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THE DOHA DEVELOPMENT ROUND: A WAY FORWARD

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The Doha Development Round

A way forward

“International trade can play a major role in the promotion of economic development and the alleviation of poverty. We recognize the need for all our peoples to benefit from the increased opportunities and welfare gains that the multilateral system generates.”

Doha Ministerial Declaration, November 2001.

The launch of the Doha development agenda was based on the promise that this round would finally deliver the reforms needed to provide developing countries with trade opportunities “*commensurate with their development needs*”, something they were promised almost half a century ago in the GATT agreement of 1947.

Developing countries came in good faith to the Cancun ministerial conference, expecting a fair deal. However, the conference ended in failure because developed countries were unable to match with deeds the commitments made in Doha.

A number of critical factors contributed to this unfortunate outcome: The European Union and the United States failed to build domestic constituencies in support of deep agricultural reform, the cornerstone of this round. Moreover, the international environment, marked by economic recession and weaker international cooperation, was more favourable to protectionism and unilateralism than a renewed commitment towards reform and multilateral trade rules. To make things worse, the agenda was completely overloaded due to missed negotiation deadlines on all key areas and the push by the European Union, Canada and Japan for the launch of negotiations on the very controversial Singapore issues.

In a way, everybody hoped for a miracle in Cancun, as if a four-day conference could compensate for two years of frustrating deadlock. The fact that it did not is no excuse for a complete freeze of the negotiations, which would be disastrous for everybody. This is a luxury that neither developed nor developing countries can afford. The development challenges are too pressing and the need for multilateral economic cooperation too great.

For these reasons, Oxfam joins many developed and developing countries in urging every WTO member to go back to the negotiating table to restart talks on a more constructive basis and with renewed energy.

Responding to pressing development challenges

“In a world of six billion people, one billion own 80 percent of global GDP, while another billion struggle to survive on less than a dollar a day. [...] Over the next 25 years one and a half billion people will be added to the poor countries. Many will experience poverty, unemployment and disillusionment with what they will see as an inequitable global system.”

James Wolfensohn, World Bank

The GATT was created in 1947 as part of a comprehensive system of institutions designed to foster shared prosperity and international cooperation, seen as strategic pillars for world peace. Members of the GATT, and later the WTO, promised developing countries, especially the least developed among them, “*a share in the growth of international trade commensurate with the needs of their economic development*”. The world trade system has so far failed to deliver on such a promise. In fact, the benefits of international trade remain unequally distributed:

- With 14 per cent of the world’s population, high-income countries account for 75 per cent of world exports.
- Low-income countries with 40 per cent of the world’s population account for three per cent of world trade.
- The UK accounts for a larger share of world exports than South Asia and Sub-Saharan Africa combined.

Unfortunately, this poor economic result is, at least in some part, due to continuing imbalances in global trade rules which urgently need to be addressed. For instance:

- Developing countries exporting to rich ones face trade barriers four times higher than those faced by industrialised countries - and goods produced by the poorest people face the highest import barriers of all.
- Northern governments are allowed to spend billions on agricultural subsidies, mainly for their richest farmers and agribusiness. Amounting to six times their spending on aid, many of these subsidies generate large surpluses that are dumped on world markets at prices bearing no relation to production costs.

Unless these imbalances are corrected, there is little hope that Millennium Development Goals will ever be achieved.

Defending multilateral economic cooperation

“Just as we need to improve the multilateral security framework, so we must rebuild faith in the multilateral trade framework. Without progress now, today’s bitterness may well become tomorrow’s backlash.” Rubens Ricupero, Secretary General of UNCTAD, Speech delivered at the Cancun Ministerial conference

Almost ten years after the creation of the WTO the belief that multilateral trade rules are the best option is under fierce attack. The WTO is accused of being slow, cumbersome and inflexible. Big powers, confronted with greater preparedness and resolve of poorer

nations, are threatening to short-circuit the WTO system and pursue their objectives through bilateral or regional deals.

While the WTO has certainly failed to live up to expectations, this fever for bilateralism and regionalism makes little economic and political sense:

- Bilateral and regional trade agreements can create severe distortions in trade flows, with greater costs than benefits for parties involved and the world economy as a whole. This is why the Most Favoured Nation was established as one of the cornerstone principles of the WTO and why there are disciplines on the establishment of free trade agreements and customs unions in Article XXVI of the GATT.
- The plethora of existing bilateral and regional agreements has had very mixed economic results. For instance, the 2003' World Trade Report shows that many Regional Trade Agreements have not led to trade creation, for instance because they failed to liberalise the sectors where the greatest protectionism was present (p.59, WTO, 2003).
- Bilateral and regional trade agreements contribute to greater legal complexity and uncertainty, not only for customs authorities but also for economic actors faced with a web of contradictory rules and lack of clarity about their hierarchy and applicability.
- Bilateral or regional agreements involving developed and developing countries reinforce the natural imbalance existing between rich and poor nations, leading to very inequitable results with adverse consequences on the ability of developing countries to move up the development ladder.
- Bilateral and regional agreements do not have a dispute settlement mechanism equivalent to that of the WTO and therefore do not guarantee that rules will be enforced.
- Bilateral and regional agreements are unlikely to provide developed countries with access to the larger markets of developing countries. The Financial Times described the US strategy as 'Trawling for Tiddlers', since the largest developing economies are showing no eagerness to negotiate with the United States outside the WTO.
- Agriculture, the thorniest issue under negotiation, cannot be resolved through regional or bilateral agreements since the European Union and the United States will never accept negotiating subsidy reductions outside of WTO. Similarly, agricultural markets of the South will never be liberalised without a deal on a substantial reduction in subsidies.

Furthermore, putting multilateral economic cooperation aside is inconsistent with the growing recognition that greater cooperation, albeit difficult, is needed to respond to the world's current challenges in terms of security, stability, development and environmental protection. Major powers cannot have it both ways, rejecting multilateral cooperation today and demanding international solidarity tomorrow, without completely losing their credibility and creating even more distrust in the international community.

A way forward

The collapse of the Cancun Summit has undermined and possibly imperilled the multilateral trading system. There is an obligation on everyone to get the negotiations for a genuine Development Round back on track. The alternative is to abandon hope that nations can create together global trade rules to help remedy the growing inequality and dangerous instability of our divided planet. Confidence-building measures by major players are urgently needed to re-build trust and commitment to the round's success.

The Cancun declaration provides some useful clues on how to restart discussions in Geneva. It proposes to build on the "valuable work" done during the conference with two key principles:

- *maintain points of convergence*: "In those areas where we have reached a high level of convergence on texts, we undertake to maintain this convergence while working for an acceptable overall outcome."
- *reconvene soon*: "convene a meeting of the General Council at Senior Officials level no later than 15 December 2003 to take the action necessary at that stage to enable us to move towards a successful and timely conclusion of the negotiations".

One of the positive developments that also needs to be built upon is the improved coordination and coherence among developing countries, through the group of the G-20+, and the consolidated ACP/LDC/Africa Union. Rather than a threat, this new political landscape should be seen as an opportunity to move forward in a more focused and effective manner, overcoming some of the difficulties linked with negotiations among 146 members.

In the light of the above, Oxfam makes the following recommendations on four areas of negotiations which are crucial if the WTO is to overcome the current deadlock, and restart negotiations. Once negotiations are back on track, other important issues such as TRIPs, implementation or special and differential treatment will also have to be taken up by the membership.

The spirit of these recommendations is to provide suggestions on minimum steps to restart the negotiation process.

Agriculture

Agriculture is the single most important issue on the agenda of the WTO and will define its capacity to deliver on a pro-development reform agenda. More than three-quarters of the world's poor – some 900 million people – live in rural areas, most of them working as small-scale farmers.

It is therefore quite clear that without constructive steps forward on agriculture negotiations cannot really restart.

The various proposals made by key developed and developing country in the run up to, and at, Cancun should provide useful inputs for restarting negotiations on modalities

which should be completed without further delay. According to feedback from several developed and developing country members, discussions at Cancun seemed to be moving in the right direction. These advances must be capitalised upon. The EU and the US need to make meaningful concessions on subsidies, if they want additional market access in major developing country markets. Contrary to what happened at Cancun, more attention needs to be given by the Quad and the G20+ to the demands of the poorest members for effective special and differential treatment.

We suggest the General Council set, as soon as possible, a new date for the completion of modalities and for the chairman of negotiations to start consultations based on the various framework proposals presented by WTO members.

Cotton

Cotton became a litmus test at the Cancun conference because it provides a stark illustration of the flaws of current WTO rules on agriculture. Despite disciplines agreed during the Uruguay Round, cotton subsidies are threatening the survival of tens of millions of producers in developing countries. West African countries came to negotiate in good faith and presented constructive proposals in Cancun, gathering solid political support from the vast majority of both developed and developing countries.

The failure to reach a result at Cancun is a serious set back. West African countries have showed some flexibility at Cancun in terms of the end date of trade-distorting cotton subsidies. But their producers cannot wait until the end of the round for action, especially if it is delayed beyond 2005 and implemented over the course of five to ten years. By then, one of the very few competitive sectors in these desperately poor countries would be dead, which is why cotton was put on a separate track in the first place.

The text presented on September 13th, which was rejected by the vast majority of WTO members, should be discarded as a basis for discussion. To move towards a solution as soon as possible, the negotiation group on cotton issues, created at Cancun, needs to be reconvened as soon as possible to look at alternative options.

Of course, the phase out of all trade-distorting cotton subsidies would require important efforts on the part of the United States, the main subsidizer of cotton, and also the European Union. Potential difficulties for cotton producers in wealthy countries, especially small producers, must be taken in account. But these concerns should not be used as an excuse for inaction. While clearly insufficient, the proposed reform of the EU cotton sector is a useful first step. The US should also rise to the challenge and come up with constructive proposals regarding its own cotton subsidies. Any meaningful initiative would be helpful to resolve the current deadlock.

Singapore issues

Singapore issues played a significant role in the failure of the Cancun ministerial.

In pre-Cancun ministerial declarations, 90 developing countries had clearly indicated that they were not ready to launch the negotiations at this time. They were backed by the majority of NGOs and trade unions, several international business groups, and the World Bank as well as parliaments of several EU member states.

Clearly misreading the political climate, proponents such as the European Union, Canada and Japan continued to hope that opponents would accept their approach, while the vast majority of members clearly indicated their unwillingness to launch negotiations at this time. The insistence on launching negotiations in such a context contributed to a polarised political climate.

Irrespective of their individual merits, it is clear that, for the time being, Singapore issues cannot be negotiated at the WTO. It is time for demandeurs to accept this political reality if they want negotiations to restart on a more constructive basis. The European Union should take a positive step forward by clearly indicating their readiness to drop Singapore issues from the negotiation agenda so the atmosphere can be cleared and membership can focus on the core agenda of the WTO. Such a step would demonstrate concretely that the message sent by developing countries has been heard and that the European Union is ready to make concessions to salvage the multilateralism and the WTO at this decisive moment.

Institutional reform

Given the failure of the Cancun ministerial, the issue of institutional reform has been raised by several members, including the European Union.

There is little doubt that procedural issues contributed to the Cancun failure, including the drafting of text under the responsibility of chairmen, the role of facilitators, decisions regarding the sequencing and prioritisation of issues on the conference agenda, and the lack of clear procedures and responsibilities for extending the conference.

For instance the revised declaration, which arrived late in the process on the afternoon of the penultimate day (13th), failed to reflect reactions and counterproposals of developing countries. The enormous gap between the proposed text and the positions of the vast majority of the membership led a number of countries to question the value of their participation at the conference.

Previous attempts at institutional reform, initiated by the breakdown at Seattle, have failed. While business as usual is not an option, Big-Bang proposals and sweeping reforms are unlikely to be accepted by all parties, at least in the near future.

However some concrete, common-sense, reforms could be adopted before the end of the year, which could significantly improve the atmosphere and help restart negotiations in a more transparent and efficient manner. These include:

- a decision by the General Council on which text should be the basis of further discussions,
- clearer terms of reference for chairs/friends of the chair,
- clearer procedures for preparing new drafts, which should reflect different views or present options on controversial issues,
- a more realistic timetable for the completion of the talks.

Conclusion

The way forward is simpler than it seems. WTO members need to stay true to the spirit of the Doha ministerial declaration, where ministers recognized that the world trading system was deeply imbalanced and needed to respond better to the needs and aspirations of developing countries, which constitute the vast majority of its membership. This decision was made not out of naïve generosity, but based on the growing realisation that sustainable development for all would guarantee greater prosperity and stability, and is in every country's interest. It is now time for WTO members, with the support of civil society, to transform this vision into concrete actions.

9th October, 2003