

MOVING FORWARD IN 2007: HOW TO LET GO OF THE PAST AND EMBRACE THE PRESENT

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I. THE WTO IN 2006: a year in review

2006 was a long year for trade negotiators; but it failed to excite. WTO members were able to keep up appearances at the Hong Kong Ministerial Conference in December 2005. But 2006 was the year where the cracks burst open, where the differences rose to the surface, and where WTO members finally accepted that they could make no further progress.

One striking feature that has remained intact is the solidarity among developing countries. While some developed countries, particularly the U.S., continue to play the "divide and rule" game, developing countries have so far stuck together. This is certainly good news from 2006. The strategy of working in coalitions is now firmly entrenched and has proven effective. Developing countries now face even tougher challenges: they need to continue defending their interests in a more hostile trade environment, tackle their different-and sometimes conflicting-interests, and decide if, and at what price, they are willing to pay to preserve, and perhaps even conclude, the Doha Agenda in 2007.

2006 has been a testing year for WTO Director-General, Pascal Lamy, too. Despite serious efforts to conclude the Doha Agenda, and to build confidence in his commitment to development, he was unable to convince the membership. Pascal Lamy kept pushing for deadlines that were never met-and that few thought realistic. He toured the world holding "confessionals" with world leaders, promoting the "Aid for Trade" initiative, and reasserting the importance of the Doha Agenda for alleviating poverty and contributing to development. In July, after little sign of change in members' positions, Lamy suspended the talks, called for a time-out and a period of reflection. Pascal Lamy had hoped that members would fear the risks of a failure, realize the importance of the Doha Agenda, revise their position and make the necessary concessions to get the negotiations back on track. The strategy failed, and by November, Pascal Lamy had softly resumed the negotiations. What pursued was a series of "fireside chats" convened by the Chairs of the various negotiating bodies. A cozy way of ending 2006, perhaps, but the chats produced nothing except a growing frustration at the state of the Doha Agenda and the stalemate that persists between WTO members.

2006 exposed the increasing unpopularity of the Doha Agenda and the drive towards further trade liberalization-whether at the multilateral, regional or bilateral level. All over the developing world,

including in India, South Africa, Brazil, Indonesia and the Philippines, millions of small-scale farmers, trade unions and civil society groups took to the streets in opposition to the WTO and the Doha Agenda. In Europe, the French and Dutch "no" vote against the EU Constitution, was a vote, in part, against a greater push for trade liberalization. Even in the U.S., trade liberalization, as promoted by the Bush administration, is becoming increasingly unpopular. Many of the new Democrats that were elected to Congress, were elected because of their opposition to the direction of Bush's trade agenda. In fact, people are now acutely aware, that those that stand to gain from the Doha Agenda are confined overwhelmingly to exporters from industrialized countries and a few exporters from developing countries.

No-one refutes the need for strong multilateral trade rules and the desperate need to reform the existing system, but, it is becoming glaringly evident that the current mandate will not achieve this goal. Instead of continuing down the path of hell in 2007, more thinking is urgently needed to promote a better model of trade and a more meaningful reform process.

II. LETTING GO OF AN IDEOLOGY: embracing the present

In 1995, the WTO succeeded the General Agreement on Tariffs and Trade (GATT, signed in 1947). The stated goal in the preamble of the agreement establishing the WTO is "achieving full employment and sustainable development." This goal, however, was put to the backdrop, and the objective quickly turned to an ideological pursuit of liberalizing trade.

While the GATT was initially signed by a few industrialized countries, and focused on the trade in manufactured goods, the WTO brings together 150 countries, with vastly different levels of development and includes issues broader than trade—such as intellectual property, investment or domestic regulation (as in the case of the General Agreement on Trade in Services). The WTO emerged during a period when neo-liberal policies were strongly pushed by developed country governments, transnational corporations and the international financial institutions (the World Bank and the International Monetary Fund). The WTO was deliberately established outside the UN family. In this way, WTO members have been able to pursue the agenda without having to be subject to other global norms that promote human rights, labour standards and the environment.

By the late 1990's a broader public debate on trade liberalization emerged. Many developing countries had experienced devastating impacts as a result of trade liberalization reforms. A popular movement arose that started to challenge the alleged benefits of trade liberalization. After massive public demonstrations at the 3rd WTO Ministerial Conference in Seattle, it was clear that any new trade round would have to take trade reform down a broader path. That was at least the initial idea behind the Doha Agenda, launched in 2001, baptized as the Doha Development Round. While further trade liberalization in agriculture, manufactured goods and services was maintained as the objective of the new round of negotiations, developing countries in particular emphasized the need to reform the existing rules that disadvantage them against their developed country counterparts. A key demand was the reform of the Agreement on Agriculture. Its current rules allow developed countries to continue dumping their agricultural goods into developing countries markets, and only developed countries, and a handful of developing countries have recourse to a safeguard mechanism to protect their agriculture producers against import surges. Many developing countries asked for fundamental changes to the rules on intellectual property rights, particularly in relation to public health, to ensure access to affordable medicines. And developing countries wanted to strengthen the rules on Special and Differential Treatment to take into account the different levels of development of WTO members.

After six years of negotiations, the Doha Agenda has shown its real face: the dominant issue on the negotiating table is market access, an agenda of significantly greater interest and benefit to developed countries. Most of the proposed reforms to the existing rules have either fallen off the agenda, been left unanswered, or are given low priority in the negotiations. As WTO members enter 2007, questions remain about whether there is enough on the table to persuade members that it is worth concluding an agreement.

While very few would dispute the need for a strong multilateral trading system, the ideological approach of trade liberalization-the opening of agriculture, industrial and services markets worldwide-is increasingly disputed. Many countries have experienced negative impacts in relation to livelihoods, employment, labor standards and the environment.

There are a number of questions to be considered as governments reenter the Doha negotiations in 2007.

a. Is it time to rethink the trade liberalization mantra?

It may be time to rethink the current approach to trade reform; to move away from an ideological pursuit of trade liberalization and to be more proactive towards designing trade rules that truly support the creation and redistribution of wealth.

The research of international institutions such as UNCTAD and the FAO are increasingly advocating for a change of course in trade policy and rules.

The UNCTAD Trade and Development Report 2006, for example, stated: "The fast pace of trade liberalization caused trade deficits [...] to become larger." The UNCTAD Report said that "more proactive policies in support of capital accumulation and productivity enhancement are needed," and that the "unsatisfactory outcomes of the market-oriented reforms pursued in a majority of developing countries may largely be due to the reduced number of policy instruments available to policymakers."

The report argues for "widening the scope of national policy instruments beyond those that were deemed acceptable under the development paradigm of the past 25 years," and states, that "international policies should be designed in a way that allows greater scope and flexibility for the application of domestic instruments to address the most serious obstacles to growth and development."

A recent FAO publication states, "there are important efficiency arguments for questioning whether further liberalization of trade in some agricultural products by some poorer developing countries should be a key component of an optimal approach to trade policy reform." A key finding of the study is that "countries that have achieved periods of sustained agricultural productivity growth have tended to lift the constraints to continued growth in a sequential manner, [...] rather than adopting a liberal policy stance from the start."^[1]

Even a recent evaluation of World Bank research between 1998 and 2005 had substantial criticism of the way the World Bank used research "to proselytize on behalf of Bank policy, often without taking a balanced view of the evidence, and without expressing appropriate skepticism." The panel found that "internal research that was favorable to Bank positions was given great prominence, and unfavorable research ignored"-a position strongly advocating trade liberalization. The panel warns

that there is a risk that Bank's research "will degenerate into pure advocacy of the type that has become all too prevalent in the global poverty debate." [2]

b. What questions do new trade rules need to address?

Six years of negotiations is starting to expose a host of other objectives, broader than market access, which countries are pursuing at the WTO. The G33 (a group of more than 40 developing countries) are placing a stronger emphasis on the need to address food and livelihood security and rural development for their small-scale producers. They are demanding that adequate mechanisms are put in place under the Doha Agenda negotiations. The African Group, in their "Commodity Proposal," called for WTO members to work towards ensuring stable, equitable and remunerative prices for commodity producers and to deal with structural oversupplies in commodity markets. The NAMA-11 (another group of developing countries) are insisting that development is put at the heart of negotiations on industrial tariffs and that appropriate flexibilities are given to address development needs.

These concerns should be brought to the forefront of the negotiations and the focus should be on developing rules that can support these broader objectives. A dominant focus on market access overwhelmingly favours the interests of developed countries and a few developing countries exporters.

c. What would a new approach look like?

Take the case of agriculture, for example. Countries need strong, effective and simple rules to prevent dumping. The current WTO rules against dumping are difficult to prove and hard to implement. Even when the case is strong, small countries are reluctant to challenge a trading power as powerful as the U.S. Worse, the WTO has curtailed the use of some of the best instruments to prevent agricultural dumping, such as supply controls, public grain reserves and production limiting payments.

There are currently no international rules to discipline the market power of transnational corporations. And yet, the steady downward pressure on tariffs has opened up markets in a way that favors transnational corporations and enhances global value chains. The result has been a massive concentration in global supply chains by a few dominant corporations that increasingly dictate prices both to producers and consumers.

The subsidy classification system in the WTO is too politicized and has been manipulated to reflect the domestic needs of developed countries. Negotiators need better guidelines and criteria for disciplining agricultural subsidies.

The current rules for Special and Differential Treatment for developing countries are cosmetic and do not provide countries with the tools to address their different levels of development.

It is time to focus on developing trade rules that allow for just and equitable trade. Each country needs to be able to find its own balance between protecting certain sectors of its economy and opening others. Countries have different needs according to their level of development, and this needs to be reflected in the rules.

III. WHAT TO LOOK OUT FOR IN 2007

2007 will be a defining year for the Doha Agenda. After six years, negotiators are weary and eager to see some light at the end of the tunnel. Many hope to be able to deliver a deal in 2007.

Political activity has already started with a host of bilateral meetings between the U.S., the EU, and Pascal Lamy. For now, Ministers are choosing their words carefully, trying not to raise too many expectations. Many eyes are on the upcoming World Economic Forum's Annual meeting, to be held in Davos, Switzerland 24 - 28 January. A mini-Ministerial meeting is expected to take place.

Domestic politics in the U.S., including the swearing in of the new Congress, the imminent expiration of Fast Track (the trade promotion authority of the Bush administration), and the reform of the Farm Bill, will all play a decisive role in the WTO negotiations. If there are no clear signs of political engagement early in the year, it is unlikely that the U.S. Congress will consider passing a new Trade Promotion Authority (TPA). The current TPA expires on July 1, leaving a short window for negotiators to reach agreement in 2007. If nothing happens early on, it could put the Doha Agenda into hibernation until the next U.S. presidential elections, in November 2008.

Russia's accession to the WTO could be another significant moment in 2007. The U.S. recently approved Russia's accession deal, removing a significant hurdle in the accession process. There is still some reluctance by Russia's neighbouring states, most notably Georgia. Russia is one of the last of the big economies still to become a WTO member, and its accession might give renewed impetus and support to the WTO.

Two other phenomena will take centre stage in 2007: climate change and the growth of the bioeconomy. Both will be affected by developments in international trade, and policymakers will need to respond accordingly. There is a growing consensus about the need to address the impact of international trade on climate change. This was highlighted in the report Nicholas Stern submitted to Tony Blair last October. The World Bank also pointed this out in its report *Global Economic Prospects 2007* which states: "The next wave of globalization will likely intensify stresses on the "global commons", which could jeopardize long-term progress [...]. To avoid this, policies will have to promote "clean" growth so as to limit emissions to levels that will eventually stabilize atmospheric concentrations" (see link below). Trade negotiators will increasingly be expected to take these warnings into account when devising their negotiating positions.

Growth in biofuel production, as a means of reducing dependence on fossil fuels, could greatly influence international agricultural markets. The U.S. is already gearing towards massive increases in bioethanol production from corn, which is predicted to significantly affect U.S. corn exports and thus international corn exchanges (see link below to a recent IATP study on bioethanol). In parallel, China is being more cautious in its development of biofuels because of serious concerns about competition between agriculture for food versus fuels. Many questions arise from the opportunities and risks of shifting agriculture production towards biofuels. These deserve serious attention by producing and importing countries when developing alternative energy policies.

IV. IMPORTANT DATES TO REMEMBER

15 - 16 January 2007: African trade ministers meeting
20 - 25 January: World Social Forum, Nairobi
24 - 28 January: World Economic Forum annual meeting in Davos. Ministerial Meeting to be held on the sidelines

V. DOCUMENTS

UNCTAD Trade and development report 2006

Global economic prospects 2007: managing the next wave of globalization, World Bank, <http://www.worldbank.org/gep2007>

FAO Trade Policy Technical Notes, No. 14 Towards Appropriate Agricultural Trade Policy for Low Income Developing Countries, August 2006

Evaluation of World Bank Research 1998-2005, September 2006
<http://siteresources.worldbank.org/DEC/Resources/84797-1109362238001/726454-1164121166494/RESEARCH-EVALUATION-2006-Main-Report.pdf>

Staying Home: how ethanol will change U.S. corn exports
www.agobservatory.org/library.cfm?refid=96658

Footnotes:

[1] FAO Trade Policy Technical Notes, No. 14 Towards Appropriate Agricultural Trade Policy for Low Income Developing Countries, August 2006

[2] An Evaluation of World Bank Research 1998-2005, September 2006

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