

-Small Victories in the Road Forward- “No breakthrough, but no breakdown” at WTO meetings in Hong Kong

By David Runnalls

Canada’s Ministers of Trade and Agriculture joined their counterparts from 149 countries in Hong Kong last month for five gruelling days of high-stakes negotiations, designed to get the current round of world trade talks back on course. Meeting against a backdrop of sometimes violent public protest, and in talks that dragged into the wee hours of Sunday morning, the Ministers in the end managed, in the words of the Chair of the talks, “to pull a rabbit out of a hat.” In the end, this may prove to be a very small rabbit.

Previous World Trade Organization (WTO) meetings in Seattle and Cancun had imploded in acrimony, and the speculation was that the organization could not withstand another such failure. The goal in Hong Kong was to set a roadmap for completing the negotiations that kicked off in 2001 in Doha, Qatar—the eighth such round of talks since the birth of the multilateral trade regime—to liberalize trade and investment rules world-wide. But coming into Hong Kong, positions were so polarized that many wondered if it could be done.

What did the world get in the end? In WTO talks, everything waits for agriculture, and until the deadlocks there are broken nothing else moves. The big breakthrough came when the EU agreed to set a date for the end of all export subsidies in agricultural products (2013—not exactly the day after tomorrow). This was welcome news for developing countries and countries like Canada, that are effi-

cient producers but can’t compete with the U.S. and EU treasuries.

While that is a welcome achievement (if a distant prospect), the problem is there was no real movement on domestic subsidies, which make up the major portion of EU and U.S. support. And there was not much done to prevent the big subsidizers from simply shifting their spending from prohibited types of support to other types. For that, we await the detailed results to come.

That breakthrough allowed all other areas of talks—on non-agricultural goods trade, trade in services, intellectual property rights, and special treatment for poor countries—to move forward, albeit haltingly.

In the end, Canada can be happy that it has managed to shelter the Wheat Board from destruction—something the EU had been calling for. And it seems to have found some breathing space for the system of supply management that protects Canada’s egg, dairy and poultry producers, though Canadian consumers might have welcomed the price breaks that would come with liberalization in these areas. And we seem to have set the track for opening up

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markets in developing countries for Canada's manufactured goods. Exporters of services like banking and insurance did not get the ambitious results they wanted, and will still have a fight to get developing countries to open their markets to foreigners.

It is worth asking what developing countries got out of this meeting; the Doha Round has since its inception been sold as a ticket out of poverty for poor countries of the world. One result that has been much trumpeted is the promise by rich countries to allow duty-free access to imports from the poorest of poor countries by 2008. The catch is that three per cent of all product types can be left out of the deal. This means hundreds of products. If applied to even a *dozen* key products this loophole will render the pledge meaningless for almost all products of interest to poor exporters.

There was also a pledge to end U.S. export subsidies in cotton—a product of specific interest to some extremely poor African producers. This too doesn't stand up under scrutiny, since the U.S. was obliged to remove these anyway after losing a WTO challenge from Brazil earlier this year, and since 80-90 per cent of the problematic support is in other types of support.

Also in the “not as good as it looks” category were major pledges of money for poor countries in the form of development assistance—pledges that most observers discounted as unlikely to ever actually materialize.

There was at least one victory for the poor. The agriculture talks agreed to allow them to exempt some products from the general tariff reductions, if those products are particularly important for rural livelihoods and food security. But in the end, the harvest for the poor was pretty meagre.

As one negotiator observed, Hong Kong produced “no breakthrough, but no breakdown.” The road from here to completing the round is not going to be easy. None of the details—percentages of tariff reductions, for example—have yet been worked out, and if that isn't done in the next few months, President Bush's “fast track authority” will expire and the U.S. Congress will regain its ability to tear the deal apart when it comes back from the negotiating table. This would be the kiss of death.

The challenge from here on in is twofold. First, the uncertainties that remain offer enough room to swing the final Doha deal from good to bad for Canada—and for the poor countries of the world. So negotiators must fight to produce something that actually benefits the majority of the world's population. And second, they must do it at a speed that is beyond anything they've done in the four years since these talks began. Hong Kong in the end produced the room to move forward, but it is an improbably narrow window of opportunity.

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