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Suspension of the World Trade Round – Multilateralism, Global Governance, and Development Policy in Crisis

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1 "Suspended," "collapsed," "failed" – A brief outline of the most important developments

On July 27, 2006, Pascal Lamy, current (since September 2005) WTO Director-General and former EU trade commissioner, threw in the towel: Having recognized that under his leadership bargaining positions, even in the smaller circle of the G6 (Australia, Brazil, the EU, India, Japan, the US) had come to an insurmountable impasse, Lamy suggested a "time-out" and a temporary "suspension" of the WTO's Doha Trade Round. The main blockades turned out to be on the two agriculture flanks of what Lamy referred to as the "triangle": market access and domestic support for agricultural goods – while the third side, the issue of tariff reductions for industrial goods (NAMA = non-agricultural market access), was not even able to be addressed.

A few weeks earlier, on July 1, following three days of negotiations with a "representative groups of ministers," Pascal Lamy had already been forced to concede: "We are in a crisis", only then to be given enlarged authority to consult with WTO member states and to act in the capacity of a "facilitator" and "catalyst." These talks, he then had to admit, had failed to lead to any results and could not reasonably be continued at the present level. What this clearly means is that the entire schedule of the talks has become unrealistic and it will now be impossible to reach an agreement this year, or before the US president's "fast-track authority" has expired on July 1, 2007. The "collapse" of the multilateral trade talks has meant not only that negotiations in the fields mentioned have been "put on hold", but that talks have been suspended on all other fields under negotiation in the WTO framework. All of the interim results reached in recent years – results particularly important for developing countries – including cuts in agricultural subsidies, a ban on cotton subsidies designed to benefit West African cotton producers, and quota- and tariff-free market access for LDCs[1] have been shelved.

It is at present wholly unclear whether, and when, the Doha Trade Round will be revived and continued in view of this "collapse," as Lamy himself described the situation in an article he wrote for the July 27 edition of the "International Herald Tribune" in the form of an open letter to the trade ministers concerned. The majority of member countries still wants results – but not at any price! Informal and bilateral talks evidently continue, including those conducted between US Trade Representative Susan Schwab and Brazilian Foreign Minister Celso Amorim at the end of July in Rio. But even if a compromise should be reached leading to a breakthrough in the agriculture negotiations – which is as good as inconceivable prior to the US Congressional elections scheduled for November – both NAMA and several other areas of the deadlocked Doha talks pose a number of complex problems on which fair solutions conducive to both development and integration have either proven elusive or seem unlikely to emerge in the foreseeable future; examples would include the negotiations on the service sector (GATS = General Agreement on Trade in Services), on "special and differential" treatment for developing countries, on TRIPS[2] and public health, on rules, and on implementation of the agreements.

The talks in the framework of the "Doha Development Agenda" (DDA, named after their venue in Qatar) started in November 2001 under the impression of the September 11 terrorist attacks, have moved from crisis to crisis since – in this regard they do not differ fundamentally from earlier world trade rounds. However, the enlargement of the WTO's membership to a present total of 149 countries, most of them developing economies, has given rise to a wholly new and more complex problem dimension. Following the failure of the 5th Ministerial Conference in Cancun (Mexico) in September 2003, numerous obstacles had to be overcome to revive the talks, and in June 2004, agreement was reached on a compromise Framework Agreement which brought the talks a few steps further. Failure and laborious progress toward consensus were not far apart at the 6th Hong Kong Ministerial meeting in December 2005 either, although the Hong Kong conference did finally achieve some progress for developing countries a "face-saving" compromise (on agricultural subsidies, cotton, quota- and tariff-free market access for LDCs), securing, at least for the present, both the WTO as an institution and its multilateral bargaining process.

The collapse of the negotiations should not be allowed to obscure the fact that in recent years a number of important things have changed within the multilateral trade talks. Time has not been wasted: The formation of the "G20," the group of advanced developing countries under the leadership of Brazil, India, South Africa, and China, as well as efforts to improve coordination both in and between the groups of poor

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1 Least developed countries.

2 Agreement on Trade-Related Aspects of Intellectual Property Rights.

countries (LDCs, ACP[3], African Group) have altered the architecture of the negotiations in such a way as to effectively prevent the developed countries simply imposing their own terms or reaching compromise at the expense of the developing nations. The problems involved in some important fields under negotiation have been defined more precisely, with possible options being discussed; and either the consequences have become more evident or a need for further analysis (impact studies) has been recognized. Studies e.g. by the Carnegie Endowment for International Peace, but also by the World Bank have noted that the gains in growth and prosperity anticipated from further trade liberalization are not only likely to be smaller than predicted but that these gains will be concentrated, highly unequally, in industrialized countries and a few advanced developing countries. On the other hand, even if developed countries offer them far-reaching concessions on market opening, supply-side constraints will prevent many of the least-developed countries from actually taking advantage of them – there are, in other words, clear-cut limitations to world market integration based on trade policy. While the fact that an "Aid for Trade" package has been devised to counter this problem does have a positive dimension, it is also a symptom of a deeper crisis of the world economic order, of the system of "global governance"; and here neither the WTO nor any other multilateral level has yet managed to respond, in a coordinated and coherent form, to the challenges posed by poverty, underdevelopment, unemployment, and environmental degradation. Having worked, unsuccessfully, for decades to get beyond efforts to cure symptoms and to play an instrumental role in integrating viable economies into the world market, not only the WTO but the overall global (economic) order – including both bi- and multilateral development policy – are in now a state of crisis. If the motto of 1980s development policy was "trade not aid," it has now become clear that without massive national-level efforts and additional aid inputs (Aid for Trade) this is, for many countries, not a viable approach. Trade policy is an important factor, though one that may have been overestimated by development policy; the challenge is fundamental and urgent!

[3] African, Caribbean and Pacific Group of States.

2 The WTO as a negotiating platform – Background

The WTO is a negotiating platform for its 149 member countries, a number that is soon expected to rise to 150 when Vietnam accedes to the organization. The WTO is, in other words, more a "marketplace" for addressing trade interests than a monolithic-bureaucratic power structure. The WTO's director-general and its more or less understaffed secretariat have a limited mandate – and one closely overseen by the member countries – to organize, moderate, and provide "notarial-legal" support for negotiations and dispute-settlement efforts, but it has no autonomous policy-making power beyond its general responsibility to advance the multilateral trade system and a gradual course of trade liberalization. While Pascal Lamy, a strong and recognized personality, has gone to the limits of his widened authority as coordinator, communicator, and "facilitator", the final say remains with the member countries. These, in essence, define their positions in "mercantilist" terms, i.e. with a view to their own interests. Established in 1995 as the successor organization to the GATT (General Agreement on Tariffs and Trade), the WTO was also assigned responsibility for services (GATS) and "intellectual property rights" (TRIPS) as well as for monitoring of implementation at the national level (trade policy reviews) and dispute settlement. The stability of the latter function, a central one that is often underestimated, could come under pressure if the Doha Round fails, or indeed it might even find itself blocked if the number of cases submitted for review is increased massively. Only recently the WTO's authority was expanded to include the notification and review of regional trade agreements; these now number somewhere between 200 and 300, and all WTO member countries – except Mongolia – are in one way or another bound up in this tangle of agreements.

The features defining the WTO's profile include voluntary membership, the principle of consensus in decision-making, and the fundamental principles of reciprocity, nondiscrimination, and most-favored-nation treatment (MFN, or: NTR = normal trade relations); in other words, terms granted to one member country apply for all others. In essence, the aim is to replace "non-tariff" trade barriers like quotas or preferences with customs tariffs, and these in turn are expected to be reduced to the lowest possible levels and "bound." The WTO negotiations are concerned with a continuous process of binding and reduction of what is known as "bound tariffs", that are not allowed to be exceeded by "applied tariffs", with the exception of certain (temporary) cases, are not allowed to exceed "applied tariffs," an arrangement that in effect restricts flexibility and discretionary powers. Since the Uruguay Round some countries have applied a third type of tariff for certain product groups: "tariff-rate quotas" (TRQs) which, starting at a certain quota, lead to the application of a different tariff line. Other non-tariff trade impediments like quality standards (e.g. sanitary and phylosanitary standards) or rules of origin are gaining growing importance in the negotiations.

The working program of the 2001 Doha Declaration (DDA = Doha Development Agenda) alone sets out 21 topics for negotiation; these were to be treated as a "single undertaking," i.e. as a single, reciprocally negotiated package set to be brought to a successful conclusion by January 1, 2005. Bearing in mind that the Uruguay Round of the GATT talks – involving a far smaller membership largely dominated by the industrialized countries – took a total of eights years to conclude and two of the six WTO Ministerial conferences held thus far (Seattle 1999, Cancun 2003) have ended in failure, the constellation we find at present is neither unusually dramatic nor difficult to understand in view of the complexity of the issues under negotiation and heterogeneity of the economic structures and interests involved. In many respects the project comes close to an attempt to square the circle!

3 What is at stake? – What are the contentious issues?

The agenda is topped by agriculture, in particular reduction of subsidies, market opening for industrial goods (NAMA), services (GATS), TRIPS (Trade-Related Aspects of Intellectual Property Rights), special arrangements for developing countries (S&DT = special and differential treatment) as well as implementation of the Uruguay Round and adjustment of the rules. With the exception of "trade facilitation," all of the so-called Singapore issues (investment, competition, government procurement, trade facilitation) taken up in Doha were removed from the agenda under pressure from the developing countries.

What Pascal Lamy has referred to as the "triangle" of market opening for agricultural goods, reduction of agricultural subsidies (domestic support), and NAMA may be seen as the key to the success of the Doha Round in general; it is here that we find a number of irreconcilable positions that are responsible for the indefinite suspension of the overall round. Agricultural trade was for a long time not part of the world trade rounds, and the first agriculture accord (AoA = Agreement on Agriculture) was reached in the framework of the Uruguay Round (Marrakech 1994). The AoA provided for continuing reforms based on new talks set to get underway in 2000 and aimed at coming up with a "fair and market-oriented trading system through a program of fundamental reform…" These reforms were to focus on 1. market opening, 2. domestic support, 3. export subsidies. On the issue of export subsidies, a highly negative practice that leads to market-distorting "dumping," the Hong Kong Ministerial came up with an in many respects inadequate compromise, one that, in any case set to expire in 2013, is again in doubt because of the suspension of talks. Another problematic aspect must be seen in attempts to rescue subsidies by transferring them from the so-called "amber box" (banned or required to be reduced because their market-distorting effects) to the "blue box" (support for production limits) or the "green box" (without or with only minimum trade effects). The majority of developing countries have nothing comparable at disposal like the big "agriculture subsidizers" US, EU, Switzerland, Norway, Japan, Korea.

The main sides in the negotiations are the US, the European Union (represented by the Commission), Japan, Australia (as a representative of the "Cairns Group"[4] of agricultural exporter countries), and Brazil and India (for the – in part overlapping – G20[5], which was formed in the run-up to Cancun). In essence the offers made by the US (on reduction of domestic agricultural support, which had been raised massively in 2002) and the EU (on market opening for agricultural goods) do not go far enough for the agrarian and developing countries. It was above all the US that, for domestic reasons, showed little inclination to enlarge its offer, and that is now seen as the actual power behind the blockade. It is, though, also unclear whether the EU would have had sufficient leeway to ex-

4 Argentina, Australia, Bolivia, Brazil, Canada, Chile, Columbia, Costa Rica, Guatemala, Indonesia, Malaysia, New Zealand, Pakistan, Paraguay, Philippines, South Africa, Thailand, Uruguay.

5 Argentina, Bolivia, Brazil, Chile, China, Cuba, Egypt, Guatemala, India, Indonesia, Mexico, Nigeria, Pakistan, Paraguay, Philippines, South Africa, Tanzania, Thailand, Uruguay, Venezuela, Zimbabwe.

pand its offer, for internal coordination among its 25 member countries has a dynamic of its own, and France is faced with elections in the coming year. While no market-opening demands were placed on the weakest LDCs, strong emerging economies like Brazil and India, or even South Africa, are not prepared to make any further concessions on market opening, since they fear they would be unable to contend with the growing competitive pressure this would entail and are intent on avoiding deindustrialization processes at home. Moreover, they see in the call for cuts in subsidies – and here they find backing among numerous scholars and observers – an obligation already laid down in the agriculture agreements reached in the framework of the Uruguay Round, one that does not call for any further concessions by way of compensation. In the case of the European Union the question is whether such concessions could be seen as legitimately called for in view of the Unions' own interest in reforming the Common Agricultural Policy (CAP), in particular in the wake of the EU's eastern enlargement and with a view to consumer interests.

The NAMA negotiations on market access for industrial goods, which account for a far larger share of the world market than agricultural goods, should apply the principle of "non-reciprocity" in addition to whatever concessions are made to the LDCs. In Hong Kong, however, agreement was pushed through on a "Swiss formula" containing a number of coefficients; under the formula high customs tariffs would be cut further than low tariffs, a development that would affect in particular developing countries, with their generally higher customs tariffs. What is at stake here is the issue of "bound tariffs" and the possibility to temporarily and flexibly adjust tariffs, for actual, "applied" tariffs are in most cases already appreciably lower. Developed countries had proposed a coefficient of 15 for developing countries and 10 for themselves – Pascal Lamy, in an attempt at mediation, proposed a coefficient of 20 – which would have led to considerably higher tariff cuts for developing countries: In view of the fact that the average "bound" tariffs rates for developing countries (34% on average for the 13 sample countries and 29.4% as a simple average for all developing countries) are far higher than the average "bound" tariffs of developed countries (3-4% on average for the EU and the US), this would lead in effect to 70% cuts in the bound tariff rates of developing countries, while developed countries would be required to cuts their bound tariffs by only 20-25%.[6] Accordingly, it is not only labor unions that see major problems, in particular for labor-intensive industries. However, it is also clear that development, industrial growth, and productivity gains will make no headway behind tariff walls, protectionism, and self-sufficiency strategies, and this situation calls for carefully coordinated "sequencing" of internal adjustment policies and steps toward trade liberalization, i.e. for "fine-tuning" instruments. There is no doubt that foreign investment, in turn, is important for the countries concerned, and WTO membership and market orientation count as an important factor when it comes to attracting foreign direct investment (FDI). But very few developing countries benefit from such capital inflows, and in many cases the outcome of such influxes is not new investment with gains in production and employment but company takeovers that cost jobs and entail no long-term growth impulses. Massive tariff cuts lead to major burdens on existing industries and their growth chances, while at the same time tariff cuts may cause appreciable losses in government financial resources – in fact, in many countries tariff revenues account for over one half of overall government revenues – and in such cases replacing customs revenues with tax revenues poses major administrative-institutional problems that developing countries are often unable to cope with. In a letter to German Federal Minister of Economics, Michael Glos, the chairman of the German IG Metall labor union, Jürgen Peters, summed up this state of affairs as follows: "IG Metall takes the view that the export interests of industrialised countries - especially of German industry with its high trade balance surplus - do not justify the pressure which is currently being exerted on developing countries in the context of the WTO. Severe reductions in tariffs can cause serious damage to the local industries of developing countries, their trade balances and public revenues, which are after all essential elements in their development, and have a disastrous effect on the few manufacturing jobs available in mid-level developing countries. Studies by UNCTAD as well as by the World Bank have established that the majority of developing countries have had to accept a long-term loss of prosperity and employment as a result of overhasty market liberalisation. Successful participa-

6 See Esther Busser: NAMA Simulations for Labour Intensive Sectors in Developing Countries, ICFTU, Geneva, June 2006.

tion in international trade requires an adequate level of successful industrialisation - not the opposite.

Other fields under negotiation that are of great significance also and precisely for the developing countries were completely overlaid by the disputes surrounding the triangle of market opening, domestic support, and NAMA. Now that the world trade round has been suspended, these negotiations have also come to a standstill. This goes in particular for the talks on services (GATS) and special and differential treatment for developing countries (S&DT). For even if agreement should be reached on the "triangle" in the foreseeable future – it is expected to take some six months to work out the "schedules," the obligations of the countries concerned – the solutions needed in the other fields will not have been found, and this means that the round will not be able to be concluded as a "single undertaking" – unless the WTO members should revise their decision and accept this as a conclusion, in order then to proceed with negotiations in the other fields. The GATS talks have in any case been conceived with a view to continuity.

The General Agreement on Trade in Services (GATS) is an independent treaty concluded in the framework of the WTO; since 2000 – five years after the agreement was concluded – negotiations have continued on further-reaching steps toward "gradual liberalization"; in November 2001 these talks were integrated into the "single undertaking" of the Doha Round. These negotiations, generally bilateral in nature, are based on a "request and offer" procedure under which member countries submit their own expectations and offers regarding opening of their services markets and leave room for definition of the sectors and terms concerned. Neither is there any formal obligation to generally open service markets nor to privatize public-sector services. Particular emphasis is placed on the right of the countries concerned to regulate their markets – although one problem that is often not clearly understood is that this burdens the majority of developing countries with legal and administrative challenges that they may well have difficulties in meeting. Also, these negotiations have far exceeded all of the timeframes set thus far. To the "more ambitious" countries, the offers presented thus far appear insufficient in terms of both quantity and quality and to do little to open up new commercial opportunities, and for this reason the EU, the US, Japan, and Australia in particular exerted considerable pressure in the context of the Hong Kong conference to embark on "mandatory" sectoral negotiations, and especially the EU wants to see the way opened for "plurilateral" negotiations (Non Paper, 24 June 2005). While very few developing countries have failed to recognize the importance of developing their service sectors, their hesitation or refusal to submit offers is due, in essence, to the fact that they are more interested in a selective and autonomous liberalization that safeguards their scopes of political decision and their revision options, though one that does not involve the binding force of WTO agreements.

WTO agreements contain arrangements that accord special rights to developing countries, guarantee that they receive "special and differential treatment." In principle, this is consensus, and no doubt has been cast on it. In practice, though, unresolved problems are blocking its implementation. What is at issue here is, in essence, longer periods of time to implement agreements and obligations, in part also exemptions from trade rules and disciplines, additional trade opportunities, arrangements for "special safeguard mechanisms," support for WTO-related infrastructure, for training, and in dispute-settlement procedures. The "enabling clause" adopted in 1979 to grant certain preferences (GSP = generalized system of preferences) to developing countries has been pushed increasingly into the background by the basic trend toward dismantling preferences, and now developing countries are complaining about the problem of "preference erosion." Two issues are in the foreground of the discussion:

1. Are these preferences temporary, transitional arrangements that the countries concerned are expected to "grow out of" in order then to conform to the rules – in keeping with the basic principles of non-discrimination – or must they be seen as long-term special arrangements for the developing countries? 2. Can and must the group of developing countries be more differentiated in view of their heterogeneity as well as of the fact that the group of least-developed countries (LDCs) in any case already enjoys special arrangements? The latter possibility has been rejected by developing countries, even though it seems reasonable to assume that countries like Singapore or Korea, China or Brazil should hardly be able to lay claim to the same arrangements as countries like Mali or Sri Lanka.

Efforts to find, in informal talks, a breakthrough in a "situational" approach that would have made possible differentiated offers for given sectors and situations of countries have in the end remained unsuccessful.[7] What this means in effect is that some 88 individual, unlinked proposals on special measures still await consideration. Apart from affirmative statements and the expectation that "clear recommendations" will be worked out by December 2006 at the latest, the Hong Kong Ministerial made no progress. Assurances were at least given that five proposals concerning LDCs would be given priority treatment – although this has now been put on hold as well. Another issue that continues to be contentious, and not only for developing countries, is whether special arrangements can be found for "special products" and how comprehensive such arrangements should be; some industrialized countries also see here possibilities to protect their own markets in important areas of agriculture. Another concession made to the LDCs in Hong Kong, namely the possibility of "quota- and tariff-free" import for 97% of product groups (tariff lines), would in itself mean massive restrictions for these countries if crucial product groups – e.g. textiles – are included in the remaining three percent. But this, precisely, is the case, and it casts a glaring light on the "fairness" and "development orientation" of this world trade round!

4 "Development round" – Winners and losers

Quite abruptly, and possibly as a tactical maneuver, the Doha Round was dubbed the "development round" by the then WTO Director-General Mike Moore. Beyond the general postulate that trade is conducive to growth and development, and apart from the special arrangements for developing countries addressed above, many of which have yet to be implemented, what is lacking now is conception and concretion. But expectations have been wakened, and today many developing countries are defining their bargaining positions with a view to their translation into practice. The crucial question of how it could prove possible, in the multilateral WTO regime, to bring the much-touted claim inherent in the term "development round" into line with the principle of non-discrimination and a system of binding rules is one that remains unanswered, even though possible alternatives would appear to be even less convincing. As Pascal Lamy noted when he assumed office, the talks are faced with both a "confidence deficit" and – in response to the acceleration of globalization – a decrease in "the level of overall legitimacy of trade openings": Trade alters the structure of the "comparative advantages" between economies, and this in turn affects the specific national "profit and loss account." The fears of and the reserve showed by many developing countries are due precisely to the fact that these countries are unable to adequately assess this profit-and-loss situation and find positive aspects in it for their own national interests. Nor did Hong Kong find an answer to the question of how, under a "mercantilist" interest policy, it might be possible to contain the heterogeneity of international economic structures in a fair multilateral framework. According to recent studies published by both the World Bank and the Carnegie Endowment for International Peace, the gains in growth assumed thus far of further trade liberalization have turned out to be significantly lower than predicted, and gains have proven to be extremely differentiated between regions and countries (as well as within countries).[8] The World Bank forecasts were reduced from an original assumption of US$ 832 billion down to a modest US$ 96 million for a "probable" Doha scenario, and at best US$ 16 billion of this would accrue to developing countries. In other words, according to these scenarios, the rich industrialized countries are the winners of trade liberalization. As far as the agricultural market is concerned, the biggest winners are Brazil as well as, then, Argentina and a number of other Latin American countries, while further losses of market share are expected for the world's poorest regions and countries. In the industrial goods sector – and aside from the industrialized countries – China is expected to make "significant" gains and India is forecast to make "relative" gains, while the poorest countries will be faced with export losses in both the agricultural sector and the industrial goods sector. Looking at the developing world, the overall winners of the round would be China, India, Vietnam (not yet a WTO member), and Brazil, while a mix of gains and losses is likely for the poorer developing countries in different sectors, with some such countries facing the possibility of absolute losses: Many of these countries are

[7] Advisory program of FES Geneva and ICTSD (International Centre for Trade and Sustainable Development) with the chief S&DT negotiator and Head South African WTO Delegation Faizel Ismael.

[8] World Bank (2005): Global Agricultural Trade and Developing Countries, pp. 124–25; Sandra Polaski (2006): Winners and Losers – Impact of the Doha Round on Developing Countries, Washington: Carnegie Endowment for International Peace.

unable even to offer one competitive product in the world market (supply-side/capacity constraints), others see an "erosion" of the preferences they have been guaranteed, and others again – the net importers of agricultural goods – will have to contend with rising world market prices. For example, while Bangladesh and many African countries have experienced substantial losses due to preference erosion, agricultural liberalization will entail losses for Bangladesh and a number of East and sub-Saharan African countries. The adjustment costs are difficult to calculate in any case; as a rule these costs are higher than anticipated, and many countries are unable to cope with them. Even some industrialized countries are complaining of the adjustment pressure, and the EU has now proposed that a "Globalization Adjustment Fund" be set up. No doubt Pascal Lamy is right in pointing out – the more or less obvious fact – that the gains of further liberalization will correlate with trade volumes and that for this reason advanced countries stand to gain relatively more. But without any adjustment of rules, special and differential treatment for developing countries and their "special products," and additional support programs (Aid for Trade), there is good as no chance for a successful integration of a large number of developing countries. It is this that will show us in the end whether a multilateral regime, with – as at present – nearly 150 formally "equal" members, can work, creating an regulative a framework for the global economic dynamic: In essence this means coming to terms with the system question of "global governance" without there being any alternatives in sight.

5 "Aid from Trade" – A way out?

"Aid for Trade (or A4T) is not entirely new, it is another attempt to find a common, coherent, and efficient approach to providing developing countries the support they need to forge on with integration into the world market, to expand trade, and to participate actively in the rule-based multilateral system of trade. A4T is an attempt to come up with a response to the growing realization that at present a large number of developing countries are themselves unable to react positively enough – if indeed at all – to a "fair trade offer." The problems involved extend from lack of productive resources, insufficient physical infrastructure to difficulties in implementing trade agreements as well as in trade administrations, business- and trade-related services, and adjustment costs, which may well means massive losses for some countries. The WTO secretariat already offers technical and training support based on additional funds made available for the purpose by other member countries. A "Joint Integrated Technical Assistance Programme" (JITAP) has been created for African countries, and in 1997 IMF, International Trade Centre (ITC), World Bank, UNCTAD, UNDP, and WTO began implementing the so-called Integrated Framework for Trade-Related Technical Assistance to Least Developed Countries (IF); by late 2005, US$ 30.1 million had been pledged for the IF, in the form of a so-called IF Trust Fund. There is little point in arguing over who has provided the most recent impulse for A4T, the World Bank, the British Overseas Development Institute (ODI), or the Gleneagles G8 summit (2005), or whether the idea's time had simply come. In any case, the Hong Kong Ministerial Declaration (paragraph 57) expressly "welcome[s] the discussions of Finance and Development Ministers in various fora … that have taken place this year on expanding Aid for Trade" and invited the WTO Secretary-General to create a task force that would provide "recommendations on how to operationalize Aid for Trade," as well as "on how Aid for Trade might contribute most effectively to the development dimension of the DDA." In February Pascal Lamy appointed a task force of 13 representatives headed by Swedish WTO Ambassador Mia Horn af Rantzien[9]; the task force then presented its report, as stipulated, on July 27.[10] The report sets a the keynote referred to again and again in informal talks and disputing any direct connection between the negotiations and the A4T debate: "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." But it would – as one head delegate affirmed in an informal discussion round – be naive to deny the "good point of leverage" that this means for both sides: in pushing through extra funds and concessions for the one side and as a means of pressure to gain agreement for the overall round for the other! There is a direct (e.g. trade facilitation) or indirect (preference erosion) connection in some individual areas, but even if the focus is shifted to this complementarity, we still have the fact that Aid for

[9] Barbados, Brazil, Canada, China, Colombia, the European Union, Japan, India, Colombia, the United States, and the coordinators of the ACP, the African Group, and the LDC Group.

[10] World Trade Organization WT/AFT/1, 27 July 2006, Aid for Trade Task Force: Recommendations of the Task Force on Aid For Trade.

Trade has an importance of its own in the overall round, and not merely a "climatic" function, and to this extent it will play an essential role both when the negotiations get underway again and when it comes to a final overall agreement. And one central demand of the task force is that extra funds be made available: "Additional, predictable, sustainable and effective financing is fundamental for fulfilling the Aid-for-Trade mandate." While some individual developing countries expect not only additional resources in a dedicated "A4T" fund but also, and now, concrete, country- or sector-related commitments as well, no more than vague indications have been made on the volume of funds potentially available for Aid for Trade: The trade-related declaration of the Petersburg G8 summit (17 June 2006) speaks of an increase in spending "to US$ 4 billion."[11] The report presented by the task forces refers to A4T commitments made in Hong Kong: from Japan US$ 10 billion over 10 years, the US US$ 2.7 billion p.a. starting in 2010, and the EU EUR 2 billion p.a. starting in 2010. The OECD points out that at present roughly 24% of all official development assistance (ODA), or nearly US$ 23 billion p.a., are spent for A4T programs in the broader sense of the term and notes that substantial growth in such spending is to be expected in connection with the anticipated rise in ODA (in keeping with the Millennium Development Goals).[12] The OECD rightly emphasizes that what must be boosted is less the volume of aid than its effectiveness, noting that in fact the volume of funds pledged is often 'mystified,' while too little attention is paid to the effectiveness and the instruments of the implementing agencies or to receiving country's absorption capacity. The flows of funds or the outcomes actually achieved are more than difficult to trace. The report makes a variety of proposals concerning cooperation between developing countries and donors, points to the "Paris Declaration on Aid Effectiveness", discusses issues bound up with "ownership" and coordination among donors, etc. Yet how this coherence and coordination are to be achieved in practice[13] is a question that remains curiously open and thus, in view of the practical experience gained thus far, unresolved as well. For the WTO itself, the report proposes setting up a "monitoring body" and integrating Aid-for-Trade reviews into the "WTO Policy Reviews."

On the whole, the strategic value of the Aid-for-Trade program must be seen in a general political reorientation of the entire field of development cooperation. This reports indirectly factors in a point of criticism to which development experts, but also UNCTAD, have recently placed in the focus of attention, namely the fact that development cooperation has in recent years, guided by the undisputed objective of "poverty reduction" and in the context of the Millennium Development Goals, shifted its focus to social programs. This in turn has entailed a certain neglect of economic and trade goals. Perhaps somewhat overstated, economic development cooperation proceeded as though economic reform, market opening, liberalization, and improved governance automatically generated growth, development, and integration into the world market – and is now forced to acknowledge that this is not the case, or at least not automatically, and at best under special conditions. UNCTAD's "The Least Developed Countries Report 2006" explicitly calls for a "paradigm shift" away from a "consumption- and exchange-driven approach to poverty reduction" and toward a "production and employment-oriented approach." This programmatic reorientation can entail positive effects if a new approach to global economic policy is found – one supported by a majority of the countries concerned, and above all by the G8 countries. This approach would have to widen the focus beyond the WTO talks and address the impacts of the global financial markets, an issue that has captured strangely little attention in recent years, even though financial market reform can do more to shape global economic dynamics than further trade liberalization alone. And it would also be necessary to place the development of domestic markets, productive capacities, and employment (decent work) on the same footing again with the need for an orientation to foreign trade. This would have to mean that developing countries retain the policy space and the instruments that were long available to other countries (e.g. the "Asian Tigers"). In other words, it would require appropriate and country-specific "sequencing" and "synchroni-

11 "We expect spending on Aid for Trade to increase to $4 billion, including through enhancing the Integrated Framework. It is a necessary complement to a successful outcome of the Doha Round."

12 "The Development Dimension – Aid for Trade – Making it Effective," OECD, Paris 2006, pp. 12/13.

13 "Effectiveness in implementing Aid for Trade will depend on many actors working together in a coherent way. It will involve, for example, the World Bank, the IMD, regional development banks, UN agencies and donors at the national as well as international level, and trade, agriculture, development and finance ministries at the national level." (P. 5)

zation" of liberalization measures. Furthermore, the industrialized and advanced developing countries would have to present trade-related offers, preferably without demanding much in return.

6 What now? – A look ahead

Even though some individual countries or interest groups may already be rejoicing at the "failure" of the WTO negotiations, it is still to early to draw any such conclusion. The negotiations may be "on ice" or "stuck in the sand" – but movement is still conceivable, perhaps even the "catharsis" that could lead to a new start. While it is difficult in the end to dispute that "No deal is better than a bad deal," it is at the same time essential not to overlook the fact that if the overall negotiations fail, some important concessions already made to the developing countries will inevitably called into question. The majority of developing countries want a both a resumption of the talks and a "fair deal."[14] The only way to reach agreement on cuts in agricultural subsidies, which are clearly detrimental to the interests of the developing countries, is multilateral negotiations in the WTO framework. Nor is there any doubt that the negotiating potential of the developing countries, limited in any case, could be further weakened in talks on bilateral or regional trade agreements, and that they could find themselves exposed to massive pressure. The majority of WTO member countries are in any case parties to regional and bilateral trade or economic agreements, which now number somewhere between 200 and 300 and are likely to develop dynamically in view of the standstill presently besetting the WTO. The EU and the US top the list here, but regional and bilateral trade networks are also experiencing a boom in Asia. The consequences for the global economy are not necessarily positive. Apart from the tangle of differing and competing arrangements and their low level of "WTO compatibility," such agreements tend as a rule to lead more to "trade diversion" and discrimination than to any real expansion of trade. Positive impulses for growth and development might be expected from an expansion of "South-South cooperation," in particular if emerging economies were willing to make concessions to the poorer developing countries. This is the main thrust of the "Global System of Trade Preferences" (GSTP) launched in Belgrade in 1988; the system has now been joined by 44 developing countries, and their trade has grown at rates twice as high as the world average, although solutions found within the WTO framework could boost this dynamic even further. However, what would be required for both this South-South dimension and a new start of the negotiations would be for the industrialized countries to make appreciable concessions without demanding full compensation in turn. Yet far from being an accident, the present crisis is the result of attempts of powerful governments – on both sides – to use multilateral cooperation to push through their own short-term interests. Despite continuing contacts between some of the main adversaries behind the scenes, it is more or less unlikely that the trade negotiations will be resumed in the immediate future. Some observers believe that the talks could get off to a new start soon after the November Congressional elections in the US, although others see a window of opportunity opening up at the earliest in 2009 or 2010, following the elections set to be held in Brazil, France, and the US. There is, though, also speculation that US President Bush's "fast-track authority" may be extended beyond July 2007 in a deal on a new "farm bill", especially in view of the fact that Bush - as opposed to Clinton, to whom Congress denied fast-track authority - still has the majorities he needs for the purpose at the moment. At present the main obstacle in the agriculture negotiations, with their huge blockade potential, is the United States. German agriculture minister Horst Seehofer[15] e.g. has noted critically: "The main reason why the negotiations have failed at the present juncture is, in the end, the political calendar of one of the main parties to the talks and this party's unwillingness to make appropriate contributions to reform in the fields of domestic support." He goes on to note: "The European Union and the German government will not relent in their efforts to shape globalization by way of international cooperation." Here labor unions and NGOs have set their sights high: "What is needed is a complete change of mind-set so that multilateral strategic responses to interconnected challenges can occur.

[14] "Benin, on behalf of the African Group, said that least-developed and developing countries would be worst hit. (...) Both groups asked for the talks to resume in September, after the WTO's August holiday." (ICTSD – Bridges Weekly Trade News Digest, Vol. 10, No. 28, 2 August 2006, p.4)

[15] German Federal Ministry of Food, Agriculture and Consumer Protection, Press Release No. 122, 24 July 2006 (German).

This must include: a pro-development reform of current world trade rules; the enforcement of the International Labor Organization conventions on labor rights; an effective protection of the environment; and the availability of adequate financing for sustainable development."[16] Too good to be true?

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[16] Open letter signed by Bruno Rebelle, Amsterdam Greenpeace International; Guy Ryder, Brussels International Confederation of Free Trade Unions; Bernice Romero, Washington Oxfam International; Tom Crompton, London WWF International. International Herald Tribune, 31 July 2006.

More information is available on

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