

THE WTO MINISTERIAL CONFERENCE IN HONG KONG: WHAT NEXT?

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Executive Summary

Any assessment of the Hong Kong Ministerial Conference depends critically on the benchmark employed. Surely, compared to its predecessor, the Hong Kong Ministerial Conference was a success. Having said that, no major participant in that meeting and no commentator afterwards has suggested that enough progress was made that the end of the Doha Round is in sight. Although World Trade Organization (WTO) members are officially committed to making significant strides before 30 April 2006, there must be considerable doubt as to whether the Doha Round can be completed before Fast Track negotiating authority expires for the U.S. administration in mid-2007. In this paper I identify several factors that call into question whether the Doha Round of trade negotiations can be successfully completed in 2006. Furthermore, given the presidential elections in France and the United States in 2007 and 2008, respectively, I argue that the next plausible window of opportunity for completing the Doha Round will open in 2009. I discuss the implications of this timetable and identify three areas where further work in the next few years could clear some ground for officials before comprehensive negotiations recommence in the closing years of this decade.

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This paper is organised as follows. In the next section I present a neutral summary of the main decisions taken by WTO members in Hong Kong. Those familiar with the Ministerial Declaration can skip over this section without losing the flow of the argument developed in this paper. The second section examines what is the right metric to gauge the outcome of the Hong Kong Ministerial Conference. The following section looks forward, examining the likely changes in the political climate in 2006-2008 and their implications for the possible conclusion of the Doha Round. As hinted above, I argue that there is likely to be a hiatus between the second half of 2006 and the conclusion of the U.S. presidential election in 2008, and in the fourth section I describe how that interval could be used to good effect. I close with some concluding remarks.

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1. What was agreed in Hong Kong?

The Sixth Session of the WTO's Ministerial Conference took place in Hong Kong during 13-18 December 2005. A Ministerial Declaration was issued at the conclusion of the conference and opened with the following four claims:

"We reaffirm the Declarations and Decisions we adopted at Doha, as well as the Decision adopted by the General Council on 1 August 2004, and our full commitment to give effect to them. We renew our resolve to complete the Doha Work Programme fully and to conclude the negotiations launched at Doha successfully in 2006." (paragraph 1, WT/MIN(05)/W/3/Rev.2)

The Declaration went on to highlight the importance WTO members attach to the "development dimension in every aspect of the Doha Work Programme," including in the negotiations on market access and trade rules and on certain other matters relating to development. The Declaration contained a number of agreements on specific matters, the binding nature of which is not immediately apparent. In what follows I summarise those accords that have received the most attention since the conclusion of the Ministerial Conference. The most prominent of these concerns export subsidies and related measures. Here the Declaration states in paragraph six:

"We agree to ensure the parallel elimination of all forms of export subsidies and disciplines on all export measures with equivalent effect to be completed by the end of 2013. This will be achieved in a progressive and parallel manner, to be specified in the modalities, so that a substantial part is realized by the end of the first half of the implementation period."

In paragraph 10 WTO members committed themselves to establish modalities on agriculture negotiations by 30 April 2006. Draft schedules, that are to be based on those modalities, are to be submitted by 31 July 2006. The Declaration also notes in that paragraph that "we recognize that much remains to be done in order to establish modalities and to conclude the negotiations," indicating that the former are not the same as the latter.

On the sensitive subject of international trade in cotton, WTO members agreed to address related matters in the overall context of the agricultural negotiations while at the same time committing that "all forms of export subsidies for cotton will be eliminated by developed countries in 2006" (paragraph 11). As a matter of logic, it is not clear whether the export subsidies have to be eliminated in 2006 if the overall agricultural negotiations are not concluded in 2006.

With respect to negotiations on market access for non-agricultural products (NAMA) WTO members agreed to adopt a so-called Swiss Formula which, for a given set of parameters, cuts higher tariff rates proportionally more than lower tariff rates. No agreement on the specific parameters to be used by WTO members, or by groups of WTO members, was included in the Declaration. However, according to paragraph 14 of the Declaration the choice of parameters (or coefficients) was to be guided by a number of development-related considerations. Again, WTO members conceded that much work remains to be done in this area of negotiations and set a 30 April 2006 deadline for establishing modalities (paragraph 23). The "parallelism" between the agricultural and NAMA negotiations is not a coincidence, and was the subject of an entire paragraph (number 24) of the Ministerial Declaration.

On the negotiations in services, after what was reported to be particularly fraught discussions, WTO members agreed to adopt an Annex C to the Ministerial Declaration

that describes certain aspects of the objectives, content, form, and timetable for these negotiations. With respect to the latter, these negotiations are supposed to culminate in the submission of final draft schedules on 31 October 2006.

A package of measures for the Least Developed Countries (LDCs) was adopted that committed developed country members of the WTO and those "developing-country members declaring themselves in a position to do so" (paragraph 47) to implement duty-free and quota-free market access for products "originating" in LDCs, subject to certain conditions laid down in Annex F of the Ministerial Declaration. Moreover, WTO members agreed to take steps to simplify and make more transparent their rules of origin for goods from LDCs and to include in the services negotiations matters of particular interest to LDCs, including the movement of natural persons. Other commitments and statements concerning LDCs and their accession negotiations to the WTO, rules on trade-related intellectual property rights, and on capacity building initiatives were made in paragraph 47 of the Ministerial Declaration.

Aid for Trade was also the subject of a paragraph in the Ministerial Declaration. In paragraph 57 the objectives for such Aid for developing countries were described as follows:

"...to build the supply-side capacity and trade-related infrastructure that they need to assist them to implement and benefit from WTO Agreements and more broadly to expand their trade. Aid for Trade cannot be a substitute for the development benefits that will result from a successful conclusion to the DDA, particularly on market access. However, it can be a valuable complement to the DDA."

WTO members called on the Director-General of the WTO to appoint a task force to make recommendations to the General Council by mid-2006 as to how to implement Aid for Trade. Separately, a number of industrialised countries made financial pledges to support Aid for Trade initiatives in Hong Kong. Whether those pledges relate to a WTO-organised Aid for Trade initiative was not clear from some announcements, nor was it clear how much of the pledged money amounts to new financial outlays on development by the industrialised countries concerned.

The Declaration contained a number of statements and references to other WTO decisions including a recent one concerning an Amendment to the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS), that formed a Decision of the WTO General Council on 6 December 2005. Regrettably, considerations of space prevent me from describing them all here.

In this section I have summarised the principal points of agreement that were made public at the end of the Hong Kong WTO Ministerial Conference. There may well have been private agreements or tacit understandings reached at this Conference and this may well qualify any third party assessment of the outcome in Hong Kong. For my present purposes, however, I note that (1) WTO members were unable to make much progress beyond agreeing to eliminate export subsidies in the agricultural trade negotiations, (2) although a formula approach was agreed for the NAMA negotiations, the specific parameters to be applied by different WTO members (in determining how much they will cut their tariff bindings and how many goods they can exempt from such cuts) have yet to be agreed, (3) little progress was made in the service sector negotiations, (4) WTO members have committed themselves to intensify their negotiations on the above matters in 2006, with the overall objective of completing these ne-

gotiations by the end of this year, and (5) various matters of interests to developing countries received attention in Hong Kong and that they will remain part of the WTO's work programme in the coming year.

Before discussing the factors that may affect the future negotiations on the Doha Round in 2006, I briefly examine some of the reactions to the Hong Kong Ministerial Conference.

2. Is there a good metric to gauge the Hong Kong Ministerial Conference?

Being the only international organisation whose decisions can be backed up by binding dispute settlement and sanctions, and whose activities cover literally trillions of dollars of economic activity, decision-making at the WTO attracts a lot of interest from a wide range of sources. This is as true of Ministerial Conferences as it is of other aspects of the WTO's activities. True to form, the Hong Kong Ministerial Conference and associated Declaration attracted much comment. In evaluating such commentary the key question to ask is what is the right metric to assess the outcomes of such Ministerial Conferences? In this section I argue that some of the seemingly obvious metrics used in recent weeks are, on reflection, not that compelling or useful.

Coming at the end of a year when reductions in, even the elimination of, poverty was given such enormous profile by certain leading opinion-formers, including the U.K. Prime Minister and several of his leading ministers, it is not surprising that some chose to assess the Hong Kong Ministerial Conference in these terms. In statements immediately after the conclusion of this meeting, Oxfam and the Third World Network argued that poverty would not be reduced as a result of the agreements reached in Hong Kong. Action Aid went further, arguing that the Ministerial Conference was an insult to the world's 2.4 billion poor people.

The idea that, one way or another, WTO agreements should eventually improve living standards around the globe is a sound one. After all, multilateral trade accords should not be signed for their own sake. Outcomes matter. Accords and rules shape outcomes, so they matter too. Yet this observation does not necessarily help us to gauge the outcome of any one Ministerial Conference. Bearing in mind that the Uruguay Round of trade negotiations took many summit meetings to conclude an agreement, one possible metric could be whether a Ministerial Conference's outcome has contributed towards the eventual signing and implementation of a high quality or better quality agreement. Unfortunately, this metric cannot be implemented before the Doha Round is concluded!

Even if a Ministerial Conference results in the conclusion of a good agreement it may take many years before any group of individuals benefit--because of implementation periods or the time to build up capacities to take advantage of trade liberalisation. Consequently, our expectations for the short term impact of any Ministerial Conference should be modest.

Another metric is to compare the outcome of a Ministerial Conference with a hypothetical alternative ("what could have been"), and to the extent that the former falls short then it can be seen as disappointing. The Third World Network in a statement on 18 December 2005 made just such a comparison--arguing that the Hong Kong Ministerial Conference would have been more "meaningful" if substantial cuts in trade-distorting domestic agricultural subsidies were agreed. Of course, the danger with this approach is that the hypothetical outcome could well be unrealistic, incomplete, or

irrelevant. In this case, comparing the Hong Kong Ministerial Declaration's sections on agricultural matters with an accord to cut domestic agricultural subsidies is not very meaningful as the latter alternative was not on the cards in the first place.

Yet another metric concerns whether WTO members have, in the context of the Hong Kong Ministerial Declaration, agreed to binding measures and whether those measures will result in a change in behaviour by WTO members from their original plans. Assessing whether a statement in a WTO Ministerial Declaration is binding or not is a legal matter and since I am not a trained lawyer I am wary of straying too far outside my areas of expertise. I confine myself to noting that some of the post-Hong Kong meeting commentary has called into question the actual effects of some of these so-called commitments in the Ministerial Declaration. For example, the point was often made in newspapers and elsewhere that the commitment to eliminate export subsidies by 2013 will have little impact on European agricultural policy because such subsidies are to be substantially phased out by then. The difficulty in comparing the consequences of "what has been agreed" with "what would have happened anyway" is that perfectly reasonable people can disagree about the latter.

For all of these reasons I find it difficult to a particularly strong and defensible view as to whether the Hong Kong Ministerial Conference was a success. Instead, in what follows I prefer to focus on the factors that are likely to shape deliberations on the Doha Work Programme in the years to come.

3. What Comes Next? The Tightening Noose of Domestic Politics in 2006-2008.

In order to assess the factors likely to influence the Doha Work Programme in 2006 and afterwards, first it is worth reflecting on how unusual a year 2005 was.

As trade politics goes, 2005 was an unusual year.

In recent times it would be hard to find a year when senior policy-makers were confronted more forcefully with the circumstances facing developing countries, or to evidence on the effects of certain industrialised countries' policies on poor countries, than 2005. For one the Make Poverty History campaign received an enormous amount of media attention around the world and, if the opinion polls are to be believed, a considerable amount of public support. Moreover, the U.K. government used its presidency of the Group of Eight (G8) industrial countries to draw attention to the fight against poverty in developing countries, to debt relief, and to trade reform. A U.K.-led Commission for Africa reported in time to be discussed at a number of major international meetings, including the G8 Annual Summit in Gleneagles, Scotland. Proposals for Aid for Trade, initially made by the British and met with lukewarm support from other donor nations, gained momentum and resulted throughout the year in pledges of large amounts of money by several industrialised countries and development banks.

To this brew intra-European Union (EU) politics added further ingredients. The rejection of the proposed European Constitution by French and Dutch voters was thought to be, in part, due to various concerns about globalisation, adjustment to economic change in general, and the abilities of national leaders to chart ways through an era that is seen as involving a faster pace of change than before. Coupled with this, EU member states were unable to agree to the multi-year budget proposed by the Luxem-

bourg presidency in June 2005. Thus, the U.K. took over the EU presidency in July 2005 at a particularly sensitive time.

With a decision taken by EU member states to launch accession negotiations with the Turks taken in October 2005, and the time needed to overcome the budgetary deadlock, only the traditional December European Council meeting was realistically available to the U.K. to forge an agreement on the EU budget for the fiscal years 2007-2013. Given that approximately 40 percent of the EU's budget is currently spent on the Common Agricultural Policy (CAP), and the fact that the EU's trading partners were demanding substantial cuts in budgetary support for European farmers, budgetary politics and trade politics became intertwined. In principle here was an opportunity to use the EU budget negotiations to cut back on agricultural support, allowing potentially for a break-through at the Hong Kong Ministerial Conference. This was not to come to pass as the opponents of CAP reform had prepared well. The latter argued that support for European farms for the years through 2013 had already been agreed in 2003 and that that agreement should be honoured. No amount of concessions by the U.K. government, notably on the size of Britain's contributions to the UK budget, could overcome the opponents, but the latter did concede that a "review" of EU spending, which might include the CAP, could take place in 2008-2009. Moreover, the opponents ensured that the mandate of the European Commission's (EC's) trade negotiators for the Doha Round (and, therefore, for the Hong Kong Ministerial Conference) did not permit them to offer concessions that went materially beyond the CAP reform agreed in 2003. In this respect, it is worth noting the following "Conclusion" of an extra-ordinary meeting of the European General Affairs Council on 18 October 2005:

"The Council recalled as regards the negotiations in agriculture that the CAP reform is Europe's important contribution to the DDA and constitutes the limits of the Commission's negotiating brief in the WTO Round."

This conclusion was unanimously adopted by all 25 EU Member States. In sum, then, 2005 was pretty unusual.

Looking forward to 2006, a number of factors that are likely to influence the pace of multilateral trade negotiations can be identified.² I will divide my observations into three parts, discussing in turn likely developments in the United States, in the European Union, and in the G8. This choice is not to suggest that only these jurisdictions matter, rather it reflects the fact that I have more to say about them than elsewhere. Changing circumstances in Brazil, China, and India, to name just three of the other key players in the Doha Round, will surely shape any eventual conclusion to this multilateral trade negotiation too.³

² In what follows the factors that I emphasise are more political in nature and specific to the years in question (such as the timing of elections.) This is not to say that longer-term changes in opinion in WTO member governments as to what constitutes optimal economic and development policy are unimportant, especially as the liberalising tenets (underlying much of the reforms observed around the world since 1980) are increasingly called into question. Some refer to this latter trend (perhaps misleadingly) as the rejection of the principles of the Washington Consensus. It is not clear what set of ideas will replace this Consensus, but policymakers are clearly searching for a new framework to guide policymaking and this is likely to have implications for the obligations that they are prepared to sign at the WTO. The resurgence of interest in industrial policy (in developing and industrialised economies) and the revival of populism especially in Latin America are two manifestations of this swing in attitudes.

³ Moreover, one should not forget the active role that the so-called G90 groups of small vulnerable economies (many of them island economies) and the least developed countries have played in this round.

Mid-term elections, Fast Track, and possibly another farm bill in the USA.

With respect to developments in the United States there are at least three factors worthy of consideration: the mid-term Congressional elections of 2006, the renewal of U.S. agricultural support (the current legislation concerning agricultural support, enacted in 2002, covers the fiscal years up to 2007), and the expiration of so-called Fast Track negotiating authority on 1 July 2007. The latter, of course, is what has been driving much of the desire to conclude the Doha Round in 2006. Under U.S. law the Administration would have to notify Congress by 1 April 2007 of its intention to sign a Doha Round agreement and Congress would then vote up-or-down (that is, without amendment) on the text that the Administration formally submits to Congress. This procedure is thought necessary to stop Congress from rewriting or re-opening trade agreements once they have been signed by the U.S.' trading partners and is said to be essential to inspire confidence in the latter as they negotiate with the U.S. Administration.

U.S. Administration and Congressional officials have been signalling to their trading partners that the renewal of Fast Track⁴ negotiating authority should not be taken for granted. Moreover, given the apparent unpopularity of trade reform with U.S. voters and the fact that Fast Track negotiating authority would not expire until the middle of 2007, the renewal of this authority before or during the Congressional elections of 2006 is thought unlikely.

While the ending of fast track negotiating authority certainly adds to the pressure on those nations that actually want to complete the Doha Round to make more ambitious offers in 2006, there are other implications to be considered, especially when the Congressional elections scheduled for November 2006 are factored in. It should be remembered that in President Bush's first mid-term Congressional election in 2002 U.S. trade policy moved in a restrictive direction, principally to garner votes in key "swing" Congressional districts. The U.S. steel safeguard actions of 2002, which resulted in significant tariffs on imported steel, was motivated in part by electoral calculations.

Moreover, in 2002 the U.S. Congress passed (and the President signed) a Farm Bill, which was widely condemned abroad for cushioning U.S. farmers at the expense of other countries' agricultural interests. In addition, if electoral considerations play the same role in 2006 as they did in 2002 then they are likely to have a dampening effect on the concessions that the U.S. can make in concluding the Doha Round. Put another way, any further U.S. concessions in politically-sensitive sectors would probably have to come very early in 2006 if they are not to cast an unwelcome shadow over the Congressional elections in November 2006. This may well create a catalyst that propels the negotiations forward in the early part of 2006, but this assumes that other WTO members could move too (and here the discussion of Europe's position below is pertinent.)

The renewal of the 2002 Farm Act could pose additional distinct problems for a WTO Round where agricultural negotiations are central. The 2002 Farm Act finally passed the U.S. Senate by 64 to 35 votes with one abstention. (The Senate had originally passed a more generous version of this legislation than the House of Representatives).

⁴ Formally, the Fast Track procedure is now known as Trade Promotion Authority.

Of the 33 U.S. senators up for re-election this year, 27 voted on the original 2002 Farm Act and 16 voted for this Act.

According to the well-regarded Cook Political Report⁵ in its latest assessment (5 December 2005) of the likely outcomes of each senate race, 10 Democrats are up for re-election in contests where they face little or no serious competition. Of those 10 senators, nine voted for the 2002 Farm Act. On the Republican side, nine senators do not face much competition in their re-elections. Of the nine, three voted for the 2002 Farm Act. Of the eight senators facing competitive re-elections, four voted for the 2002 Farm Act. This implies that 12 of the 19 senators most likely to be re-elected were supporters of the 2002 Farm Act, supporting the U.S. Senate's majority in favour of farm support. It would take an unusual set of election results in the 14 other more competitive senate contests⁶ to make a significant dent in the support for American farmers in the next U.S. Senate.

From the perspective of the Doha round negotiations, all of this bodes badly for whenever the U.S. Senate begins drafting the next farm bill. Perhaps the most one could hope for is a Doha Round agreement that "locks in" the U.S. Congress when it gets around to writing the next Farm Bill.⁷ But those elected representatives who fear being locked in may well bring forward to 2006 hearings and debates on the next farm bill (essentially trying to turn the tables and lock in U.S. agricultural programmes over a number of years).⁸ The potential for the latter to disrupt on-going negotiations in the Doha Round cannot be ruled out. If securing an accord on agriculture is the lynch pin of the Doha Round, then for all of these reasons the political climate in the USA in 2006 and 2007 is unlikely to be a positive contributing factor.

More generally, the precedent of the 2002 Congressional election suggests that disruptive trade disputes in 2006 cannot be ruled out. None of this is particularly welcome in a year when the give-and-take necessary to complete a multilateral trade round will be at a premium.

Entrenched opposition to agricultural trade reform in Europe.

Matters are little better in Europe and arguably a lot worse. Many of the opponents to expanding the European Commission's negotiating mandate on agricultural matters in the Doha Round remain in place in 2006. Moreover, the power of initiative associated with the presidency of the EU has shifted away from a nation inclined towards open borders (the U.K.) towards two nations that are more circumspect about the benefits of trade liberalisation (Austria and, to a lesser extent, Finland.) In addition, the latter nations do not have the same weight within the EU as the former. Austria took over the EU presidency on 1 January 2006 and Finland takes over from Austria on 1 July 2006.

⁵ See www.cookpolitical.com

⁶ Due to retirements from the U.S. Senate the total number of competitive senate contests exceeds the number of senators seeking re-election and facing competitive contests.

⁷ Of course, there is the not-insignificant matter of getting the U.S. Congress to agree to a Doha Round agreement when its members know that they will soon be debating the next programme of support for U.S. farmers!

⁸ In this respect it is noteworthy that the Chairman of the U.S. Senate Agriculture Committee, Senator Saxby Chambliss of Georgia, has publicly suggested that such hearings take place in 2006. See "Farm Groups Disappointed With Hong Kong, Wary Of New Farm Bill," *Inside U.S. Trade*, 6 January 2006.

A review of some of the major discussions between the European Commission and the 25 member states on WTO-related matters in 2005 provides an indication of the enduring factors that will shape the political climate in 2006 as they relate to multilateral trade reform. This review is overwhelmingly negative and reflects the fact that I could not find evidence of any positive counter-examples! One finding is that, although France plays a prominent role in European debates on the Doha Round, she is certainly not alone when it comes to opposing further concessions on agricultural matters. The following discussion should be seen in the light of the European practice whereby the Council of Ministers sets the mandate for Europe's sole trade negotiator, the Directorate-General for Trade in the European Commission. As Commissioner Mandelson once put it, the Council deals with substance and the European Commission deals with tactics.

An early skirmish in 2005 occurred at the Agriculture and Fisheries Council in Luxembourg on 25 April 2005. France argued that the EC should "return to a more transparent (with regular reports in writing, a tradition which seems to have got lost) and firmer negotiating method" in ongoing agricultural trade talks in Geneva. France's position was supported by Italy, the U.K., Ireland, Germany, Austria, Belgium, Hungary, and Poland, although it should be noted that the U.K. and Sweden delegations also added that it was important for the Doha Round to be completed at the Hong Kong Ministerial Conference ("Concern about negotiation method on tariff reductions," *Agence Europe*, 29 April 2005).

In the last week of July 2005 eight member state representatives at the EU's 133 Committee are said to have criticised the negotiating strategy of the European Commission in the Doha Round. A spokesman for the Council of the European Union noted that France, Ireland, Italy, Poland, Hungary, Austria, Greece, and Portugal expressed concerns about the European Commission's tactics at an informal WTO Ministerial meeting in Dalian, China. More generally, the Commission was urged to push harder for progress in all aspects of the Doha Round, and not concentrate on agriculture. These member states were said to be particularly concerned about the concessions made at that meeting on agricultural market access ("EU calls for 'change or bust' in WTO talks," *Agra Europe*, 29 July 2005).

Following discussions between senior EC officials and their American, Brazilian, and India counterparts in Washington, D.C., on 13 September 2005, representatives from seven EU member states criticised the EC's tactics in multilateral agricultural trade negotiations. At an Agriculture and Fisheries Council meeting on 19 September 2005, France, Spain, Italy, Ireland, Austria, Hungary, and Cyprus argued that the EC had made too many concessions on export subsidies and on reducing customs duties on agricultural produce (market access). These moves by the Commission were regarded as "the abandonment of the Community Preference." Moreover, these member states argued that the United States, Australia, and Canada had failed to match the EU's offer on export credits, food aid, and state undertakings in agriculture. These criticisms may have been taken to heart by Commissioner Mandelson who, on the same day as this Council meeting, gave a speech in which he said "My member states will quite simply not agree to make any further gestures to the benefit of others, unless they move forward in parallel with us" ("Seven Member States concerned at unfolding of agricultural trade negotiations at WTO," *Agence Europe*, 20 September 2005).

On 7 October 2005 agricultural ministers from 14 member states sent a joint letter to EU Farm Commissioner, Ms. Mariann Fischer Boel, asking that they be given a larger

role in developing EC positions in the ongoing WTO agricultural negotiation. They also asked that Commissioner Boel should participate more actively in these negotiations, working more closely with Commissioner Mandelson. The letter argued that the EC is not abiding by the guidance given to it by the Member States on these matters. That guidance, it was argued, limits concessions to be compatible with the reform of the CAP that was agreed in 2003. Moreover, the letter states "the time has come to confirm that the European Union does not intend on being alone in making concessions, and to obtain parallelism of effort defined in the mandate and supplemented by the Geneva framework agreement of 2004." This letter was signed initially by ministers from France, Austria, Belgium, Cyprus, Spain, Finland, Greece, Hungary, Ireland, Italy, Lithuania, Luxembourg, and Poland. Portugal signed the letter later. Germany, the Netherlands, and Denmark did not sign the letter, according to officials ("EU Members Seeks More Farm Consultations, Bigger Role In WTO Talks," *Inside U.S. Trade*, 14 October 2005).

Soon after the signing of this letter France called an extra-ordinary meeting of the General Affairs Council and sought an agreement that would prevent EC trade negotiators from making new offers without the prior approval of the EU member states. Although France's bid was to fail it was agreed that a purely advisory meeting of experts from the member states would be convened to assess the impact of the Commission's latest agricultural concessions at the WTO. In its conclusions, this Council reiterated (as noted on page six above) that the 2003 reform of the CAP was Europe's contribution to agricultural reform in the Doha Round and that the 2003 reform represented the limits of the Commission's negotiating mandate. On the transparency of Commission's negotiating practice Austria, Denmark, and Ireland expressed concerns and requested regular information from the EC. With respect to the "balance" in negotiations, at this meeting Commissioner Mandelson was said to have noted that balance was needed within the agricultural negotiation at the WTO and across agricultural and non-agricultural matters ("Council rejects French plan to straight-jacket Commissioners Mandelson and Fischer-Boel," *Agence Europe*, 19 October 2005).

EU member states continued to express their views on the pace of agricultural trade negotiations right up to and throughout the Hong Kong Ministerial Conference. It was reported that Commissioner Mandelson was able to agree to the Ministerial Declaration in Hong Kong because, at a 18 December 2005 General Council meeting, no EU member state objected to the inclusion of an end date for agricultural export subsidies ("EU links Export Subsidies Elimination in Doha Round To Four Conditions," *Inside U.S. Trade*, 19 December 2005). Before 18 December 2005 matters were not so clear as France, Italy, Hungary, Ireland, and Poland made their opposition to such a move clear at a comparable meeting on 17 December 2005.

Moreover, the conclusions of the 18 December 2005 meeting of the Council of the European Union provided guidance to the European Commission as to how it should interpret the commitment to eliminate export subsidies made in the Hong Kong Ministerial Declaration. The first observation made was that the Ministerial Declaration did not specify whether export subsidies should be reduced in value or in volume terms. The EU tends to cut export subsidies in value terms, and so in the implementation period this still allows for flexibility in allocating remaining export subsidies to different commodities ("EU links Export Subsidies Elimination in Doha Round To Four Conditions," *Inside U.S. Trade*, 19 December 2005).

The suggestion was also made by member states that the EC phase out export subsidies precisely in accordance with the timetable established in the 2003 reform of the Common Agricultural Policy. This would appear to rule out the early elimination of export subsidies. It should also be noted that after the conclusion of the Hong Kong Ministerial Conference French Trade Minister, Christine Lagarde, stated for the first time that the European Commission had "fully respected" its negotiating mandate ("EU links Export Subsidies Elimination in Doha Round To Four Conditions," *Inside U.S. Trade*, 19 December 2005).

What are the likely implications of this track record for Europe's stance during multilateral trade negotiations in 2006? First, the large group of EU member states who sought to constrain the European Commission's negotiating tactics in 2005 are likely to persist in doing so in 2006, especially if the agricultural trade negotiations broaden in scope to include market access matters. Second, the willingness of Austria to broker the type of agreement among member states that the British did in October 2005, which headed off French moves to severely constrain the ability of the European Commission to make further concessions, must surely be in doubt. Time and again in 2005 Austria sided with those member states concerned with the EC exceeding its negotiating mandate. This is particularly unsettling as negotiations on the Doha Round are supposed to intensify in the first half of 2006, which coincides precisely with Austria's EU presidency. The pressure on the European Commission from member states in 2006 is likely to intensify markedly.

Perhaps a more significant question to pose is the following: what, if any, factors are likely to make the EU member states more inclined to agree to agricultural trade concessions in 2006 than they were in 2005? As the examples above make clear, opposition to significant concessions in agriculture is not limited to one nation or a small group of nations. The timing of national elections being what they are, we are unlikely to see any major changes in the number of supporters or opponents of European agricultural reform in 2006.

It is true that the change in the German government, which was completed in November 2005, is an important event in European politics, but it should be remembered that this is a coalition government which is expected to last only a year or two. Plus, one party to that government, the Christian Social Union, represents a heavily agricultural area of Germany. This must call into question how far German support for further agricultural concessions by the EC will go. Having said that, a number of news reports indicated Germany's open and consistent support for the European Commission's negotiating tactics in 2005. Another ray of hope is that a substantial advance in the NAMA or service sector negotiations might galvanise European commercial interests. But such an advance, or prospect of it, would have to come very early in 2006 for these commercial interests to be able to counter the entrenched defensive postures of many European governments towards their agricultural sectors.

On both sides of the Atlantic, then, the conditions are not particularly ripe for a swift completion of the Doha Round of trade negotiations in 2006. There are good reasons for believing that the political climate is likely to be more unfavourable in 2006 than in was in 2005, especially as negotiations intensify on the market access aspects of agricultural trade.

Not much G8 leadership expected.

With respect to the G8, the chairmanship has passed from the U.K. to Russia. As far as the WTO is concerned, Russia's primary concern appears to be joining the WTO in the first place rather than ensuring a pro-development outcome to the Doha Round. Although Presidents Bush and Putin set a December 2005 deadline for the U.S. and Russia to conclude a bilateral deal on the latter's WTO accession this has not come to pass. In Hong Kong on 15 December 2005 Ambassador Portman said that four or five matters remained outstanding and called on the Russian government to make progress in this regard. (These matters are thought to include the protection of intellectual property in Russia, certain agricultural policies, aircraft tariffs, service sector reforms, and Russia's dual energy pricing policy.) In sum, it seems unlikely that Russia will use the G8 chairmanship to advance the Doha Work Programme or to shed light on the plight of developing countries as the U.K. did. Another source of momentum, then, is likely to wane.

Presidential elections in France and the USA in 2007 and 2008.

Should it prove impossible to conclude the Doha Round in 2006, what are the prospects for doing so in 2007 and 2008? In 2007 the timing of the expiration of Fast Track negotiating authority in the USA and the next French Presidential election could not be worse. So as to meet the 1 April 2007 deadline for submission of a Doha Round agreement to the U.S. Congress, multilateral trade negotiations would have to be concluded precisely when the French Presidential election is underway. Given the prominent role of agriculture in this round, its significance in French politics, and the apparent opportunism of certain likely candidates for the French presidency, only an eternal optimist could expect the Doha Round to be completed in early 2007.⁹

Unfortunately, just as Fast Track lapses the U.S. begins to gear up for its own presidential election in 2008. The U.S. primary process, the run up to both national conventions, and the general election campaign itself have, in the past, not provided the most opportune moments to advance the cause of trade liberalisation in America. Having said that, should concerns about his legacy grow President Bush may well support a significant multilateral trade reform (just as President Clinton was said to support the entry of China into the WTO when his legacy needed burnishing.) The reform would indeed have to be significant if it is to win the support of American business, who in turn help to lobby the U.S. Congress. (Plus, a legacy-inspired agreement must, almost by definition, be large if it is to alter how a presidency is perceived for years to come.) Whether the U.S. trading partners will oblige with a highly ambitious round is another matter, especially if the U.S. administration does not have Fast Track negotiating authority. Indeed, should the Doha Round continue until the second half of 2007 President Bush may first have to win renewed Fast Track authority from Congress, using the argument that he is seeking a very ambitious negotiated outcome for the round. By then, however, Congress may have concluded that U.S. trade part-

⁹ In 2007 there is one intriguing and positive possibility. Suppose Fast Track were temporarily extended for a couple of months, so that the conclusion of the round can take place after the French Presidential elections and before the U.S. Presidential primaries get into full swing. Exploiting this opportunity would require persuading Congress to temporarily extend Fast Track, which I think will be an uphill battle. Whether the prospect of a big enough deal can simultaneously persuade the U.S. Congress to extend Fast Track without adversely affecting the French Presidential election remains to be seen, and pulling this off would be a challenge facing senior trade officials on both sides of the Atlantic.

ners are not so inclined to play ball and, consequently, U.S. senators and representatives may decide that the contingent benefit of supporting fast track's renewal does not outweigh the political costs of supporting another pro-trade measure.

After a scramble in the first half of 2006, the next window of opportunity will probably open in 2009.

Given the doubts expressed above about the likelihood of concluding the Doha Round in 2006-2008, the next window of opportunity for the hard bargaining necessary to wrap up the Doha Round would appear to be in 2009. This pessimistic conclusion is subject to a couple of caveats, however. First, should some significant geo-political event or economic shock call for a demonstration of collective action by the international community, then, progress may be made faster than anticipated here. (After all, the launch of the Doha Round was partly facilitated by the international community's desire to stand together in the aftermath of the terrorist attacks in September 2001.)

The second caveat is that certain groups of WTO members may turn out to be less effective in advancing their views than in the past, especially if the give-and-take of trade negotiations exposes fissures between members of the same group. For example, the comprehensive nature of the agricultural negotiations that are due to take place in 2006 will require agreement within groups of WTO members on a wide range of matters. To date, some of the groupings within the WTO, in particular the so-called G20 and G110, have demonstrated their ability to advance together on one or two items at the same time (the elimination of export subsidies at the Hong Kong Ministerial Conference being a case in point). A broad-based negotiation might expose fault lines in these groupings and could make concluding the Round easier than previously thought. (Of course, such fault lines could also create greater opposition in some quarters to the conclusion of the Doha Round. If so, that reinforces the general thrust of my pessimistic argument.)

Assuming there is some momentum in negotiations in the first half of this year, as WTO members attempt to meet the deadlines agreed in the Hong Kong Ministerial Declaration, and assuming the next window of opportunity to conclude this round opens in 2009, then that leaves a two-and-a-half year interval in between. The question then arises as to how to use this interval constructively? Next I describe three suggestions that may be useful in this regard.

4. Three suggestions to help clear the ground before the next window of opportunity opens.

Before laying out these three suggestions, I would like to make a couple of important contextual arguments. The first is that none of the suggestions outlined below will create political will when it does not already exist. Even so, in a trade round where concerns about the effects of new WTO disciplines are prominent, especially in developing countries, much more can be done to identify what different trade disciplines really deliver, what flexibilities work, and what complementary measures are needed to translate the opportunities created by trade reforms into positive outcomes. What must be developed is a set of evidence-based presumptions, which link national circumstances to plausible potential WTO disciplines and supporting measures, that could be taken up if and when comprehensive negotiations to complete this round begin. These presumptions should be developed in working groups that involve trade

negotiators, development experts, and officials from national governments and the relevant international institutions. The emphasis should be on evidence not on abstract theories or the sound bites found in many press releases and "synthetic" summaries of studies.

Secondly, I should acknowledge that the three suggestions below do not cover all of the important challenges facing the WTO, both in general and as its members try to conclude the Doha Round. Arguably, the distractions created by signing preferential bilateral and regional trade agreements, the negotiating modalities at the WTO (recall the "medieval institution"), and the balance between the "legislative" and the "judicial" functions of the WTO are important matters too and probably worthy of calm discussion during any lull in the negotiations on the Doha Round. I also recognise that, on the face of it, the three matters singled out here are of particular interest to developing countries. Having said that, in an organisation where consensus is necessary to move forward, even if any single WTO member is not interested in these matters the fact that a substantial proportion (if not an outright majority) of the WTO's membership are makes them worthy of further consideration.

Do WTO disciplines threaten industrial policy?

The first topic worthy of serious consideration is the claim that Most Favoured Nation (MFN) tariff liberalisation and other WTO disciplines slows industrialisation in developing countries or constrains policies that seek to promote industrialisation. This formulation might provide a tangible way to think about the omnipresent, but undefined, term "policy space." Here one goal should be to identify sets of pro-industrial policies that are and are not constrained by actual WTO disciplines. It will be useful to know just how much of the impressive industrial growth in certain developing countries in the past would have been impeded by current WTO disciplines or proposals for new WTO disciplines. In addition, it would be useful to know if other successful formulas for industrial growth exist that do not violate WTO disciplines.

Are further GATS rules inimical to development?

Although the second topic principally concerns the service sectors of developing countries, it should not be forgotten that fears about the impact of trade reforms on public services in industrialised economies have been raised too. As the commentary surrounding Annex C of the Hong Kong Ministerial Declaration shows, there is a wide body of opinion that sees further multilateral trade liberalisation under the General Agreement on Trade in Services (GATS) as inimical to the development prospects of poorer countries.

As a consumer of this vast literature on this subject, I am struck by the deep divide between the evidence marshalled by many economists in favour of reform and that highlighted by others who are more, often much more, sceptical. If I were an official in a developing country I would find this disparate array of evidence and policy recommendations bewildering and frustrating. In fact, I would strongly support locking up the authors of these studies in a room until they came up with an agreed set of guidelines to shape the evolution of the service sectors in developing countries. Some or all of these authors are probably missing something if they can look at similar sets of reform episodes and come up with such diverse policy recommendations. Here trade negotiators and policymakers are not being well served by the expert advice

available and some type of initiative that sorted out the implications of different types of multilateral trade reforms, and the supporting national and international measures to make the most of them, would be useful. Such an initiative should be grounded in the possible negotiating modalities for the GATS and could also draw on experience with service sector liberalisation in bilateral and regional trade agreements.

Making Aid for Trade work.

The third topic concerns Aid for Trade or, more ambitiously, the complementary measures that states should take, perhaps with the assistance of development agencies, donors, and others, to secure the benefits of past and future multilateral trade reforms and to better integrate into the world economy. As the Hong Kong Ministerial Declaration makes clear, an initiative on Aid for Trade is to be undertaken in the first half of 2006. This time frame, which sits well with the stated intention to complete the Doha Round in 2006, could be revised if negotiations proceed more slowly than hoped.

Notwithstanding the progress made in 2005 on Aid for Trade, much remains to be done in clarifying the ends and means of this initiative. A number of pretty complex matters must be addressed, as the proponents of Aid for Trade are well aware. To start with there are some pretty foundational matters still must be resolved: what are the legitimate rationales for "aid for trade"¹⁰ and, to the extent that these rationales are related to under-investment by developing countries, what factors account for that under-investment? (The latter question is significant as fixing some of those factors may require non-financial resources, expertise, and other measures.)

Equally important, though, there needs to be a discussion as to where the obligations of an individual WTO member begin and end, and what are the appropriate obligations of the international community, acting perhaps through the WTO. This latter discussion is essential if the expectations of all relevant parties are to be aligned--and if the blame or praise is to be appropriately placed for the performance of developing countries after the completion of the Doha Round.

Institutional considerations will be important too. Given that donors are unlikely or unable to bind their financial commitments to Aid for Trade and one apparent goal of Aid for Trade is that it should enable developing countries to make the most of WTO-created opportunities, a mechanism will have to be found that aligns those aspects for Aid for Trade that are related to WTO commitments with those elements operating independently of the WTO. Many WTO members will have a strong interest in sorting this out. Developing countries will want assurances that donors do not reallocate "aid to trade" funds to some priorities that emerge at a later date. Conversely, donor governments will need assurances that taxpayers' money is used effectively as possible on its intended targets and is not being redirected or worse misappropriated.

Establishing some straightforward and well-grounded presumptions in each of these three areas will also contribute to the ongoing and important discussion on Special and Differential Treatment (SDT). I am not suggesting that these three topics cover every aspect of SDT but they are certainly linked to a number of significant matters that have been raised in relation to the possible reform of existing WTO agreements. Within each of these three topics due account should be taken of the different circum-

¹⁰ At least five such rationales have been identified in policy discussions and related literature.

stances facing developing countries, be they least developed, small and vulnerable, net-food importing, to name just three commonly referred to categories.

Some might believe that the Doha Round has entered the negotiation and agreement-drafting phase and that there is precious little time to do anything else. Should negotiations make little progress in the next six months and the likelihood of meeting the U.S. Fast Track deadlines recedes, some might want to reflect on why so little progress was made and whether this has anything to do with the rejection by many developing countries of the very liberalising tenets that underpin much of the logic of multilateral trade negotiations. Even if governments or trade negotiators from developing countries believe that trade negotiations deliver benefits, they face significant elements of national and international civil society, trade unions, the media, and some prominent academics who strongly oppose further trade reforms. In short, one of the reasons the Doha Round is likely to be a long round is precisely because there appears to be so little agreement on the fundamentals and also because many refuse to confront this awkward fact.

5. Concluding remarks.

Although the Hong Kong Ministerial Conference did not share the same fate as its predecessor, this does not mean the prospects for completing the Doha Round are good. I have argued that for a number of reasons the political climate on both sides of the Atlantic, plus the unfortunate timing of certain elections during 2006-2008, will be less conducive to finalising this Round than it was in 2005. The next window of opportunity for completing the Doha Round is likely to be in 2009. We can, for sure, expect a flurry of activity in the first half of 2006 but, sadly, this is likely to come to no avail. Once the associated excitement dies down, a two-and-a-half year lull could well set in. I have described three ways in which this interval could be used productively to lay the ground work for the resumption of serious multilateral trade negotiations in the closing years of the present decade.