

in brief...

The collapse of the Doha trade round

The Doha failure may undermine WTO credibility and ferment distrust in developing countries

Negotiations for the Doha round of trade liberalisation have been suspended indefinitely. In the words of Brazilian foreign minister Celso Amorim, 'The Doha round is as near to a catastrophe as one can imagine'.

This outcome was not a foregone conclusion. For the last six months, a deal had been close, at least in the sense that its parameters had been fairly well-defined and each party knew the likely compromises that would be required to reach an agreement. The United States knew that its compromise lay in offering more farm subsidy cuts; the European Union knew it would be required to cut agricultural tariffs; and the larger emerging countries knew they would have to offer deeper industrial and agricultural tariff cuts. Yet after more than five years of preparations, when the deal was there for the taking, none of the key players stepped up to make it happen.

Certainly periods of deadlock and brinkmanship are common rites of passage for trade negotiations. The Uruguay round, optimists like to point out, came to a standstill more than once before reaching conclusion many years off schedule. But there are several reasons why the current round has been more complicated than its predecessors.

The first new element is the (welcome) presence of the poorest countries as an organised force in the negotiations. These countries are right to say that their circumstances should give them special treatment. But the political reality is that by offering nothing in return, they are a drag on the system. The preference-dependent countries (mainly small states in Africa, the Caribbean and the Pacific) have a vested interest in the round's failure: for them, no deal is a good deal and they have been a thorn in the side of the round from day one. The larger developing countries – particularly India and Brazil – have shown that they are willing to negotiate hard, and even risk derailing the round to achieve their aims.

The second reason for slower progress comes from the political calculus of trade negotiations. The two conditions for progress are that the net gains outweigh the losses in each jurisdiction, and that national governments are strong enough to weather resistance from domestic opposition. In major countries, political will is low. In both France and the United States, unpopular presidents face or have recently faced elections, and they are in no mood to invite further opposition from powerful farming lobbies.

At this stage, the critical question is whether the collapse of the Doha round is a catastrophe for the world. As it stands, the answer is no. The World Bank's estimates of likely gains from a successful Doha round are \$100 billion, most of which would accrue to the rich countries. Much of the remainder (the Bank is at pains to say) would probably be eroded by concessions on 'special products' and other loopholes.

Had the negotiators been more ambitious, perhaps there would be larger potential gains from a successful agreement. But with the minimalist agenda that evolved, it is hard to identify any serious grouping of countries for which a successful deal is of critical significance. The Cairns group of agricultural exporters – a diverse coalition that includes Argentina, Australia, Brazil, Canada, Indonesia, New Zealand and South Africa – is a possible exception.

But in the longer run, the collapse of the Doha round may be more significant. There is a long-term economic cost that is difficult to quantify, and there is an obvious symbolic failure. This may undermine the credibility of the World Trade Organisation and ferment distrust in the developing countries whose promised 'development round' has conspicuously failed to materialise.

Doha's minimalist agenda meant that a successful deal was of critical significance to few countries

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