

Will the Doha Round Play a Role in Ending Global Poverty? *By Sophia Murphy*

As civil society organizations from around the globe unite to call for action against poverty, government trade officials are immersed in negotiations to establish the next “round” of multilateral trade rules. It is a crucial year to drive home the message that trade rules must support poverty eradication.

Development disappears from view

Global trade negotiations take place within the framework of the Doha Agenda. This agenda for negotiations was adopted by trade ministers in November 2001, at the fourth World Trade Organization (WTO) Ministerial Conference in Doha, Qatar.

Trade officials promoted the Doha Agenda as the launch of a “Development” round. But the name was clearly a misnomer. Against developing country wishes, rich countries were determined to launch a wide trade round. They pushed hard at Doha for agreement to negotiate a broad agenda, including “new issues” such as investment and competition, which were opposed by developing countries. In the last hours of the Doha meeting, developed countries succeeded in getting the new issues into the agenda. To push forward unpopular measures, they also managed to link all the issues into a single round, so that countries could not agree to negotiate some aspects and opt out of others. In exchange, developing countries were promised consideration of a mounting backlog of trade “implementation problems”, and help for their trade policy-related needs.

Some three years later, with the adoption of the July Package, any “development” aspect of the agenda has disappeared from view, leaving WTO business as usual in its wake. *Not a single one* of the more than 80 implementation issues raised by developing countries has been addressed. Rich countries are pouring aid into trade capacity-building programs, but these programs have been widely criticized for failing to take a sufficiently broad look at trade and its role in development policy. The only other sign that rich countries have any intention of helping developing countries is their agreement in the July Package – after a long and bitter fight – to drop investment, competition, and transparency in government procurement as issues in this round.

Little else in the July Package reflects just and sustainable trade priorities. The agenda is still very broad, and includes services, industrial tariffs, agriculture, trade facilitation and more. The July Package calls for an accelerated timetable for countries to list service sectors for liberalization. The pressure on the South to commercialize services raises significant development concerns about poor people’s access to essential services such as water, health care and education.

The “Doha Round”

The timelines and issues for negotiation in the Doha Round are detailed in the Doha Agenda (available on-line at the WTO website – www.wto.org).

At first, the aim was to complete the round of negotiations and reach agreement on the items in the Doha Agenda by early 2005. However, in September 2003, at the fifth WTO Ministerial Conference in Cancun, Mexico, negotiations collapsed in deadlock as developing countries refused to be pressured into agreement.

In August 2004, WTO member states got negotiations back “on track”, adding new details to the Doha Agenda with the so-called July Package.

Negotiations will next come to a head at the sixth WTO Ministerial Conference in Hong Kong (December 13-18, 2005). Informally, WTO member states hope to complete the Doha Round of negotiations by early 2007.

On industrial tariffs, the July Package repeats proposals that were made in Cancun (and strongly rejected by developing countries). These proposals to lower tariffs for industrial products will favour companies that are already established in the international marketplace. Most developing country firms are unlikely to be able to hold their own against such global competitors. The proposals will do nothing to help least-developed and otherwise disadvantaged countries diversify and strengthen their industrial base.

Little progress on agriculture

Some of the biggest concerns with the July Package relate to agriculture. Agriculture is the main source of employment and livelihood for people in many developing countries, and is arguably the most important sector for an agenda to eradicate poverty. Concerns about agriculture were a main cause of the breakdown in talks at Cancun.

The need for new rules is clear. Global trade in agriculture is a mess: the current mix of national policies and multilateral rules has sent commodity prices plunging and dramatically increased poverty. Farmers around the world are leaving their land, unable to make a living growing food. Food security (the ability of countries to feed themselves with adequate and culturally appropriate food, whether from their own production, imports or some mixture of the two) seems a more elusive goal than ever. The UN Food and Agriculture Organization reported in December 2004 that the number of hungry people had grown by 18 million since 2000, so there are now 852 million people living with hunger. Governments are a long way from achieving the Millennium Development Goal of halving the number of hungry people by 2015.

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Many, including the WTO, blame the agricultural policies of rich countries for the devastation of rural communities in developing countries. In particular, rich countries are criticized for subsidizing domestic production, which is said to create surplus production that is dumped on world markets, which in turn undercuts developing country producers.



Planting onions in Vietnam. For developing countries, agriculture is a vital sector, and the outcome of agricultural trade negotiations will be critical.

There is a lot to change in rich-country agricultural policies, but the July Package does not get at the problem. Rich countries have again ensured that the proposed rules will not force any actual cuts to their spending on agriculture. The *scope* for spending will be diminished, but spending *levels* will remain largely unchanged.

A deeper problem is that almost all the emphasis is on cutting subsidies, as if government subsidies are the only thing standing between farmers and markets that deliver fair prices. The WTO rules focus on domestic support, tariffs, and export subsidies. The working assumption is that government's role in agriculture should be minimized and the private sector should be left unregulated. As a result, the proposed rules fail to address one of the worst problems: the dumping of agricultural products in world markets at prices that are below the cost of production.

Subsidies are part of the problem. But dumping is also a *structural* feature of current commodity markets because of the power of a small number of private firms. Huge firms control the sale of chemicals and seeds to farmers, grain purchasing and processing, livestock production, and the sale of food and other products to consumers. Their market power enables them to set prices at the expense of farmers and consumers alike. For example, firms sell US cotton in world markets at prices close to 50 percent below what it costs to produce. That cotton drives down the world price for cotton, at the expense of growers in some of the world's poorest countries, including Burkina Faso and Mali.

More fundamentally, the WTO approach fails to respect the broader objectives that many countries have for agriculture – including meeting the human right to food and establishing a strong rural sector as a basis for economic development. Both of these objectives depend on a strong government role and on regulating the private sector.

Time for trade justice

How could the Doha Round support an agenda to end poverty? Trade rules need to: allow policy space so countries can determine the best course for their specific development needs; end dumping; and permit policies that strengthen farmers' power in the marketplace.

Developing countries need policy space to determine what will work best for their needs. To protect their development interests, countries need to maintain control of their economies. For different countries, and for different sectors within a country, more than one approach to trade rules is needed. Flexibility is key.

Opening markets can be an important tool for a country, as when newly opened markets helped Bangladesh avoid famine after the rice harvest failed in 1998. But governments may also need to restrict imports, or manage them, to protect other interests. State trading enterprises may offer services that the private sector is unable or unwilling to provide. Restricting imports may be necessary to protect rural livelihoods and to stabilize domestic prices.

Global agricultural trade rules must outlaw dumping. To address dumping, much greater transparency in commodity markets is needed, including information on companies' market shares. We need a standard measurement for production costs that is made publicly available. The right of developing countries to block dumped produce at their borders needs to be protected.

Canada is uniquely placed to make a contribution. Canada has a long history of programs that support farmers' power in the marketplace while causing a minimum of disruption to world markets. These programs include supply management, such as for dairy and poultry producers, and single-desk sellers such as the Canadian Wheat Board.

Canada's approach to regulating agricultural markets protects farmers and consumers from price volatility and uncertain supply. But WTO negotiations are threatening Canada's ability to continue supply management, by forcing the elimination of most border protections. Supply management cannot work without restricting access at the border. Single-desk exporters are also clearly on the chopping block in this round of negotiations.

On the key issues of border protection measures, ending dumping and increasing farmers' power, Canada and developing countries could make common cause. Canada must also defend developing countries' right to flexibility for their key commodities, just as it seeks flexibility in the rules for its own core commodities.

Looking at the range of issues in this round and the WTO's current approach to trade policy, what is the outlook for Hong Kong? There are some measures still on the table that would help developing countries protect their borders, but they are not sufficiently linked to dumping. There are a few proposals that would help protect developing countries' policy space, but they are not adequate. There is clearly a need for pressure from anti-poverty advocates. The July Package does not offer enough, and we have to push our governments to build an agenda that will.

We cannot eradicate poverty with fair, multilateral trade rules alone. But if we can persuade governments that trade rules must form part of a broader package to support development, we will be well on our way.

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Suggestions for Additional Reading:

For more on the criticisms of trade capacity-building programs, see *Trade-Related Capacity Building (TRCB) and Technical Assistance (TRTA): Capacity Building for Whose Agenda?*, CCIC, September 2003, www.ccic.ca/e/002/trade.shtml.

For additional analysis of the July Package and its implications for development, see *The WTO August 1, 2004 Framework: What's in it for Development?*, CCIC, November 2004, www.ccic.ca/e/002/trade.shtml.