THE SUSPENSION OF THE WTO DDA NEGOTIATIONS:
SCENARIOS AND IDENTIFICATION OF PRESSURE POINTS FOR DEVELOPING COUNTRIES

SYNOPSIS
This note identifies some opportunities and challenges that the suspension of the WTO Doha negotiations has created for developing countries. In fact, an early identification of pressure points in the negotiations can contribute to the preparedness of developing country delegations for the time negotiations resume. To assist in the identification of such pressure points, this note is structured around three main possible scenarios for the negotiations: (1) Quick resumption and conclusion, (2) Slower resumption or early harvest, and (3) Hibernation or collapse of the round.

October 2006
Geneva, Switzerland
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I. I. INTRODUCTION

1. The suspension of the WTO Doha negotiations, suggested by the Director
   General of the WTO in July 2006, opened a door to both opportunities and
   challenges for WTO developing country Members. Firstly, it provided
   developing countries with some time to reflect about the direction negotiations
   were taking and how best to influence their course towards an outcome that
   serves developing countries’ developmental priorities. In fact, it gives developing
   countries a precious opportunity to move from a reactive to a more pro-active
   attitude in the negotiations, identifying issues in the Doha work programme that
   are of their interest and establishing their own benchmarks to gauge the quality
   of negotiations before they resume.

2. Finally, and perhaps most importantly, the suspension freed developing
   country delegations and policy makers’ time to reflect, beyond the current Doha
   negotiations, about national trade strategies and how best to formulate them in
   order to pursue developmental objectives.

3. This note attempts at identifying some opportunities and challenges
   created by the suspension, particularly in relation to the continuation of the Doha
   negotiations. In fact, the early identification of pressure points in the negotiations
   can help developing country delegations enhance their preparedness for the time
negotiations resume. To assist in the identification of such pressure points, this note is structured around three main possible scenarios for the negotiations:

a. **Quick resumption and conclusion**: a resumption of the negotiations in the coming months, probably between November 2006 and March 2007, with agreement on the main negotiating elements and a conclusion of the Round in 2007;

b. **Slower resumption or early harvest**: A slower resumption, with negotiations extending beyond 2007, with either a conclusion of the round in 2008-09 or the earlier agreement of an early harvest package;

c. **Hibernation**: A complete suspension of the negotiations, bringing the negotiations to hibernation or collapse, with the maintenance of a work programme in the WTO focused on its core activities, i.e. dispute settlement, trade policy review, and management of existing agreements.

4. Needless to say, these scenarios constitute simply a tool to help identify challenges and opportunities under different conditions, and do not attempt to predict the most likely developments over the coming months. In fact, the scenarios are not enumerated in any order of likelihood. Furthermore, different developing countries will assess each scenario differently depending on the balance between their individual defensive and offensive interests.

5. Moreover, the various elements under each scenario are not mutually exclusive and there could be several variations, combinations or permutations in the scenarios. Obviously, the precise contours of each scenario depend on a variety of factors which would be hazardous to predict.

Finally, the analysis hereunder concentrates on the consequences for developing countries, in particular having regard to the pursuance of the objectives of the 2001 Doha Ministerial Declaration. This note does not purport to describe the consequences of these scenarios for world trade, global economic prospects and development.

**II. QUICK RESUMPTION AND CONCLUSION OF THE ROUND IN 2007**

**Description and contents**

6. A resumption of the negotiations would primarily depend on the willingness of the major WTO players to reinitiate talks or, more importantly, on how relevant Doha Work Programme is for them. The amount of effort that each player will put into resuming talks will indeed depend on the balance of each player’s offensive and defensive interests, and on their capacity to mobilise all other WTO Members.

7. Several of the major WTO players have expressed their interest in maintaining the Doha talks alive. The main messages of the G20 Summit in Rio
de Janeiro\(^1\), the Cairns Group meeting in Australia\(^2\), and the recent EU-USA “exploratory” meeting in Washington\(^3\) was that the Doha negotiations “are alive” and that all major players remain committed to objective of concluding the round. It would, hence, appear that there still is enough political will to keep the prospects of concluding the round. Additional efforts to reinitiate talks on a negotiating mode\(^4\) could be made probably after November 2006, after the midterm US congressional elections.

8. Moreover, since the divergences opposing the major WTO players - the G6\(^5\) - countries seem to be punctual (aspects of agricultural modalities) and relatively small, it is possible that resumed negotiations yield an agreement quite quickly.

9. Some of the necessary elements for the conclusion of the Round in 2007 include:

   a. An improvement in the USA offer in agricultural domestic support, however minimal, so that WTO Members (and the press) are convinced of an American commitment to the negotiations. It is worthwhile highlighting that such offer could be minimal or only apparent, that is, it could consist of a mere manipulation of technical elements.

   b. A continued willingness of the EU to show “flexibility” in Agriculture, probably with an improvement its offer in agricultural market access. This improvement could also be apparent only.

   c. India and Brazil would also probably need to agree to concede greater market access, both in Agriculture (SSM, SP, tariff reductions) and NAMA (tariff reduction formula and flexibilities of paragraph 8).

   d. Finally, other developing countries would need to be satisfied with the contours of a G6 deal, and hence not oppose it.

10. Several commentators have argued that such a “middle ground” in Agriculture could consist of: tariff reductions in agriculture of approximately 54% for developed and 36% for developing countries (G20 “middle ground” proposal); a reduction of US overall trade distortive support to a point at least slightly below its current bound level at the WTO (for instance, it its current applied level, $19 billion); and the elimination of export subsidies by 2013.

11. While a readjustment of services negotiations to match agricultural

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\(^1\) “We reaffirm that our countries remain committed to an ambitious, balanced, pro-development outcome for the Round and we are prepared to contribute to that end.” G-20 High Level Meeting with coordinators of developing-country groups - Press Statement, 9 September 2006.

\(^2\) “The Round cannot be allowed to drift. Further delay adds to the risk that we lose the gains secured to date in the negotiations and the continued momentum for trade reform.” Cairns Group Ministerial Communiqué, 22 September 2006.

\(^3\) “I hope that this visit will give us renewed energy to work together to get it done, by showing flexibility ourselves and persuading others to do likewise.” Bridges Weekly Trade News Digest, Vol. 10, Nb. 32.

\(^4\) Recent high level meetings have all been described as “exploratory” only in nature. “This was not a negotiation, it was never meant to be one”, said, for instance, Commissions Peter Mandelson after his trip to Washington. Bridges Weekly Trade News Digest, Vol. 10, Nb. 32.

\(^5\) The so called G6 comprises the USA, the EC, Australia, Japan, Brazil, and India.
modalities seems difficult to operationalise, in that case, NAMA modalities would be easier to agree, with minor adjustments depending on the “ambition” of agricultural modalities. The link between NAMA and Agriculture is not only easier to make technically speaking, but it was also inscribed in paragraph 24 of the Hong Kong Ministerial Declaration. For instance, several commentators have argued that there could be a “landing zone” around a Simple Swiss formula with a coefficient of 10 for developed and 15-25 for developing countries.

12. Assuming that all the conditions to complete negotiations in 2007 are met, the US administration would need to indicate to Congress its intention of signing a trade agreement 90 days before the Trade Promotion Authority (“fast track”) expiry date, that is, no later than 1 April 2007. For this reason, many commentators have suggested that April is the actual deadline for a successful conclusion of the round.

13. As a matter of fact, in addition to the uncertainties related to the negotiating process, another major doubt surrounding this scenario is the US ability to negotiate trade deals under its TPA. In fact, the current TPA\(^6\) is set to expire in July 2007, which means that, from that date on, Congress can approve, amend or reject individual provisions in a trade agreement signed by the US administration instead of either approving or rejecting it as a block. Most trade analysts would agree that, without fast track authority, there would be too much uncertainty over the concessions negotiated by the US administration, considerably reducing the credibility of the US with its trade interlocutors. It is unclear whether the US administration could request and obtain an extension of or a new TPA from Congress.

**Consequences**

14. If all the uncertainties surrounding this scenario are dissipated and assuming that Members can indeed bridge the gaps that divide them, the most obvious consequence would be that negotiators would rush through other items in the work programme in order to keep with a short timeframe. This would have conspicuous consequences for the negotiating process, such as a degradation of transparency in favour of less participatory methods, such as “silent diplomacy”. Moreover, Items of interest to developing countries, and particularly to those developing countries with limited negotiating leverage, could hence be overlooked, or decided upon hastily. An example of the consequences of a rushed agreement for developing countries agenda would be, for instance, a partial, inadequate or empty solution to demands of cotton dependent countries.

15. A major issue in that regard is how the balance will be set between overall concessions made by developing countries vis-à-vis those made by developed countries, bearing in mind the objectives of less than full reciprocity in new

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\(^6\) Bipartisan Trade Promotion Authority Act, 2002.
commitments. The final package could indeed be labelled “Doha light” or not, depending on whose concessions one is assessing.

16. Furthermore, such a scenario would most likely require developing countries to shoulder the bulk of the market access concessions of the negotiations in order to make the round “attractive” enough – ambitious, that is – for all major players to come back to the negotiating table. There has indeed been mounting pressure on the developing countries, particularly on the G33, to lower their expectations in terms of “flexibilities”, which the United States has referred to as the “black box”. In addition, the United States has peremptorily affirmed that it would not improve its agricultural offer, at least for the moment, and that it is waiting for others to do a forthcoming step first.

17. Some even suggest that the tension has moved away from Pascal Lamy’s original triangle (NAMA market access, Agriculture market access and Agriculture export subsidies) to a new, developing country triangle (special products, special safeguard mechanism, and special and differential treatment in agriculture). This reveals the how strong the pressure that will be exerted on India and other G33 countries and also shows how important the cohesion and unity of the group will be after resumption.

18. It would also mean developing countries accept to narrow down their own offensive agenda in order to safeguard such a fragile deal. For instance, G20 countries could have to lower their demands in agricultural domestic subsidies.

19. Such a deal would, of course, be disappointing for the development community; not only because it would lack emphasis on real development issues, but also because it would miss the opportunity to correct the trade imbalances that the Doha mandate had purported to address. While some developing countries may satisfy themselves of such a deal, none would probably argue that it matches their original expectations and many would feel utterly disappointed.

III. SLOWER RESUMPTION, DOHA À LA CARTE OR EARLY HARVEST

Description and contents

7 “In WTO […] We have the Amber Box and we have the Blue Box and we have the Green Box. It turns out in market access all we have is the Black Box. That is a Black Box with loopholes. Unless and until we are able to pin those down and figure out what is behind the curtain, we don’t know what is there, we can’t evaluate what’s on the table. […]And all the WTO members need to stretch and all need to focus on eliminating the Black Box so we can get on with the rest of the negotiations. If that means new proposals, so be it, but they should be real proposals. Transcript of Ambassador Susan C. Schwab Remarks on the Doha Development Agenda, 07 July 2006, available at the USTR website: http://www.ustr.gov/WTO/WTO_Transcripts/Section_Index.html

8 “U.S. Trade Representative Susan Schwab said in a speech Washington was still waiting for other countries to match the “bold” proposal the United States made one year ago this month to cut farm subsidies and tariffs.” […] "Calls for the U.S. to go first? Been there. Done that. Bought the T-shirt. Didn't work". U.S. won't move first to save WTO talks - USTR Schwab, 4 October 2006. Available at: http://in.news.yahoo.com/061003/137/68612.html
20. If one or several of the elements necessary for a resumption and conclusion of the negotiations by 2007 are not met, there are chances that the round be suspended for a longer period of time. Of course, as several country representatives and groups of countries have said, the longer the suspension lasts, the more difficult it becomes to resume where negotiations had been left off.

21. In that case, WTO Members could either decide to leave all talks suspended beyond 2007 or try to adopt an early harvest package in order to save at least some of the negotiating elements.

22. In the first case, negotiations would extend over a much longer period than originally expected, possibly with conclusion around 2008, 2009, even 2010. By then, it is expected that many of the major WTO Members would have undergone domestic elections (USA, France, United Kingdom), yielding a new political context, which would hopefully favour a more developmental outcome.

23. The second option – early harvest - would probably be favoured by those Members that either have an interest in reaping benefits from these elements, or that would like to save the credibility of the multilateral trading system as well as capitalise on a partially successful agreement.

24. In a context where Members lack the political will for greater concessions in market access (particularly in Agriculture and NAMA, since Services negotiations have often been labelled as lacking impetus), a minimalist package could still be adopted if all Members were concerned about saving the credibility of the WTO. Depending on their interests, Members would cherry pick elements from the Doha Work Programme. The possible contents of such a “Doha à la carte” or early harvest package could be as follows:

a. Europe’s seven elements of a “development package”

   i. Task Force recommendations on the Enhanced Integrated Framework;
   
   ii. Task Force recommendations on the Aid for Trade Initiative;
   
   iii. Duty Free and Quota Free treatment for 97% of all products originating in Least Developed Countries (LDCs);
   
   iv. Improvements to individual S&D provisions (negotiated on a “fast track and stand alone basis”);
   
   v. Trade Facilitation (linked to the Aid for Trade Initiative);
   
   vi. Improvements to Rules of Origin, to make them more development friendly;
   
   vii. Improvements to the Dispute Settlement Understanding;

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25. In addition, it is likely that some Members would strive to include other elements in such a package, depending on their own interests as well as on whether the negotiating mindset is collaborative or not. Such elements could include, for instance:

a. Services domestic regulations, and

b. Some sectoral initiatives in NAMA or Services in so far as these agreements operate as plurilateral sectoral agreements, with voluntary participation.

26. With respect to the possibility of an early harvest package, it is worth noting that a “developmental package” had generally not met positive reactions for instance, when it was proposed by the Europeans. It would indeed be difficult to garner support from all the membership on all the elements enumerated above. For instance, the United States would most probably not be willing to implement duty and quota free treatment in favour of all LDCs separately from the other elements of the round. In addition, WTO Members seem, for now, to have agreed to save only two elements from the negotiations, namely, Aid for Trade and the Enhanced Integrated Framework.

**Consequences**

27. One of the major challenges for developing countries under this scenario would be to reject a package they do not want without being blamed for the failure of the round and the weakening of the WTO system. So much more so if the package is labelled as a “developmental package” or developmental early harvest. Developed countries would wish to capitalise on such a package and would be ready to blame developing countries for refusing a “developmental deal” that was totally “free” for them.

28. While the question facing the LDCs in a suspension scenario is how to lock in some of the benefits that they have been promised so far, it is not certain that accepting a “developmental early harvest” would be in their interest. Although some Members of the group could be tempted by such a (especially those which currently are not beneficiaries of the major non-reciprocal preferential schemes of the EC and USA), others could feel that linking these elements to the rest of the single undertaking would grant them greater negotiating leverage, particularly with regard to the effective implementation of that package (e.g. aid delivery).

29. Besides, depending on the details of such a package, its developmental benefits could be questionable or simply not exist. Developed countries could try to capitalise on a deal that is largely or totally empty depending on how it is framed and implemented. The Hong Kong decision to exclude 3% of LDCs

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10 During the General Council of 10 October 2006, WTO Members have confirmed their willingness to pursue with the implementation of the recommendations of the task force on Aid for Trade (see document WT/AFT/1).
products from duty and quota free treatment is a case in point. Similarly, the operationalisation of the recommendations on Aid for Trade is not totally innocuous, as it could encapsulate conditionalities, such as forced trade reforms or trade facilitation rules, which developing countries had originally rejected in the negotiations.

30. Moreover, the reaction of other developing countries, which would not benefit from the elements of such a package, is unclear. For instance, there would be little benefits under this scenario for cotton dependent countries, for whom there would be no immediate “trade solution” to the problem of falling international prices.

31. Furthermore, isolating “developmental elements” in an early harvest agreement could give the impression that development is not a cross-cutting element of the Work Programme. Hence, once talks on the core elements of the programme restarted, there could be pressure to negotiate only the market access issues, without developmental or S&D concerns, pretending that the developmental aspects have been delivered previously.

32. Taking developing countries as a whole, it would seem that a Doha à la carte option could really only satisfy few Members, whose agenda is narrowed down in favour of saving the multilateral trading system from collapse.

33. In fact, a scenario of prolonged negotiations, without any early harvest, would possibly be deemed tantamount to collapse by some governments and the press. Others, nonetheless, could argue that a slower negotiating pace with a much later conclusion would be most prone to yielding a more balanced and developmental negotiating outcome. It could also be said that a slower pace would also free some of the time and capacity of developing countries allowing them to engage more seriously in other trade negotiations, particularly the Third Round of negotiations among developing countries under the GSTP (General System of Trade Preferences among developing countries)11.

IV. **HIBERNATION OR COLLAPSE**

**Description and contents**

34. If the negotiating mood deteriorates to the point that WTO are not willing to make selected concessions in the context of a early harvest package (e.g. aid donors) and if WTO Members start questioning the original 2001 Doha mandate to the point of wishing to replace it, negotiations could enter a long period of hibernation, in other words, be indefinitely suspended. Worse, some Members could use that strategy to simply let the round collapse, without explicitly phrasing it that way.

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11 [www.unctadxi.org/gstp](http://www.unctadxi.org/gstp)
35. There are, of course, many uncertainties and some forces that could influence the process and nullify prospects of resumption in the foreseeable future. Members’ domestic sensitivities and the interest of many protectionist pressure groups have become ever more apparent over the past months of negotiations. An example of such forces is those that influence few developing countries benefiting of non-reciprocal trade preferences. However, it is not clear how strong these forces will be within individual Members’ domestic constituencies and at the multilateral level.

36. For instance, an increase in agricultural protection in the USA in the context of a new Farm Bill would most certainly abate the interest of other large WTO Members to come back to the negotiating table (particularly G20 and Cairns). Similarly, from developed countries’ viewpoint, flexibilities granted to developing countries in the various market access negotiations could also reduce the attraction of the original mandate and the current negotiating frameworks.

37. In case of an indefinite suspension of talks, or their de facto collapse, it is likely that the WTO would, nonetheless, remain an important international forum, albeit reduced to its core activities: dispute settlement, trade policy review, and management of existing agreements in its regular bodies (SPS, TBT, monitoring of Agricultural subsidies, anti-dumping procedures, etc.).

38. It is also possible that, under this scenario, new ways of operating develop in the WTO. For instance, there could be a revived interest for sectoral and plurilateral agreements, gathering only those WTO Members that have an interest in further liberalising part of their trade. This would also enable the developed countries to differentiate among developing countries, bypassing the obligation to treat all developing countries, except for the LDCs, in the same manner.

39. Since WTO provisions tend to set the floor (model) of most rules in regional and bilateral free trade agreements (RTAs), and since it is widely recognised that the multiplication of different rules in RTAs increase the cost of trade for both governments and businesses\(^\text{12}\), it is also possible that the WTO remain an important forum for rule-making. There would certainly be interest from some Members in expanding the WTO agenda towards new rule areas, such as investment, government procurement and competition. Agriculture reform could once more be used as a bargaining chip to have those areas covered. However, it is not clear whether developing countries would accept that.

40. Finally, while trade rules are easier to establish at the multilateral than at the regional level, it is possible that market access negotiations become more intensive at the bilateral and regional levels, where the negotiating mode would seem less complex.

**Consequences**

41. Many developing countries will argue that having a moribund round of negotiations, however ailing or slow, is better than having it collapse. In fact, many small developing countries fear they do not have sufficient negotiating leverage to enter into regional or bilateral deals, or that they cannot influence deals struck by other two countries that would affect them detrimentally. Recently, some have even said that the EU and USA could be nurturing plans to integrate their economies in, for instance, a Transatlantic Free Trade Area (“TAFTA”) 13, a move that could isolate the developing world leaving the current unfair multilateral trading rules untouched. In any case, the EC has already made public its intention to embark in a series of new generation bilateral free trade agreements.14

42. In contrast, many larger developing countries have already started implementing an aggressive strategy to sign RTAs. Hence, it is possible that larger developing countries – or those that already have secured adequate market access in their relevant target markets – could accommodate themselves under such a scenario. Some developing countries may even prefer this scenario. However, other developing countries that had hoped for a revision of multilateral trading rules (e.g. agricultural subsidies) may find it more difficult to accommodate under this scenario.

43. In fact, an obvious consequence of a definitive hibernation of the round is that it would maintain the multilateral trade status quo, meaning, for instance tariff peaks and escalation both in agricultural and non-agricultural products and high levels of agricultural subsidisation in rich countries.

44. Finally, a prolonged period of hibernation or a definitive collapse of trade negotiations would force developing countries to rethink how they integrate world markets. Given the dynamism of developing countries economies, this could constitute a fundamental push towards stronger South-South trade integration and cooperation.

V. Conclusion

45. These scenarios have shown only the first elements of a large range of

13 The German Chancellor, Angela Merkel has been reported as expressing a “sudden interest in promoting a free-trade dialogue with the United States during her term” as EU president. “And in many ways Merkel is simply admitting the futility of future Doha talks, which have been deadlocked for some three years. A fresh venue and a fresh goal would likely do U.S. and European negotiators far more good than simply rehashing the blame storming that has marked Doha negotiations for the past few months,” Global Market Brief: Hints of a Trans-Atlantic Trade Grouping” (21 September) available at: https://www.stratfor.com/products/premium/read_article.php?id=275955.

possibilities facing developing countries with the suspension of the Doha negotiations. It is quite clear now that the brinkmanship exercise that led to the suspension did not improve the negotiating dynamics. On the contrary, it imprinted graver and more dramatic characters in the negotiations, making it seem that developing countries should choose between accepting any round or having no round at all.

46. Developing countries should use this time to assess all the elements in the negotiations that were shaping up to an overall outcome and check how these relate to their balance of interests. If such an assessment shows that the overall picture is unfavourable to them, they should rather advocate for a reform of the negotiations, even if that delays the conclusion of the round. This will require technical and political work, and the earlier delegations start this process, the better they will be prepared for a resumption of negotiations. Cohesion and political unity among developing countries and among developing country groups will be fundamental in successfully conducting this process.

47. Concomitantly, developing country capitals should take this time to reflect about their trade integration strategy. Many developing countries do not have a trade and development plan that may provide a framework for the formulation of informed positions in the negotiations. Such plans would be helpful in defining the role that the WTO and other trade fora play in each country’s international trade integration. In this respect, the suspension provides an excellent opportunity to reconceptualise, revive and boost South-South trade and cooperation.
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