The Doha Development Round is gripped by a profound sense of inertia, and the EU no longer seems able to push it forward. ***Roderick Abbott*** *examines the factors behind the impasse and argues that the WTO must now adjust to changed circumstances if it is to save Doha*

In the spring of this year it still seemed possible to some observers that the Doha Round might be completed before the end of 2011 (*Europe's World*, Spring Issue, 'What Europe should do to

save the Doha Round' by Ricardo Meléndez-Ortiz and Trineesh Biswas). There was hope. They thought that although the EU was not itself key to the problems which have created the impasse, it could nevertheless play an important role as to mediator between the opposing camps.

Since then the realistic scenario for the Doha Round has totally changed. The chances of an ambitious and comprehensive deal have completely evaporated, and after some sharp disagreements over the content of a smaller, more limited package, even that also now looks extremely unlikely. It looks as if there will be no concrete outcome from negotiations to present to trade ministers by the end of the year; and even a future work programme comprising a mix of continued efforts on the Doha agenda with some new policy areas to be studied, seems to be so divisive as to be unachievable.

How have matters sunk to this? It is clear to most observers outside Geneva that the Doha Round and some of its central elements have been overtaken by events. The rapid rise of China to become No 3 in world trade, if you take the EU as a single player, and the shift of economic growth to Asia and to the emerging economies has moved the goalposts. What seemed a reasonable enterprise when the WTO's latest trade liberalisation effort was launched in the Qatari capital of Doha in 2001 is now clearly out of date. But the WTO itself has yet to come to terms with these changed circumstances.

To pinpoint just one factor that has led to the present outcome, it would be an absence of leadership both at political level and in the negotiations. The G4 that was the U.S., the EU, Brazil and India became a G6 with Japan and Australia and later a G7 when China joined in 2008, all with the idea that a central group could lead the Doha effort. It could not and did not, and the G20 did no better. It could even be said that the United States and China have both lost their triple AAA status in the trade policy market and have been downgraded. Some experts even talk of "junk bond status", which may be harsh, but 'default' is certainly a word that sums

up the present situation.

So how has the WTO gone from there to here? And what options are there now for the WTO's work programme in 2012 and 2013?

To answer the 'how' question we must go back to January of this year and the weeks before the annual Davos forum. Negotiators in Geneva at that time looked ahead with relative optimism; the G20 meeting in Seoul seemed a sign of new political impetus offering a window of opportunity to conclude the Doha Round, and WTO Chief Pascal Lamy had begun an intensive programme of reviewing all the work done and looking for solutions.

By the end of March, though, hopes of any 'grand bargain' were fading, and the fundamental positions amongst participants were no closer than in mid-2008. Lamy circulated complete texts of all chapters of negotiation just before Easter, but after the holiday his verdict was: "the Round was still 'doable' in 2011 – but for one chapter on industrial tariffs" where, after consultations with all parties, he concluded that "a clear political gap exists … and is not bridgeable today."

This was the first major shift in attitudes on what could and couldn't be achieved in 2011. Much of the intensive work had been crawling over previous texts, but with no great appetite for proposing compromises neither in the strategy nor in the detail. The G20 declarations were now seen to be window dressing without the political will at the highest levels to give any ground. Washington continued to be the prisoner of the U.S. Congress and of the search for an over-ambitious result, whilst Brazil, China and India found comfort in sheltering within the solidarity of the G70 group of developing countries.

By the end of May there was general agreement that a comprehensive Doha deal was not possible, and confused debate ensued about the best alternative. This has been variously called 'Plan B', a scaled down deal, an early harvest, and a three-track approach (quick, gradual

and even slower). Some called for a salvage operation, and a package for least developed countries was proposed, which might be enlarged to LDC-plus. A common thread in these ideas was that the Doha mandate could not be abandoned altogether, but needed to be tackled across the board with further negotiation running on beyond December as necessary.

This was never likely to be sustainable, and it was not long before more cracks in the edifice appeared. During June divergences among all members continued to grow, and at the end of July Lamy addressed the Trade Negotiations Committee as follows: “I have to share with all of you what I sense is a collective assessment that the LDC-plus package as we framed it in May is not taking shape as we would have wished." Some say that a formal decision was taken to call off efforts to reach agreement; but this is based on ‘G7’ views, with the EU dissenting, and many other members still support something more than a minimal three item LDC package. Even that is not yet agreed.

What happens now is anyone’s guess. Some governments still don’t fully accept that Doha is a wreck and that the ship has sunk. Yet it is clear that it cannot be completed in its original design. To take the metaphor of salvage literally, it usually means recovery of whatever can be found, without the luxury of any real choice; but that is a difficult prospect before governments who still wish to respect the original Doha principles, the all-or-nothing mandate and the all-at-once ‘single undertaking’.

Unless there is a change of attitudes the outlook is gloomy. Will governments be ready to make U-turns? Are they ready to abandon some of the Doha principles which have become an excessive constraint on the WTO’s potential to act? Will the U.S. give up on its ambition and settle for less, given the elections in 2012? Do China and others really believe that the 2008 deal can be had without further action by them? Do they understand that in a zero sum game they will be the big losers? Do any of them actually care if it all collapses? Perhaps there are just too many other priorities: the reduction of public debt, the correction of budget deficits and the need to address climate change, to name but a few.

If in December trade ministers have nothing agreed and capable of being adopted, they will have to discuss a future WTO agenda. And even if there is a limited deal, it must certainly contain some references to further work or continued negotiation.

Lamy has urged all parties “to have a broad conversation about the future of Doha”, but it might equally be about the future of the WTO. One observer has called the current climate one of

“mistrust and entrenched positions”, and while this refers to the detailed negotiations it could also describe the stand-off between the major players.

The Doha Round is said by some to have a stranglehold on the WTO’s freedom to move forward, so that the best outcome would be to call a halt to the original agenda, with or without a deal, and begin on a new work programme updating the WTO with issues like climate change, food security, currency exchange rates and new international rules to regulate foreign investment. The core Doha agenda, which is at the heart of further liberalisation, would only gradually be revisited – and perhaps in different ways.

Others feel that the core agenda of securing more open access to markets and reducing distortions to trade must continue to be central to the WTO, even if it takes some time before governments recover their will to address these problems. Some recommend a WTO effort to rebuild confidence and counter the impact of the global recession, but this will not be easy.

Can the EU still play a mediating role? It seems unlikely, and in public statements it continues to support U.S. positions. Clearly the EU would prefer the development component to be realised, perhaps by a simple LDC package. But this has been ruled out for the present, and its past proposals for compromise on market access and on a tariff standstill have been decisively rejected by all sides... As the Brussels saying goes, “qui vivra, verra bien”.

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