

The WTO “mini-ministerial” – a ‘crucial step’ in world trade talks?

Will the crisis-prone WTO negotiations on freeing up world trade be put on track again?

A representative group of trade ministers will meet on 21-22 July in Geneva in an attempt to move forward deadlocked WTO negotiations. The “mini-ministerial” will focus on making broad deals in agricultural and manufacturing trade in particular. These two issues have delayed progress in concluding the current Doha Round of trade talks, which are already three years past their original deadline of 2005.

The hope is that the meeting will wrap up texts that can be used as a basis for later agreements. What is under dispute is how countries should remove trade barriers – tariffs and subsidies – i.e. “modalities”. Modalities are essentially formulae for making cuts. Once agreed, governments can apply the formulae to their own tariffs and subsidies. The problem is that member governments at the WTO cannot agree. Other concerns have complicated the task. For example, flexibility to deviate from the formulas in special cases and plugging loopholes so that trade-distorting subsidies are not camouflaged in permitted policies. These are vital issues to overcome, because they concern the world’s largest traders.

Agriculture

In agriculture, the persistence of trade barriers in the form of the EU’s Common Agricultural Policy (CAP) and domestic farm subsidies in the US have been at the centre of disputes. Despite accounting for only 1.4% GDP in Europe, agriculture commands an average \$140 billion a year in state support – over a third of its total production value (\$311 billion). EU tariffs are generally low. But countries attempting to export to the EU face huge tariff peaks on agricultural produce – see table 1.

Live animals, meat meals and offal	427.9%
Processed cereals, flour and milk	300.8%
Frozen meat of bovine animals	276.9%
Pineapple juices	209.8%
Beverages and spirits	209.8%
Vegetables, roots and tubers	207.2%
Coffee, tea, cocoa and sugar	163.8%
Oil seeds, fats, oils and their products	137.2%
Dairy products	134.4%
Grains	116.6%

US state support to its agricultural sector equals 48% of the value of agricultural output. The recently approved 2008 US Farm Bill allows for a further \$290 billion in agricultural spending. But the real cost is much higher. Federal controls on key agricultural sectors, such

as dairy and sugar, exacerbate rising food prices. The price of milk rose by 19.3% in 2007 in the US. They also suppress trade from more efficient food-exporting (mainly developing) countries. Powerful agriculture lobby groups make reform politically difficult. In fact, in the Doha talks the US has demanded flexibilities to raise its farm support even further.

Manufacturing

Brazil and India are the focus of the talks on industrial tariffs. Tariffs on non-agricultural goods are 30.8% in Brazil and 34.3% in India. Cuts in industrial tariffs are supposed to be weighed against reciprocal cuts in agricultural barriers in the US and EU. But neither side has been willing to commit before seeing action from the other. There has been much mud-throwing. In December 2007, India's trade minister accused the rich countries of arrogance and ignorance as to changes in the world economy. The US and EU retaliated by claiming that Brazilians and Indians were not serious in cutting industrial tariffs. Talks broke down.

Wider problems in the Doha Round

The problem facing the WTO is however much wider than disputes over agriculture and manufacturing. Even if the July meeting does smooth the way for a deal in these two areas, there are still significant unresolved issues in the Round. Doha negotiations have produced little of commercial value for services trade. Developing countries are still expecting the Round to live up to its name - the "Doha *Development* Round" – and demanding greater financial assistance and exemptions from liberalisation commitments. And no consensus exists on how to deal with anti-dumping disputes – accusations of "dumped" products at below-production cost value in foreign markets. Anti-dumping is effectively a back-door trade barrier to cheap imports. It has been used particularly against China by the EU and US.

So in the unlikely event that this "mini-ministerial" will agree on broad deals on agricultural and industrial trade, much remains to be negotiated before there is a finished package. This is hoped to be done before President Bush leaves the White House early next year. Yet with an increasingly protectionist US Congress, and without a mandate for the US administration to negotiate trade deals, it is highly uncertain that a negotiated Doha agreement would be ratified by the United States.

The Doha Round – past, present and future

These trade problems run deep. The Doha Round has been beset with problems from the start. Illusions of this being the largest trade round in history were quickly shattered as the first Ministerial meeting in Seattle collapsed very publicly in 1999. Crises, collapses and general inertia have followed in succession ever since. In 2003, the Cancun Ministerial meeting collapsed and several items were thrown off the agenda completely. Since then, talks have moved in fits and starts, and no breakthrough has yet been found.

Members need to step back from the political posturing of recent years and focus energies instead on serious discussion about how this organisation can move into a future free from more crises and breakdowns. They would do well to put the WTO's original foundation – non-discriminatory liberalisation of markets – at the core of their considerations.