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COMPLETING THE DOHA ROUND: WHAT PROGRESS SINCE HONG KONG?

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After another year of false starts, contretemps, and lowered expectations, senior government officials agreed at the WTO Ministerial Conference in Hong Kong, China, to complete the Doha Round of trade negotiations in 2006. A series of deadlines were set, largely in recognition of the expiration of the U.S. administration's authority to negotiate trade agreements in the middle of 2007. The first of these deadlines was set for April 2006, by which time modalities for the agricultural and non-agricultural negotiations are supposed to be agreed. This short note examines what has happened since the Hong Kong Ministerial Conference and what this means for the likelihood of completing the Doha Round in 2006.

For its part, the United States has continued to publicly call for Europe to make further cuts in its agricultural tariffs and domestic support programmes. Meanwhile, U.S. officials have insisted that its 2005 agricultural offer is conditional on other countries making more ambitious offers, so discounting the possibility that the latter would result in another, more generous offer from the United States. Moreover, U.S. officials continue to stress the binding nature of the deadline associated with the expiration of "Fast Track" or Trade Promotion Authority in mid-2007.

This tough U.S. line is partly undermined by two factors. The first is that U.S. commitment to completing the Doha Round appears to have wavered in January 2006. To take just one example, in a closed briefing for Washington-based trade journalists Ambassador Portman's opening remarks started with matters associated with a number of pending bilateral free trade negotiations before eventually moving on to the completion of the Doha Round, perhaps indicating his or the White House's true priorities. The second, and related, reason is that the U.S. administration needs Fast Track negotiating authority to implement many of the foreign policy-motivated free trade agreements that it expects to sign in 2007 and later. This suggests that there will be strong foreign policy as well as commercial policy interests supporting any Presidential request for extending Fast Track in 2007. This is not to say that obtaining Congressional approval for such a request will be at all easy, only that the expiration of Fast Track in mid-2007 may not be as immutable as it currently made out to be.

The two months since the conclusion of the Hong Kong Ministerial Conference have not been used well in Europe either. First, a spokesman for the European Commission's Directorate-General for Trade revealed in early January that they were undertaking a "period of reflection," a classic Mandelson phrase. So much for starting the year with an energetic push towards the April deadline! Second, in a speech given in Berlin Commissioner Mandelson indicated that the European Commission won't move until others do so. Then, after the Davos Meeting of 15 trade ministers in late January (which I will

discuss below), Mr. Mandelson went to Mauritius to give a speech in which he implied that Europe and Africa had a common interest in limiting further cuts in agricultural tariffs. (Many African countries are beneficiaries of preferential market access to European markets.) How one reconciles this attempt to shore up opposition to more agricultural trade reform with an ambitious Doha round outcome is beyond me. It would also seem that Commissioner Mandelson has concluded that making the case at home for further agricultural trade liberalisation is hopeless. Indeed, in a recent interview he ruled out asking Chancellor Merkel to impress upon the French government the need for greater flexibility in agricultural trade negotiations. This step is precisely what many European trade observers feel is needed to shift Paris from its current stance.

The one positive development, whose significance is debatable, was the agreement among 15 trade ministers meeting in Davos, Switzerland, that future negotiations should proceed "in concert." Moreover, a move away from making formal offers to informal "bilateral soundings" of potential trade-offs was signalled. Certainly, dispensing with the "you first" approach to negotiations is helpful (its track record in 2005 was pitiful). Moreover, to the extent that quiet bilateral discussions help identify the potential scope for compromises in the agricultural negotiations and elsewhere, then these procedural steps can be helpful. However, it remains to be seen whether these steps will make the necessary political decisions any easier or forthcoming. Indeed, at the Davos meeting Ambassador Portman is reported to have said that 80 percent of the work that remains requires difficult political choices concerning the fate of domestic constituencies. Given those particular decisions are taken in national capitals, and not in Geneva or wherever else trade ministers and ambassadors choose to meet, the question arises as to whether the current group of trade negotiators have the authority to conclude this round.

This last point has not been lost on everyone. Arguably, Prime Minister Blair and President Lula da Silva had this in mind as they explored the case for calling a special summit of world leaders to discuss the Doha Round. President Lula da Silva recently met with Prime Minister Blair to discuss this matter, but the latter appears unconvinced of the merits of holding a summit at this time. This proposal, however, is not without its risks. Leaving aside the question of who would represent the E.U. member states (that are supposed to negotiate trade matters collectively), one question to ask is: Who would attend? If it looked like he was going to be isolated, would President Chirac attend? (He might come just to say "non" to the U.S. and U.K., just like he did over the invasion of Iraq!) If President Chirac does attend, what happens if he is able to persuade Japan, Korea, and possibly a few others countries with substantial agricultural interests to oppose further agricultural trade reform? This would create an impasse at the summit, possibly leading to the collapse of the Doha Round. Moreover, it would reveal that, at present, the WTO is not a forum where nations can do serious business. A high-profile summit, then, seems fraught with danger.

These observations point to the following conclusions. First, little substantive progress has been made in the two months since the Hong Kong Ministerial Conference. Second, the recent statements of leading E.C. and U.S. trade negotiators casts doubt as to their resolve to complete the Doha Round in 2006. And, finally, that if the 2006 deadline for completing the Doha Round stands any chance of being met, then a low profile way to engage heads of government and heads of state is urgently needed. Serious political direction for trade negotiators is at a premium. In the coming months we will learn just how much national political leaders really want the Doha Round to succeed.