



DOHA ROUND IS STALLED; NOT STOPPED

Sid Smith
Principal, SALCO Consulting LLC
Former President & CEO of the National Association of Hosiery Manufacturers
And
JTATM International Editorial Board

ABSTRACT

Don't believe everything you read when you see that this latest round of multilateral trade negotiations (the Doha Round) is over and finished with because of the inability to reach an agreement in Cancun, Mexico. All of this has happened before in other rounds and they have all been resurrected and carried to completion. This one will too and here's why and how.

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Don't believe all the headlines you read screaming out the collapse of the "Doha Round" and the end of this multilateral trade negotiation (MTN). This is not uncommon and has happened before. The last MTN, the "Uruguay Round" went through several periods when talks were stalled and the Round declared dead. But then one or two leaders, quietly behind the scenes, began talking to the different camps and got things back on track and the talks continued until completion. These kinds of situations are inevitable, now that the World Trade Organization (WTO) has grown in size, with so many different countries from around the world in membership.

When the first trade agreement was reached back in 1947, the General Agreement on Tariffs and Trade (the GATT), there were only a handful of countries involved, 23 to be exact. They

were primarily the Allied countries from World War II that had functioning economies and were already in agreement on most of the issues facing trade at that time. Trade talks were easy and took less than a year.

Even through the fifties, MTN Rounds 2, 3 and 4 only took a year to complete. The only subject on the table was tariff reductions and subscribers to the agreement grew slowly. The sixties brought more complicated issues to the table for negotiation, including non-tariff barriers and standards. But with membership still low in comparison to today, talks progressed fairly rapidly. Round 5 took only 3 years and the "Kennedy Round" took 4 years (1964-67).

By the seventies and eighties, membership in the GATT grew to over 80 countries and the issues on the table grew in

complexity. The “Tokyo Round” went from 1973 to 1979, and the last round, the “Uruguay Round” took 8 years, from 1986 until 1993, to reach an agreement.

Today, with more than 140 countries in the WTO, the range in economic clout, and economic need, within the membership has never been wider. The agendas from one camp to the next are now almost polar opposites. The undeveloped countries have one agenda based on agriculture and low skilled industries; the developing countries, like China, have another agenda, based on trying to move their economies to fully industrialized status; and the developed countries, like the United States, Europe, Japan and others want to deal with issues concerning services, banking, intellectual property rights and currency manipulations, all complicated issues that get hung up on simpler issues that are so important to the developing countries. And now that there are a larger number of member countries in each camp, they are able to organize themselves and come to the table with more clout as a group. An article in the September 16th issue of *The Globe and Mail* noted that Canadian Trade Minister Pierre Pettigrew attributed the current collapse of talks to a “clash of cultures between the newer arrivals to the WTO and the older countries that have been talking all the way back to the (General Agreement on Tariffs and Trade) founding in...the 1940’s.” It’s no wonder multilateral trade talks are more difficult and complicated and therefore take longer.

While the collapse of the talks in Cancun, Mexico are being hailed as a victory by many of the developing countries, they may soon find that winning a battle does not mean you’ve won the war. The developed countries will continue on with their trade negotiations and economic development and the poor countries may come away from the table with few concessions.

US Trade Representative, Ambassador Robert Zoellick has said all along that the US negotiating strategy is based on a concept known as “competitive liberalization.” As explained by the Administration, this is a strategy designed to push forward trade liberalization on multiple fronts, simultaneously. These include bilateral, regional and multilateral efforts. And the US is certainly doing that with recently completed bilateral free trade agreements (FTAs) with Chile and Singapore, and talks ongoing or starting with Morocco, Australia, Bahrain and the Dominican Republic. On the regional front, negotiations on the US-Central American FTA and the Free Trade Area of the Americas (FTAA) continue and talks on an FTA with the Southern African Customs Union are starting up.

So now, with the MTN seemingly stalled, the lesser-developed countries will have to pin their fortunes on these regional and bilateral negotiations, a situation where in the past, they have had far less success. The *Christian Science Monitor* has pointed out that because these smaller economies have traditionally not had a lot of bargaining power in these types of negotiations, these deals have typically favored the industrialized countries. And many of these smaller countries are scared to death of 2005 when all quotas come off of world textile and apparel trade. While they have chaffed over having quotas against them, the quotas also limited market access for countries like China into the major world economies like the US and Europe, and have provided some semblance of guaranteed access for the smaller countries. Now, they are going to have to compete with China and other countries in those developed markets and many are already being displaced. They may soon find that the “Doha Round” is the best and only way to gain entry into the major world markets for other products. This is why agriculture and other sectors are so important to them, but a stubborn, inflexible position at the negotiating table

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may not get them the access they so desperately want and need.

When things get tough, it usually results in “every man for him self” and there are already signs that unity among the developing countries may be slipping. In a September 23 article, *Asia Times* quotes several trade analysts as saying that the G-21 group of developing countries, whose united stand in Cancun brought stalemate to the talks, may find it difficult to maintain that unity. There is concern that the “developed countries could pick off the poorer countries one by one.” It also notes that a majority of the G-21 countries are from Latin America and are already under pressure from the US to withdraw from the group, and are under pressure at the negotiating tables for the FTAA and Central American FTA. In fact, as of the date of this article, Guatemala, Ecuador, Colombia, Costa Rica and Peru had already opted out of the group and Mexican trade negotiator Eduardo Perez “insinuated that his country could pull out at any time.” With nearly one-third of its members dropping out, the G-21 issued a declaration on October 10 signaling that the group would “abandon the fiery rhetoric it had used at last month’s

(September’s) failed World Trade Organization ministerial meeting in Cancun, Mexico” according to a *Financial Times* article.

At the end of the day, the members of the WTO want an agreement on a multilateral basis. Someone will go to work behind the scenes (and WTO General Council Chairman Carlos Perez del Castillo already has) and eventually get the MTN trade talks back on track. The US is also using its influence to urge the EU to return to the table.

The original timetable of 5 years (2001-2005) was very aggressive to begin with. Remember, the last Round, the “Uruguay Round” took 8 years. So going 2 or 3 more years would put the “Doha Round” right on target for 2008. Don’t read all those headlines too seriously that claim it’s over and done with. It’s a long way from over and there’s plenty of time left in the game. Those of us that have been involved in these types of negotiations, some of us going back to the “Kennedy Round” in the sixties, have seen and heard all of this before.

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