

## **Editorial: Burn It, Bury It, or... Let It Live?**

Summer recess is finally behind us, Members are back to work after the traditional long weekend of the Jeune Genevois. The upcoming weeks will serve as a first opportunity to start brainstorming what to do next with the Doha Development Agenda (DDA). Already, the U.S., through its Ambassador, Michael Punke, wasted no time in proclaiming the need for a bold and honest conversation about where Members stand: Doha is “deadlocked,” he said, the time has come for Members to sketch out a realistic guide about where we go from here.

Speaking before the U.S. Senate Finance Committee, the Deputy USTR delivered the same pessimistic message he provided in Saskatoon at the Cairns Group ministerial meeting: that the emerging economies –Brazil, India and China (BIC) – must realign their responsibilities within the global trading system, otherwise the Round will remain deadlocked.

Punke has become increasingly unequivocal about the need to “kill” the Round, which according to some delegates, begs the question as to whether this position doesn’t hide another strategy. In other words, could this be seen as a bargaining chip in future negotiations or is the U.S. simply trying to buy more time?

That is what some officials think, when pondering whether the U.S. be able to reciprocate and negotiate in good faith if the BIC accepts to do more on sectorals for instance. Their answer is: most likely no; because the U.S. has no room to manoeuvre or enter serious negotiations during a period dominated by huge debt, difficult budget negotiations, high unemployment rates and most of all, a looming presidential election.

The example of cotton is the most telling. The U.S. got rid of their Step 2 program, but it’s the cotton counter-cyclical payments that are targeted by the C-4’s (Benin, Burkina Faso, Chad and Mali) demands. Even though current high prices have permitted significant reduction of the U.S.’s cotton subsidies, it nevertheless remains clear that – unlike the EU – the U.S. does not want its next Farm Bill to be dictated by the WTO.

The National Cotton Council is fully aware of the unavoidable cut in subsidies they will have to endure when the next Farm Bill is issued, but they, like the U.S. government, do not want to be pressured by any decision taken on the international stage that would further reduce their flexibility. Thus, no deal is better than a bad deal... at least until the Farm Bill is voted, sealed and approved.

Punke said “even if there was broad consensus for fundamental reengineering of the Round’s architecture – and almost certainly there is not – the limited time between now and MC8 would not allow for that to be accomplished,” which many considered as throwing the towel even before entering the ring.

An association of fifty economists, who sent a letter to Obama telling him to “step up to the plate” when it comes to the WTO, has vigorously criticised the U.S. ambassador’s recent demeanour which, they say, is not helping the process.

Well-known University of Columbia professor, Jagdish Bhagwati, claimed recently that “almost everyone following the Doha negotiations has noticed that Mr. Punke simply says no to anything that could help close Doha.”

## Who's With Me?

That is the question ambassador Punke will likely ask his fellow G-11 ambassadors (Australia, Argentina, Brazil, Canada, China, the EU, India, Japan, Mauritius, South Africa, and the U.S.) when he hosts the first brainstorming meeting at his mission on September 20<sup>th</sup>. It is doubtful that one of these key countries or group of countries will be willing to side with the U.S. at this juncture in the negotiations.

**The EU:** Even though prospects for reaching concrete negotiating results in the short term look rather bleak, the Commission remains steadfast behind Doha. The EU has always been a staunch defender of multilateralism and the WTO, which still remain relevant, Trade Commissioner Karel De Gucht told EU parliament on Monday (September 12<sup>th</sup>).

The Commission wants an “ambitious negotiating agenda that contributes to the recovery and rebalancing of the global economy.” De Gucht urged Members not to “throw out the baby with the bathwater,” instead they should continue building on the progress achieved thus far, with particular attention given to development issues.

In other words, no Doha killing here, all European officials have assured, and this for one simple reason — the hard-fought Common Agriculture Policy (CAP) reform.

**The Developing Countries (ACP, LDC, RAM, SVE):** Developing countries rejected the need to proclaim Doha's death. The first development-oriented Round must not be the first multilateral negotiations to fail; there is too much at stake for the African, Caribbean and Pacific countries (ACP), least-developed countries (LDC), recently acceded members (RAM) and small, vulnerable economies (SVE).

**Emerging Countries:** China said it would be the last country standing for Doha. Brazil and India recently renewed their support, after WTO Director General, Pascal Lamy, visited India last week and met with commerce Minister Anand Sharma and Brazil's Foreign Minister Antonio Patriota. The BIC, though, still opposes recalibrating Doha's mandate.

**Australia/Cairns:** for the Cairns Group, the status quo is not acceptable. The group led by Australia remained “determined to secure the genuine agricultural trade reforms.” Judging from the Saskatoon declaration the group remains committed to concluding the round.

## What Do We Do Then?

Punke, however, raised a few critical questions in Saskatoon. Specifically, how they deal with the reality that there are many distinctions in levels of development? Or what should Members do when they find that some aspects of the Doha work program have been outpaced by developments in the global economy?

Those two questions are at the heart of the upcoming G-11 brainstorming meetings. According to one ambassador, three main ideas are currently on the table:

1. Lower the ambition; recognize that the original mandate is too ambitious and that in order to get the Doha Round out of the impasse it is necessary to amend the mandate to make it less stringent. Problem with this idea is that the emerging countries – Brazil, India and China – are not ready to follow that path.
2. Get rid of the single undertaking and allow fragmented deals to be agreed upon on a standalone basis or in other words, tackle topics on a “piece by piece” basis. Cotton comes to mind but also duty-free-quota-free (DFQF). This option could attract virtually all developing countries' support including emerging economies. The fragmented agreement option is also where Pascal Lamy wants to go. Lamy recently admitted in an interview that the question facing Members was “whether through smaller steps we can get to a final global deal.”

3. To no longer consider the negotiations through the traditional binary prism i.e. developing and developed countries. The world has changed since the Round was launched back in 2001 and that change has been solidified by the 2008 financial crisis. As such, a clear distinction has to be made among developing countries, which may require formally redefining, about what is expected from each category of countries i.e. developing countries, emerging economies and developed countries.

The idea is to try as much as they can to keep the advances achieved thus far. Each of the above options would require adjusting the revised draft modalities accordingly. For instance, lowering the ambition may require dropping some topics from the discussion (e.g. no special products). Eliminating the single-undertaking may keep the entire Round alive as things will be negotiated on a piece-by-piece basis. Adjusting to the new world order, would see different requirements imposed to emerging economies e.g. China may no longer collect flexibilities designed for the RAM etc.

Obviously, 2012 is not the right year to conclude the Round, but what some Members will be pushing for will be to work out a new dynamic between developed and developing countries, one that would allow the negotiations to continue on a new basis.

All of that will be discussed at next week's G-11 and on the sidelines of upcoming informal gatherings (G-20, APEC) in order to come up with clear recommendations by November 2<sup>nd</sup>, deadline for topics for consideration at the MC8.

Maybe this time, Lamy summed it up perfectly when he said: "The debate is not about whether we bury the Round or whether we fix another artificial deadline to conclude it. If we are clear that the issues in the Doha Agenda need to be fixed, the challenge before us is to find the political courage and the pragmatic steps which will lead our Members to have an honest negotiation."

Dead or alive, either way a good dose of political courage will be required.

## Upcoming Events

- WTO Public Forum, September 19–21, 2011
- Regular Agriculture Committee, September 29 and November 2011
- WTO General Council, October 12-13 and December 1-2, 2011
- G-20 Summit, November 3-4, 2011, Cannes (France)
- APEC Ministerial Meeting, November 11, 2011
- WTO Ministerial Conference (MC8), December 15–17, 2011

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