascal Lamy (who left financial services giant Credit Lyonnais to work in the Commission), Brittan went to work for service multinationals and is now Chairman of the Liberalisation of Trade in Services Group (LOTIS), another corporate lobbying outfit.²⁰

Europe's trade agenda was therefore broad in order to incorporate its offensive interests and provide a shield for the CAP. At its core,

alongside agriculture and services, the EU wanted to negotiate reductions in industrial tariffs and create a series of new WTO agreements (on investment, competition policy, government procurement and trade facilitation).

The problem for incoming trade commissioner Pascal Lamy was that, in light of their bad Uruguay Round experience, developing countries were not desperate to enter into another broad-based round of WTO talks including several 'new issues'.

Having seen little benefit from previous agreements, the chair of the G-77 (the group of developing countries) called for an agenda that would "review, repair and reform" the WTO, rather than rushing headlong into a new round of trade talks. This included:

- the huge costs for implementation of Uruguay Round agreements, estimated at one year's development budget for the poorest countries;
- problems with agreements such as TRIMs – which made it hard to properly regulate foreign investors – and TRIPS, amongst other things, made it hard to produce and/or import cheap generic drugs;
- the use of so-called 'anti-dumping' provisions to block developing country imports.²¹

Civil society including WDM adopted the "review, repair, reform" demand as their own slogan in the run up to the Seattle meeting.

In advance of the WTO's Seattle Ministerial Conference in 1999, developing countries started making a range of proposals aimed at addressing these problems. This became known in WTO-speak as the 'implementation issues'. However, in Seattle itself, their demands were ignored.

Many poor country members were not able to contain their anger at being routinely sidelined in Seattle as decisions were taken in closed negotiations that were dominated by the rich country members. The negotiations that mattered took place between a closed group of 20-30 countries (out of 135) in the so-called 'green room' meetings. On the final night of the negotiations, the US and EU spent the whole night trying to hammer out a deal. As WDM asked at the time: "Where were the other 119 nations?"²²

The Revolving Door, 1995 - 2006

Sir Leon Brittan (now Lord Brittan), former EU Trade Commissioner, became Vice Chair of investment bank UBS-Warburg just three months after leaving his job in the EU and he now lobbies on trade issues for the financial services industry. The incoming EU trade commissioner Pascal Lamy's previous employer is French bank Crédit Lyonnais. Pascal Lamy is now Director General of the WTO.

Peter Sutherland, former Director General of the WTO is now Co-Chairman of BP Amoco and Chairman and Managing Director of financial giant Goldman Sachs International. Another former WTO head, Renato Ruggiero is now chairman of finance company Citigroup in Switzerland. Hmmm, is there a pattern here?

Throughout the Seattle talks, the industrialised countries ignored the strong positions articulated by regional groups, and many of the poorest countries came under intense pressure to accept agreements. Groups from Africa, Latin America and the Caribbean issued statements making it clear that it was unacceptable to exclude them from negotiations that were deciding the economic future of their countries.²³

This now well-documented US and EU intransigence, coupled with heavy-handed negotiating tactics eventually led to the infamous collapse of the Seattle Ministerial. Referring to the difficult experience he had endured, Pascal Lamy summed up the negotiating process in Seattle as being 'medieval' but the most medieval thing about the WTO was, and still is, the attempted feudal carve up of power between small groups of countries.

UK Secretary of State for Trade and Industry Stephen Byers said: "The WTO will not be able to continue in its present form. There has to be a fundamental and radical change in order for [the WTO] to meet the needs and aspirations of all 134 members."²⁴

4.2 Seattle to Doha (1999 – 2001)

After the political 'Battle of Seattle' negotiators returned to Geneva to resume talks. The so-called 'Built-in-Agenda' (mandated negotiations on agriculture and services) kicked off in 2000 and developing countries continued to press on the 'implementation issues' to correct the imbalances of existing trade rules.

Even more detailed proposals were submitted to such an extent, and with such support among developing countries, that the reform agenda could not be ignored. There was also continuing resistance to the EU's comprehensive trade round proposal to include a raft of new trade agreements on competition policy, investment, trade facilitation and transparency in government procurement (the New Issues) WDM continued to oppose the launching of a new round of trade negotiations arguing that reviewing existing agreements, implementation issues and institutional reform of the WTO were the priorities.

The major players were loathe to accept changes to existing agreements that were currently skewed in their favour, but Pascal Lamy, a skilled negotiator and a shrewd tactician, knew that something needed to be done to demonstrate that the EU 'cared' about poor countries. Lamy also knew that it was worth trying to find ways to undermine the solidarity between the very poorest developing countries (known as the LDCs) and the larger, more advanced developing countries.

In February 2001, Europe came up with the 'Everything But Arms' initiative; providing the LDCs with immediate tariff free and quota free access to European markets for all products except a couple of 'sensitive' products (eg, beef and bananas which were subject to longer phase-ins) and except armaments. This was broadly welcomed by LDCs although it did not in itself overcome their resistance to the EU's demand for a wide ranging trade round. As the Tanzanian Minister for Industry and Trade said in July 2001, "most of us are not ready, psychologically, materially and technically, for a new round".²⁵

The major political change took place after the horrific events of 11 September 2001. With the WTO's Doha Ministerial Conference taking place just two months later, the

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pressure increased on trade negotiators to do a deal to demonstrate that the multilateral system 'worked'. Unlike Seattle, developing country delegates were much more reticent about being perceived as blocking a deal because such opposition was being simplistically linked with support for those that wanted to 'attack the international system'.

Combined with this top line political pressure were a range of untransparent and undemocratic negotiating tactics. For example, developing country proposals were omitted from negotiating texts submitted to the Doha Conference; in Doha, developing countries were excluded from meetings; and the Conference was extended without agreement from the full membership meaning some delegates, who were unable to re-schedule flights, missed the final stages of the meeting.²⁶ In the final hours it became clear that India was unwilling to let the EU get its way and launch new free trade agreements on investment, government procurement, competition policy and trade facilitation that developing countries had overwhelmingly rejected at every pre-Doha opportunity.²⁷ So the issue was fudged and it was agreed that the final decision on these issues would wait until the next WTO Ministerial in 2003. This set the stage for the collapse of the Cancun ministerial meeting.

Late on 14 November, running 24 hours overtime, after 48 hours of continuous negotiations and with several delegations having already caught their flights home, the remaining members of the WTO agreed to launch wide ranging new negotiations including on the environment, industrial tariffs, regional trade agreements, subsidies and agriculture. This outcome was immediately christened the Doha Round or the Doha Agenda.

Although the developing countries' 'implementation issues' were top of the Doha Agenda, the quid pro quo was to sign on to a broad based round of talks that still included the possibility of negotiating the EU's New Issues and wrapped up all the negotiations (implementation issues, agriculture, industrial tariffs, services, etc) into what is called a 'single undertaking'. This means that the talks are pursued in parallel and nothing is finalised until everything has been negotiated; the idea being to create maximum opportunity for trade-offs between issues. Rather than trade-offs being internal to each negotiating topic, a country might offer to cut its agricultural subsidies but only if another country liberalises in another area, such as opening its market to foreign service multinationals or industrial goods.

Edward Rugumayo, Head of the Ugandan delegation left Doha saying, "*The EU has been the major victor, and the United States has also won.*"²⁸

The Doha Agenda was therefore flawed from the very beginning because developing countries had been forced to accept a way of negotiating that would mean creating new problems for themselves as a trade-off for correcting the problems they were experiencing with the existing unfair rules. As was pointed out at the time, they paid a price during the Uruguay Round when they signed up to damaging new agreements on services and intellectual property rights in return for creating an agriculture agreement. Now they would be forced to pay a second time with new liberalisation commitments in return for trying to rectify the fact that the agriculture agreement they had originally signed turned out to be rubbish.

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Much to the irritation of developing countries, after the Doha conference, Pascal Lamy proclaimed the outcome the 'Doha Development Agenda'. The WTO Secretariat (supposedly impartial) has since unilaterally adopted this strap-line to accompany its Doha round logo.



WTO Secretariat
Doha Round logo

At the time, WDM said: *"It is a shameless public relations 'spin' for the rich nations to describe the outcome of Doha as a Development Agenda."*²⁹ What has followed is a sad vindication of this statement.

Barry Coates WDM's Director at the time wrote: *"The much hyped development round is empty of development. This massive extension of the WTO is both reckless and dangerous."*

"The deeply unfair process before Doha meant that almost the whole of the Ministerial conference was devoted to issues of interest to the rich countries. The concept of a development round was completely sidelined."

The EU and US have exploited the vulnerability of poor countries in order to force their agenda on them. Even where it appears that developing countries may benefit, the Declaration is so riddled with holes and get-out clauses that the gains are likely to be illusory."

*The world desperately needed an opportunity to fix the broken promises from the last round of negotiations."*³⁰

Boniface Chidyausiku, former TRIPs Council Chairman and Zimbabwe's Ambassador to the WTO subsequently said: *"Development agenda ... was just a slogan. I don't see anything development oriented that has come out of all the talks we have had. In terms of development, forget it."*³¹

4.3 Doha to Cancun (2001 – 2003)

*"There has been a lot of pressure exerted on our government. Heads of state have received calls from them. Ambassadors and trade ministers have been pressured [and] blackmailed and they have been offered deals that do not relate to the trade question. They were told 'if you accept what we want you will get something else'. These are the pressures and blackmail we were going through. They are talking about trade liberalisation and that is their mantra. But then in the areas where they do not have an advantage, like agriculture, they practice protectionism. They have double standards, and the people in those countries need to question their government."*³²

Irene Odida MP, Ugandan delegate commenting after the collapse of the Cancun Ministerial

The two years following the Doha Ministerial were characterised by developing countries having their concerns and their proposals ignored while developed countries, and the EU in particular, maintained the pressure for a set of new WTO rules as well as far reaching liberalisation in services and industrial products. Despite being at the top of the Doha Agenda, developing countries struggled to make headway on the Implementation Issues. Other important proposals were similarly stymied.

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In spring 2002, a group of developing countries submitted a joint paper to the WTO outlining a range of reforms to make decision-making more transparent and inclusive.³³ The response from rich countries was to ignore the detail and make dismissive general remarks about wanting to retain 'flexibility' and 'efficiency'. In August 2003, fearing that they would be sidelined by non-inclusive procedures at the next WTO Ministerial Conference in Cancun, a group of African countries tabled a paper making many of the same proposals.³⁴ Again these proposals were ignored.

In the summer of 2003, a group of seven UK-based NGOs,³⁵ including WDM, sent a letter to UK Secretary of State for Trade and Industry, Patricia Hewitt, challenging the UK Government to support twelve basic reforms to WTO procedures to make them more transparent and inclusive. These include such basic democratic reforms as:

- All negotiating meetings are announced in advance
- No country is excluded from meetings
- The chairs of negotiations should be neutral and elected by all member countries not handpicked by rich nations
- Ministerial meetings cannot be extended without warning or agreement
- Negotiators should be allowed time to eat and sleep
- Negotiating documents should accurately reflect the views of all WTO members, not just the EU and US.

However, the response from UK civil servants was to dismiss NGO proposals, such as producing a daily calendar of meetings including necessary information such as the room, the chair and the issues to be covered, as not being 'practical'.³⁶

In autumn 2002, a group of eight developing countries submitted a proposal on services suggesting that there should be a 'stock-take' of the GATS talks including assessing the development implications of the liberalisation requests that had been made of them.³⁷ The response from rich countries was to ignore it. This came on top of three other developing country proposals³⁸ and two Ministerial-level statements (made by the LDCs and the African, Caribbean and Pacific (ACP) countries) calling for services assessment that met a similar fate; despite the fact that Article XIX of GATS calls on countries to undertake assessment in the first stages of negotiations.

Rather than supporting assessment and encouraging developing countries to engage in this kind of analysis, the EU instead kept up the pressure to go further and faster in the services talks.

At the same time as pressing on its 'offensive agenda', the EU needed something to offer on agriculture. This came when the latest round of Common Agricultural Policy (CAP) reform was completed in June 2003. Unfortunately, rather than being a major step forward, the CAP reform was yet another partial move that shifted subsidies into different categories but ended up with broadly the same impact; subsidised products on world markets undermining the ability of poor farmers to produce and sell in their own country.

The CAP reform did finally enable the EU to start telling other countries what it could do on agriculture in the WTO and, significantly at the time, the EU joined forces with the US to table an agriculture proposal. This led to another major shift in the negotiating dynamics in the run up to the Cancun Ministerial Conference; the creation of the 'G20'. Perhaps fearing an attempt by the EU and US to present a stitch-up, a

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group of around 20 countries led by the larger developing countries (Brazil, India, South Africa, China) came together to put forward joint proposals on agriculture.

The EU also continued to insist on the New Issues (investment, competition policy, trade facilitation and government procurement). In the run up to the Cancun Ministerial meeting opposition continued to grow among developing countries to the EU's insistence on launching negotiations on the New Issues. India's stand at Doha meant negotiations could not be launched without the 'explicit consensus' of all WTO member states.

In the run up to Cancun Ministerial, statements by the Africa Group, ACP and LDCs opposed the EU's plans. In total, 66 developing countries publicly signed-up to statements opposing the New Issues.³⁹ Europe was simply not prepared to acknowledge the strength of developing country feeling, attempting instead to explain to them that the proposed agreements would be good for development (implying poor countries didn't know what was in their own interests).

WDM predicted that the strength of developing country opposition mean the talks would collapse over the issue and commented at the time "*Just what part of no doesn't the EU understand?*"^{40, 41}

However, at the same time, the EU and US needed to demonstrate some sort of 'win' for developing countries in order to maintain the pretence of the 'Development Agenda'. This was achieved on the issue of 'access to medicines' and intellectual property rules.

In advance of the Cancun Ministerial a declaration was made on 'TRIPS & Health' which was presented as a major step forward and a concession by the industrialised world. According to then WTO Director General Supachai Panitchpakdi, "*This is a historic agreement for the WTO. The final piece of the jigsaw has fallen into place, allowing poorer countries to make full use of the flexibilities in the WTO's intellectual property rules in order to deal with the diseases that ravage their people. It proves once and for all that the organisation can handle humanitarian as well as trade concerns.*"⁴²

In fact, it was largely a reaffirmation of existing flexibility under the TRIPS agreement. According to ActionAid at the time, "*The TRIPS Council decision does very little to make affordable medicines available in poor countries in the long-term ... there is a need to continue advocating for a more viable and workable solution, as the 30 August 2003 decision will likely prove inadequate in ensuring that medicines reach those most in need in poor countries.*"⁴³

According to Medicins Sans Frontiers at the time, "*Today's deal was designed to offer comfort to the US and the Western pharmaceutical industry. Unfortunately, it offers little comfort for poor patients. Global patent rules will continue to drive up the price of medicines.*"⁴⁴

In Cancun itself, the process for negotiations was again heavily criticised. Texts were submitted to the Cancun Ministerial without the blessing of the membership and the process was again untransparent and driven by a small clique including the Director General, the chairs of the negotiating groups and the major trade powers. The

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release of a proposed ministerial text by the Conference Chair (Derbez of Mexico) was received with anger and frustration by developing countries whose interests had once again been sidelined.

For example, the proposed text on the table in Cancun further cemented the downgrading of the Implementation Issues; a process that had started as soon as the ink was dry on the Doha text. However, it was ultimately the EU's intransigence on its New Issues that led to the breakdown of the talks. Many civil society organisations at the ministerial rallied around the slogan that "No deal is better than a bad deal" and celebrated the collapse of talks as a victory for developing country solidarity. Before the meeting WDM stated that: *"Success at Cancun will not be measured by whether or not a deal is signed. It will be measured by whether or not developing countries are able to get their views represented and their needs met."*⁴⁵

This, of course, became lost in the immediate aftermath as the EU attempted to blame the collapse of the Cancun ministerial on the US and even the Chair of the talks while the US attempted to pin the blame on the G20 group of developing countries.

Afterwards WDM said: *"This was the only option for the developing countries. They have been bullied, ignored and marginalised. Quite simply, walking out was better than the deal on the table."*⁴⁶

Echoing WDM's slogan Dipak Patel, Zambian Trade Minister, speaking after Cancun said: *"I am definitely sure that I would have been lynched by the private sector and civil society if I had returned home with a bad deal ... No deal is better than a bad deal."*⁴⁷

4.4 Cancun to Hong Kong (2003 – 2005)

Once the post-Cancun blame game subsided, talks again resumed in Geneva. The focus continued on trying to agree so-called 'modalities' for the main negotiating topics; agriculture and industrial tariffs.

On the plus side, the EU found its New Issues position increasingly untenable and was effectively forced to drop them from the Doha negotiating agenda. On the minus side, a framework agreement was created in Geneva during July 2004 that started to entrench a radical liberalisation agenda on industrial tariffs, provide potential loopholes in agriculture and further sideline development issues. Yet again, the process was opaque and many developing countries felt excluded as a last-minute Ministerial meeting was tagged on to a meeting of the WTO's General Council. Only a few Ministers from the major trade powers were able to attend (or perhaps only a few were informed in advance) and a deal was duly stitched up.

Although what became known as the July 2004 'framework agreement' seemed to increase the impetus towards the conclusion of the Doha Round, the negotiations once again became mired in disagreement during late 2004 and early 2005. The lack of 'progress' led to frustration amongst the major players and a desire to ramp up the pressure.

The EU took such an initiative in the services talks. In June 2005, the EU proposed what are called benchmarks (also known as 'common baselines' or 'targets and

indicators') for the GATS negotiations. The intention was to create a liberalisation straightjacket (ie, by setting minimum standards for the quantity and quality of offers) that would completely undermine what little flexibility existed for countries to choose the level of GATS commitments that is most appropriate to their national circumstances. Although this push met with major developing country opposition, it was ignored by the EU.

The talks on industrial tariffs were similarly tense with the US and EU continuing to push for sweeping cuts in developing country import taxes and ignoring developing country proposals. One such proposal was made by a group of Caribbean countries which suggested using development criteria to determine the level of flexibility different countries should have in tariff reductions.⁴⁸ While this may sound sensible to any outside observer and could have injected the possibility of a real development outcome into the talks, the major powers in the WTO such as the EU rejected it out of hand.

Perhaps in an ideal world, trade policy implementation would be based on a combination of development indicators. In other words, as countries achieve development targets they graduate to new levels of trade policy implementation. It is a sensitive issue, including with developing countries, and the closest any WTO member (or group of WTO members) has come to this position is the Caribbean proposal on industrial tariffs. But rather than recognise the proposal as a serious potential step forward, the EU simply cast it aside.

Instead, the run up to the Hong Kong Ministerial saw an even more concerted attempt by the EU to push for radical liberalisation in developing countries.

Developing country delegates started voicing concern that this had become more about market access than development. As Indian Minister for Commerce and Industry Kamal Nath pointed out in November 2005, *"Ambition means different things to different countries: to some it means market access; to four-fifths of humanity it means development."*⁴⁹

The Hong Kong Ministerial itself was again characterised by untransparent negotiating processes and developing country anger. The appalling process that led to the text on services came under particular criticism and was a key reason why both Cuba and Venezuela took an unprecedented stand and voiced reservations to the Ministerial Declaration in the final plenary session of the conference.

Sadly, the outcome of Hong Kong was another nail in the coffin for a development round.

- Overall, developing countries were backed into a corner and in return for an end date (2013) for export subsidies - a marginal gain ten years overdue – they were further locked into the aggressive liberalisation agenda of the EU and US in services and industrial products. As Joseph Stiglitz points out, *"The decision to phase out export subsidies by 2013 was quickly trumpeted as a major achievement of the Hong Kong meeting, but it is in fact a largely symbolic commitment."*⁵⁰

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- In contrast to the Doha Declaration where development issues were supposedly made the first priority, the Hong Kong Declaration punted them into the long grass with little hope of any substantive outcome. The dozens of 'implementation issues' were effectively sidelined for the rest of the talks.
- A radical formula (called the 'Swiss formula') for cutting industrial tariffs was set in stone. This will hamper the ability of developing countries to protect fledgling industries in the way rich countries did while they were developing. According to the former head of macroeconomics at UNCTAD, "The application of the proposed Swiss formula has a significant detrimental long term effect on industrialisation of developing countries, besides their loss of government revenues."⁵¹
- Although the EU's most extreme proposal on compulsory liberalisation targets (benchmarks) was defeated, Hong Kong mandated a process that could enable the EU and US to increase pressure on developing countries to make more and deeper liberalisation commitments that will undermine their long term development.
- And the EU and US showed no signs of being prepared to fundamentally change their agricultural subsidy systems and Hong Kong edged ever closer to a deal that will allow the major trading powers to simply change the way they subsidise without radically altering the outcome; farmers in developing countries being undercut by cheap imports.

However, once again the EU and US managed to capture some favourable headlines with their so-called development package despite the lack of real substance to their proposals (see box).

The 'Development Package': All style and little substance

Market access for LDCs: The EU has already committed to provide duty and quota free market access for LDCs. However, the agreement struck in Hong Kong allows the US to exempt 3 per cent of its LDC imports. While not sounding much, it is significant because, for example, it permits the US to protect its textiles sector. In any case, while market access can be useful, most LDCs are not suffering from a lack of market access but a lack of value added products to sell after 20 years of World Bank and IMF structural adjustment laid waste to fledgling manufacturing industries.

TRIPs & Health: The temporary flexibility for poor countries to import cheap generic medicines from other developing countries that was first negotiated before Cancun in 2003 was enshrined in WTO rules. However, the complexity of the system is such that no country has been able to use this 'flexibility' since 2003 meaning that WTO members have now set in stone a system that has not yet proven to be workable.

Capacity building: Cash to help developing countries employ and train trade negotiators sounds useful but it is pretty pointless if the EU and US simply sideline, ignore or obstruct the proposals that these negotiators make in the WTO.

'Aid for trade': The European Member States have offered an increase in spending

on 'Trade Related Technical Assistance' of €600 million by 2010. This is not new money. It is simply a commitment on how existing aid pledges will be spent and it is unclear what exactly this money will be spent on. In addition, the European Commission has offered an increase in spending on 'Trade Related Technical Assistance' from the EU aid budget of €250 million by 2007. But again, this is not new money so it will involve reshuffling the aid budget, taking away from existing programmes. The Hong Kong Declaration calls on the WTO Director General (Pascal Lamy) to set up a 'task force' to look into the issue and consult the World Bank, IMF and others and come up with proposals on using grants and concessional loans (so maybe it will end up being debt for trade!).

Abolishing export subsidies: In 2004, EU export subsidies amounted to €3 billion, out of a total European agricultural subsidy budget of €58 billion. Setting a date for the end of export subsidies is a symbolic gesture of marginal benefit and it has been made ten years late.

'Round for free for LDCs': The EU has offered a 'round for free' for LDCs and less liberalisation for an unspecified group of 'vulnerable developing countries'. This is because most of them are covered by a series of regional free trade deals the EU is negotiating. The so-called Economic Partnership Agreements (EPAs) are intended to replace a set of non-reciprocal trade preferences with 79 African, Caribbean and Pacific countries and they will almost certainly be used to extract 'WTO-plus' commitments from these countries. Like much of the EU's trade agenda, the proposed 'round for free' for these countries in the WTO is simply a hollow negotiating tactic.

4.5 2006: Time to tear up the talks

"In Doha in 2001, the developing countries were promised a "development round", one that would redress the imbalances of the past and create opportunities for the future. But what has emerged since clearly does not deserve that epithet... as the parameters of a possible deal are hammered out in back-room meetings in the coming months, we should remember that the content of the agreement matters more than the agreement itself."⁵²

Joseph Stiglitz and Andrew Charlton

So what does the story of the round tell us? It tells us that ever since Doha, rather than making any significant advances on a true 'development agenda' in the WTO, developing countries, and campaigners, have been largely restricted to fighting rearguard battles to prevent the EU and US from making existing injustices even worse.

At various times since the launch of the round, there have been signs of change in the WTO, providing grounds for optimism. The dozens of proposals made by developing countries on the Implementation Issues; the serious attempts by groups of developing countries to change the negotiating process; the strong opposition to the EU's New Issues; the strong opposition to the EU's services benchmarking push; the formation of new alliances such as the G20; all of these suggested another kind of outcome was possible.

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But look at what has actually been achieved and the most significant shifts have occurred when developing countries have joined forces to stop something bad from happening. For example, while the collapse of the talks in Cancun in 2003 represented an important stand taken by developing countries, it was to block aggressive EU liberalisation proposals.

Making something good happen on the other hand has been a whole different ball game. Time after time, when developing countries have come forward with *positive* proposals, these have been ignored, sidelined or opposed. And as the talks get closer to their deadline, it is becoming increasingly clear that this situation is unlikely to improve. The Hong Kong meeting locked-in an outcome that will be bad for development – the only question now is: how bad?

Meanwhile the British government continues to scoop up development brownie points simply by claiming they want to see a development outcome. But in reality, at the same time as rightly demanding agricultural subsidy reform, the UK also enthusiastically backs - as a quid pro quo - moves to open markets in basic services and slash developing countries tariffs which will have dire consequences.

This approach was strongly criticised by the UK International Development Select Committee which, in its report on the WTO trade talks released in April 2006, concluded that: *"The UK did not use its Presidency 'acceptably' in the negotiations and its support for the EU's 'grand bargain' went back on a UK undertaking that liberalisation should not be forced on developing countries....the EU mandate explicitly demands liberalisation of developing country markets as a condition for opening EU agricultural markets further — something it has long promised to do. This is contrary to the idea of a development round."*⁵³

Of course, trade negotiators have to look at the text in front of them, no matter how bad it is, and assess the best and worst outcomes from that point. But campaigners, like politicians, can step back, take the long view and ask the question: is it worth it? When there is no good deal on the table is it enough to aim for the least-worst deal?

It is of course tempting to ape negotiators who are submerged in the detail and demand minor but beneficial pro-development changes to the text in order to get the least-worst deal. But while it is true that diluting a poison may reduce its harmful effects, surely it is much better not to drink it at all. WDM has said before that no deal is better than a bad deal, but now that it is clear only a bad deal is possible, it is time to call for a halt to this round of talks.

It is fair to say that some might balk at the prospect of tearing up the current negotiating texts and starting again; claiming that surely there are some benefits to be gained for developing countries in agriculture and these are more important than the costs, or claiming that multilateralism will collapse and leave poor countries subject to the whims of the industrialised world in bilateral or regional free trade deals. These are important concerns so the next two sections are devoted to addressing these issues.

5. Challenging the liberalisation hype

5.1 A computer said it, so it must be right

Ever since the Doha Round started, the benefits of trade liberalisation for developing countries, particularly in agriculture, have been regularly hyped by politicians, international institutions and, ultimately, by the media. For example, in 2002, Gordon Brown stated, “*Diminishing protection by fifty per cent in agriculture, industrial goods and services sectors would increase the world’s yearly income by an estimated US\$400 billion. All countries and regions stand to benefit, with developing countries gaining higher than average increases in GDP growth.*”⁵⁴ More recently the World Bank predicted that the global gains from ‘radical trade liberalisation’ would amount to almost US\$300 billion per year by 2015 with food and agricultural policy change accounting for about 60 per cent of this total.⁵⁵

This all sounds very compelling and it seems hard to argue against the numbers; but where do these figures actually come from? They are in fact the results of what are called ‘Computable General Equilibrium’ (CGE) models.

Without even knowing of their grand sounding title, for most people the very fact that the figures are dubbed ‘computer predictions’ or ‘computer models’ is enough to impress or intimidate - or both. For many of us, once we know that a computer has said it we almost automatically assume it must be right. However, once you delve into the way the figures are derived the façade of the omnipotent computer churning out ‘economic truth’ starts to crack.

First, these models are based on a set of assumptions that bear no relationship to the real world; for example, an assumption that transport and communications infrastructure functions perfectly. Most models are also based on the assumption that, after liberalisation, workers are effortlessly re-deployed across different areas of the economy, with no increase or decrease in employment and therefore no impact on society. Many of these models are not designed to deal with such complexity and, even if there are models that can, how do you attach an economic cost to Indian farmers committing suicide in their thousands as they are being steadily marginalised and put out of business?

Second, most of the benefits derived from CGE models usually result from a country’s *own* liberalisation. In other words, most of the gains flowing to developing countries in these models are the result of their own reductions in trade barriers rather than access to markets in the industrialised world. This is because of the assumptions built in to such models at the very beginning on the price changes and efficiency gains that would occur after trade liberalisation with no account taken of real world problems such as the cost of implementing complex new rules, the transitional impacts of unemployment and significant loss of tax revenue.⁵⁶

And third, computer models tend to lead towards aggregate conclusions and ignore important specifics. For example, in many developing countries, the majority of farmers are small and subsistence producers producing for local and domestic markets. Significant subsidy reform in the industrialised world is likely to benefit these producers insofar as it reduces/eliminates agricultural products being dumped on

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their markets undermining their ability to produce and sell domestically. That said, in the absence of import protection in these countries, subsidised imports may ultimately be replaced by non-subsidised imports from more 'efficient' agricultural producers in other parts of the world with the same net impact on domestic small and subsistence farmers. It is therefore critical for developing country governments to have the policy flexibility to use trade policy (eg, import tariffs) to strike an appropriate balance between the interests of rural domestic producers and poor urban consumers.

It is worth noting that some of the most recent estimates of the potential gains from the current round of trade talks are significantly lower than earlier ones. For example, the most recent World Bank model estimates that developing countries will gain US\$16 billion per year from the likely outcome of the Doha Round.⁵⁷ This is only 30 per cent of the overall gains from the round and amounts to less than one penny a day per person. We have yet to see Gordon Brown and Tony Blair shouting about this to the world's media.

In any case, even these predictions do not give the full picture. Recent research by UNCTAD used the same Doha scenario as the World Bank to estimate the likely reductions in developing country tax revenue from reductions in import tariffs.⁵⁸ The total loss across all developing countries is predicted to be US\$63.4 billion – not far off the current global aid budget. Although it is theoretically possible to replace trade taxes with other taxes, research done for the IMF shows that developing countries have often found it very difficult to fully recoup this fall in tax revenue; the ultimate result tending to be anything between a 30 and 60 per cent recovery of lost revenue.⁵⁹ This means that an optimistic result from the Doha Round would be a loss in tax revenue for developing countries of around US\$25 billion.

To conclude, most of the models used over the past few years cannot be taken as a useful guide to the real impacts of trade policy reform. As two researchers from the Food and Agriculture Organisation point out, *"It is not clear that all countries or regions will gain from radical agricultural trade liberalisation, as it is commonly portrayed, but there is a real danger that model-based estimates can be misleadingly used to suggest this."*⁶⁰

More broadly on CGE modelling, Frank Ackerman, a Director of Research at Tufts University, Massachusetts, points out, *"The results of complex modelling exercises are typically reported as if they were hard, objective facts, providing unambiguous numerical measures of the value of liberalisation. Discussion of these reports often suggest that the sheer size of the estimates itself makes a powerful case for liberalisation ... [But] the dominant interpretation of the leading trade models is mistaken."*⁶¹ He goes on to conclude, *"[CGE trade models] fail to offer a useful comprehensive framework for thinking about and measuring the important effects of trade. Despite all its complexity, the theoretical apparatus ironically enforces arbitrary, undesired simplifications ... The employment-related questions that policymakers care most about cannot be answered within the standard CGE framework, because they cannot even be asked."*⁶²

So, in calling for the current negotiating texts to be ripped up, WDM is not condemning poor countries to miss out on billions of dollars in potential gains. We

are simply taking a less hysterical view of the evidence produced by computer models and pointing out that, although a computer said it, it is not necessarily right.

5.2 How important is agriculture?

Agricultural subsidy reform and market access have come to be perceived as the key development concern in the current talks and they have been closely linked to trade-offs in other areas. Unfortunately, the greater the hype over the potential gains for poor countries from agricultural reform, the greater the trade-off that will be demanded, and accepted, in return.

The EU has clearly set out the ‘price to be paid’ by developing countries in return for CAP reform. For example, in September Peter Mandelson stated, *“These agricultural commitments from the developed world must in turn trigger others to make their own market opening offers on industrial tariffs and services – especially middle income or emerging economies. An ambitious deal on agriculture in the ‘North’ must open the door to meaningful market access.”*⁶³ This comes as no surprise in light of the experience of the Uruguay Round where the industrialised world used promises of agricultural reform (that ultimately turned out to be false) as a way to gain acceptance for new rules and commitments aimed at restricting developing country policy flexibility.

The overall quality of the deal will not be significantly changed even if the EU offers greater cuts in its subsidies. Indeed the more the EU offers to cut its subsidies and open its markets the more it will expect in return. Simply calling for the EU to ‘go further’ on agriculture without addressing its offensive demands, does not make sense.

Those like the UK government who perpetuate the idea that reductions in agricultural tariffs and subsidies are all that is required to turn this negotiation into a roaring success for the poor are ignoring long term development issues. No country has successfully developed without using a mix of tariffs and regulations to promote fledgling manufacturing industries, as highlighted in Section 2. You don’t develop by exporting low value agricultural products and it is quite possible to achieve development gains with US and European agricultural protection in full swing.

So what is the best guess of who will benefit from agricultural trade liberalisation? The complexity of economic interactions between and within countries makes this extremely difficult but a group of three US academics (two of whom have worked for the Bretton Woods Institutions) suggest, and WDM would tend to agree, that, *“The reality is that liberalising agricultural trade would largely benefit the consumers and taxpayers of the wealthy nations.”*⁶⁴ They go on to point out that, *“Citizens of developed countries would derive the most benefit from having [agricultural] subsidies cut. Other countries are affected only insofar as world prices rise. But the big, clear gainers from such price increases would be countries that are large net exporters of agricultural products -- rich countries, such as the United States, and middle-income countries, such as Argentina, Brazil, and Thailand.”*⁶⁵

The only caveat WDM would add to the above statements is that consumers in Europe will only gain from agricultural reform if price reductions in agricultural commodities are actually passed on to them. The experience of, for example, coffee markets where the price has collapsed suggests that this may not happen because

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processors and retailers simply increase their margins of profit while the price on supermarket shelves remains unchanged.

This is not to say that agricultural reform is not important, but it should not be seen as the be-all and end-all of trade talks for developing countries and is not a higher priority than maintaining developing country policy space in the areas of NAMA and GATS.

Reforming the CAP is about political will. If done properly, it could benefit the environment, it could protect small farmers and it may benefit us as consumers. It will not have a long term impact on development policy options in Europe. It will not have a negative impact on a large proportion of the European population. It is therefore a policy change of a completely different order to prohibiting industrial policy and investment regulation in developing countries. The idea that that the two should be traded-off in the WTO so that Europe can be 'compensated' for the mythical 'pain' it will suffer is a disgrace.

5.3 What is actually on the table?

The EU has little more to give on agriculture in these talks. The European Commission does not have the mandate to agree subsidy reform in the WTO beyond what has already been agreed in the last round of CAP reform in 2003.⁶⁶

For the EU, CAP reform comes first, and then the WTO's Agreement on Agriculture subsidy rules change to accommodate this and 'lock it in' (not that there is likely to be any roll-back for budgetary reasons). Without commitment to further CAP reform therefore, we cannot expect a new deal in the WTO that will change the EU's domestic subsidy agricultural arrangements beyond what has already been agreed internally.

The European Commission may have some wiggle-room on agricultural market access and has already made the modest commitment to eradicate export subsidies by 2013, but they are not mandated to move further than the CAP allows on domestic subsidies. The Commission is therefore in the business of trying to extract concessions from others even though it has little or nothing more to offer in return.

Despite the fine rhetoric of Tony Blair and Gordon Brown on the 'scandal' of the CAP, the UK Government failed during its Presidency of the EU to come up with further significant CAP reform proposals that will push the process forward. And the big tussle over the UK's EU rebate in December 2005 came to nothing.

For some countries such as Brazil, further reduction in EU agricultural tariffs is a major objective of domestic agri-business. For most poor countries however, whose producers are largely small scale and find it more difficult to compete internationally, the bigger prize is major subsidy reform in order to stop their own local markets being undermined. But this is not happening and the EU has made it very clear that further movement on subsidies is not an option.

The US is little different with recent signals from Congress suggesting that there is no mood for significant subsidy reform and a general resentment to being pushed into further change by the WTO process. In all likelihood, the best developing countries

can expect from the US is a paper exercise that renames and reshuffles subsidies rather than radically reforms them.

Even if you believe achieving agricultural liberalisation is more important than developing countries maintaining policy options on industrial tariffs and services – a belief WDM would take issue with – calling a halt to the round would still not constitute a major loss based on what is currently (or likely to be) on the table.

6. The end of multilateralism?

Opposing what is on the table at the WTO is clearly not easy for developing countries who are bombarded with the siren warnings of the dire consequences if they do not sign a final deal. For example, the UK Government says that failure to agree a deal – any deal – will see a collapse of the multilateral trading system and a move into worse bilateral trade deals.⁶⁷

First, there is little chance that multilateralism will come to an end if developing countries refuse to accept a bad deal at the WTO. The current WTO rules – many too strict, some not strict enough – are not going to disappear. The WTO, although flawed in the way it works, will remain as a negotiating forum and, in all likelihood, after various changes in government around the world over the next few years there will be little reticence about returning to the table.

Second, what the UK government and others don't say is that regardless of whether or not we see a WTO 'deal', the EU and US will continue to seek bilateral treaties with developing countries that go beyond WTO rules.

There is little evidence to suggest that the US and EU will pursue more bilateral deals if the round stalls; they are already seemingly pursuing as many bilateral deals as they can with the round still in full swing. Since the talks started, rich countries have been pursuing a 'twin-track' agenda of regional/bilateral trade deals along-side the multilateral WTO talks. Since 1998, the EU has signed 12 and the US 8 bilateral trade agreements and many more have been initiated.⁶⁸ This strategy is unlikely to change. In fact, the US Government recently announced it is trying to kick start bilateral talks with Egypt, Malaysia, South Korea and Switzerland.⁶⁹ The EU is currently negotiating regional free trade deals with over 70 of the world's poorest countries.

The theory that the WTO's multilateral process helps prevent industrialised countries pursuing bilateral and regional deals with developing countries is flawed because it ignores one of the key reasons why these deals are sought; to push countries to go beyond WTO rules. As Pascal Lamy said in an interview with the Jakarta Post while still EU Trade Commissioner, "*We always use bilateral free trade agreements to move things beyond WTO standards. By definition, a bilateral trade agreement is "WTO plus". Whether it is about investment, intellectual property rights, tariff structure, or trade instrument, in each bilateral free trade agreement we have the "WTO plus" provision.*"⁷⁰

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According to a Parliamentary Labour Party briefing, the fact that developing countries can join together in the WTO “*puts Developing Countries in a far better position than traditional bilateral trade deals, where they are inevitably outgunned*”.⁷¹ While this is true, and is an argument for multilateralism, this has not stopped the EU – supported by the UK – seeking ‘WTO-plus’ bilateral and regional trade agreements with developing countries and will not stop it in future.

It is also important to bear in mind that the US administration is constrained by the negotiating authority granted to it by Congress. ‘Trade Promotion Authority’ (TPA), also known as ‘fast-track’, is a permission granted to the US government by Congress allowing it to negotiate trade deals and bring them before congress for a ‘yes or no’ vote. In the absence of fast track, Congress can pick apart trade deals and send the US government back to renegotiate, effectively making it impossible for the US to strike a deal. Once fast track runs out in mid-2007, the US administration will either have to seek new authority or both bilateral and multilateral talks will have to be postponed.

The US administration is currently trying hard to wrap up bilateral deals with South Korea and Malaysia before fast-track expires.⁷² The claim that the US will embark on a spree of bilateral/regional deals with poor countries if the WTO talks collapse later this year is therefore wrong.

In summary, they have done it before, they are doing it now, and they will continue to do it in the future no matter what the outcome in the WTO. Developing countries may always be faced with prospect of bilateral trade negotiations and doing a deal in the WTO provides no defence.

Stopping the current round – and abandoning the texts on which it is based – does not mean stopping multilateralism or stopping governments from talking to each other. It does mean accepting that the current round is not delivering, and cannot deliver, for the poor.

7. Conclusion

WDM has been following these WTO talks since the late 1990s. While being critical of the actions of developed nations throughout and critical of the agenda established at the start of the Round, for the past five years WDM has been suspending disbelief and calling on industrialised countries to make good on their ‘development round’ promises.

What has always been needed is a fundamental change in the trade policies of the US and the EU, and fundamental change in the way trade rules are negotiated. It was perhaps hoped that these talks might create that change but it is now clear that such a turnaround will not happen. It would be better for the round to collapse rather than lock-in policies that will undermine the prospects for long term development across the global south.

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Such a collapse would not signal a major lost opportunity for poor farmers in developing countries. Given what is on the table, that opportunity is marginal and the trade-off being demanded in return would condemn many parts of the developing world to a future of producing low value agricultural commodities for export rather than pursuing a more industrial development path.

Such a collapse would not herald the end of multilateralism. A set of multilateral trade rules – although still very flawed - would remain in place and a slide into so-called ‘beggar-thy-neighbour’ protectionism by the big trade powers could only occur to the extent that existing trade rules allow; which is not very much. And whatever the outcome in the WTO, developing countries will sadly still face demands to negotiate ‘WTO-plus’ bilateral and regional deals with industrialised countries.

However, a collapse in the talks could provide the political space for something quite different to emerge rather than the pursuit of liberalisation business as usual. Because what we need is a global system that governs world trade in the interests of development and the environment. What we don’t need is a WTO deal at any cost. It is time to recognise the ‘development agenda’ for what it is; a charade. It is time to rip up the current texts and stop the Doha Round.

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