

Grey, Clark, Shih and Associates, Limited

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- *Public Affairs - International Trade* -

THE DOHA ROUND: SEARCHING IN VAIN FOR VITAL SIGNS

A Report to

Larry Miller, M.P.
Chair
House of Commons Standing Committee
on Agriculture and Agri-Food

Lee Richardson, M.P.
Chair
House of Commons Standing Committee
on International Trade

Senator Percy Mockler
Chair
Senate Standing Committee on
Agriculture and Forestry

Senator Raynell Andreychuk
Chair
Senate Standing Committee on
Foreign Affairs and International Trade

by

Grey, Clark, Shih and Associates, Limited
Ottawa, Ontario, Canada

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'The president periodically perfumes the rotting corpse of the Doha round by committing to its successful conclusion in multilateral statements',¹

Charles Freeman
September 13, 2009

THE DOHA ROUND: SEARCHING IN VAIN FOR VITAL SIGNS

EXECUTIVE SUMMARY

1. On May 27, 2010, the 24 Trade Ministers meeting in Paris, on the fringes of the OECD Ministerial, entrusted WTO Director General Pascal Lamy to conduct horizontal consultations in the hope of finding a package which could be closed in 2011. But these Ministers were not even agreed on the scope of this latest initiative. Indeed, one must question the value of this exercise because Doha Round does not include agriculture and even among the few Ministers at the table, there were important differences on scope and ambition.
2. Earlier and subsequent reports from Geneva suggested that negotiators from key countries were “dumbfounded” by the depth of the differences – differences which constituted an “insurmountable” gulf.²
3. Is Doha dead and beyond salvation? I tend to agree with Charles Freeman, a former assistant U.S. Trade Representative now at the Center for Strategic and International Studies in Washington who wrote in an FT op-ed:

“The President periodically perfumes the rotting corpse of the Doha Round by committing to its successful conclusion in multilateral statements.”³
4. World Leaders and Trade Ministers are becoming weary of repeated failures to rescue the Doha Round. Over the last year, the ennui has become more entrenched.

¹ “Obama’s decision on tariffs is calculated cynicism”, Charles Freeman, Financial Times, September 13, 2009, <http://www.ft.com/cms/s/0/9ae2c6b4-a095-11de-b9ef-00144feabdc0.html>

² “Deeply Divided, WTO Members to Search for Common Grounds on Doha”, Bridges Weekly Trade News Digest, May 26, 2010

³ Op. Cit.

5. Broadly based high level rescue missions for the WTO Doha Round negotiations now appear to have been abandoned.
6. Peter Gallagher, a former Australian negotiator, explains rather bluntly but, in my view, quite accurately:

“It's a political *choice* to put the talks on life-support and it will be a political choice to *pull the tubes*. It's Doha that's in *rigor*, not the pollies.”⁴
7. Ministers now seem determined to avoid additional public failures. Negotiations remain deadlocked; so comatose that former supporters of the Round and champions of Multilateral Trade Liberalization now recognize the WTO trade liberalization⁵ system is dysfunctional and multilateral trade liberalization is on a slippery slope to stagnation.
8. In 2009, Reuters reported on the G8 urging trade ministers to complete the Round in 2010.⁶ It was reported that while there were some doubts, that the 153 countries were willing to make new offers.
9. The June 2010 G-8/G-20 communiqués underline what a difference a year can make. Canadian Prime Minister Stephen Harper, who chaired the G8 Summit, used words like “at some point” and “eventually” to describe if and when a deal could be done. He said:

“I would never go so far as to say Doha is dead. I don't think it's true and I don't think we can afford to say that. We've got to find a path over time to get to a successful conclusion,” he told a closing news conference.⁷
10. In fact, if the Doha Round is not dead, it has shown so few signs of life in recent years that such assessments are not surprising. Despite the tireless efforts by WTO Director General Pascal Lamy who claims that reaching agreement in the Doha round “would be

⁴ “Why the Doha Round is failing”, Peter Gallagher, July 10, 2010

⁵ See for example: “How to revive Doha with some chance of success”, Roderick Abbott, Senior Trade Adviser at ECIPE, No. 04/2009

⁶ “G8 injects new momentum in Doha Round push”, Reuters, July 10, 2009

⁷ “G8 leaders drop commitment for Doha deal in 2010”, Reuters, June 26, 2010

like a stimulus program for the world economy”,⁸ many consider the Round is effectively dead – and beyond salvation. Lamy’s prediction that a deal is just around the corner and could be concluded in 2010 or 2011 is simply not taken seriously. Even Doha promoters Australia and New Zealand see 2011 as the earliest possible conclusion.⁹

11. This paper asks: Is the Doha Round Dead? If so, why has it failed and can it be revived? What does the success or collapse of the Round mean for Canada?
12. The Doha Development Agenda and its launch made a political statement in the wake of 9-11 terrorist attacks. Its objectives were very ambitious but with the benefit of hindsight, and absent sound political imperatives of the launch, not realistic. India insisted on a development agenda at Doha as the price for agreeing to launching anything. But those development objectives were shunted aside soon after the launch.
13. We were at Doha on November 14, 2001 when the Round (which India insisted be called the Doha Development Agenda) was launched. We have attended all the major WTO Ministerials since the launch and followed the process daily. We consider that the Doha Round – at least as originally conceived – is dead. Designed as a vehicle to help developing countries, the stalled talks illustrated what many in the trade community feared following the Uruguay Round – that the WTO negotiating process was outdated and not suited to the large and divergent membership and that it was seriously in need of reform.
14. This is a complex issue. The Doha Round appears to be a negotiation which has no end. Few are hopeful about any result ever emerging. Clearly, there are serious concerns about the impact of failure on the future credibility of the WTO.¹⁰

⁸ “Doha round and round” – Business Standard, May 19, 2010

⁹ “Early, Ambitious, Comprehensive”, Washington Trade Daily, May 31, 2010

¹⁰ For example, see Stuart Harbinson: “The Doha Round: ‘Death-Defying Agenda’ or ‘Don’t Do it Again’?”, ECIPE Working Paper No. 10/2009

15. We do not pretend to have all of the answers. No one does, but this paper tries to explain why the WTO negotiations are where they are, to explore where they are likely to be going as well as what this means for Canada.
16. Former Hong Kong representative to the WTO and Chair of the Agriculture Negotiating Group, Stuart Harbinson explained that the case against the WTO is that it has achieved little or nothing of substance since the late 1990s.
17. Harbinson notes that as the Consultative Board to Director-General Supachai Panitchpakdi put it in 2004:

“In recent years the impression has often been given of a vehicle with a proliferation of backseat drivers, each seeking a different destination, with no map and no intention of asking the way.”¹¹
18. Much of the problem can be attributed to trying to use techniques which were outdated despite clear problems with mathematical modalities approaches. The evolving nature of the expanding WTO membership has made the techniques even more obsolete
19. Former WTO Deputy Director General, Roderick Abbott, explained:

“Before and during the Uruguay Round the leaders group was the so-called ‘Quad’ - U.S., E.C., Japan, Canada - with general support from the OECD countries; but after 1995 with the establishment of the WTO, an exponential expansion of the WTO membership and the impact of globalization in the world economy things began to change.... Emerging economies such as Brazil and India, China, with South Africa, Mexico and Chile not far behind, began to take centre stage and exercise their clout.”¹²
20. The Pre-Cancun U.S.-E.U. attempt to create a framework was not as well received as the Blair House Accord in the Uruguay Round. Other countries balked at this attempt to close a deal on a basis which primarily benefitted the two largest players. This Framework proposal was an important cause of the impasse. Harbinson explained:

¹¹ The “Sutherland Report”, WTO, 2004

¹² “How to revive Doha with some chance of success”, Roderick Abbott, Senior Trade Adviser at ECIPE, No. 04/2009

“Scenting the danger of being presented with a fait accompli, other Members, including a large number of important developing countries, were galvanized into forming new groupings in order to counter the E.U.-U.S. alliance which was seen as focused mainly on reconciling the views of the two parties concerned. The most prominent of these new groupings was the “G20”, which submitted its own version of a possible framework in advance of the September Cancun meeting and has played a very significant part in negotiations ever since.”¹³

21. The principal reasons the Doha Round has been on a crash and burn course since the failed Cancun Ministerial are:
- there are too many participants who have widely different economic situations and abilities to take on WTO obligations;
 - the modalities processes developed in the Tokyo Round and carried into the Uruguay Round had become too complex and too focussed on quantification and one size fits all formulae. Real negotiating skills and understanding the implications of concessions was lost in a search for magic formulae;
 - one size fits all solutions do not work with such a diverse cast of participants;
 - major developed participants have essentially ignored demands for rebalancing, i.e., revising the bad deals for developing countries in the Uruguay Round – and now find the U.S. (and E.U. but in a different way) demanding additional concessions which deprives the Round of any real development context;
 - the shift away from the original development aspects of the agenda to unenlightened mercantilism did not sit well with G-20 and other developing countries. This is not surprising – but the resistance to the U.S. agenda has intensified in the current economic crisis.
 - the ability of the G-20 to shape events which emerged at Cancun, has since then made developing countries key players in shaping the agenda and to reject attempts to force bad deals upon them;

¹³ “The Doha Round: ‘Death-Defying Agenda’ or ‘Don’t Do it Again’?”, Stuart Harbinson, ECIPE Working Paper No. 10/2009

- if U.S. demands are accepted, China, Brazil and India will need to give more and take less;
 - there has been far too much pretending that significant consensus exists when it does not, creating an artificial and unsupported agenda with serial failures to narrow gaps and to close. If participants do not believe the negotiations are real, there is no way to close them.
22. The bar was surely set too high at the Doha Ministerial because in the post-9/11 environment it was important to launch a very ambitious round for geopolitical reasons. But the support for negotiations had not changed significantly since the failed Seattle Ministerial. The Doha Development Agenda created unrealistic expectations, particularly among developing countries who were relatively new to the multilateral negotiating process. India tried to use the agenda to its advantage while maintaining that it was working on behalf of other developing countries.¹⁴
23. The problems plaguing the negotiations were recognized early on – but the participants were not prepared to amend the mandate – and no one was prepared to modify the clearly excessive level of ambition. The repeated failure of attempts to force resolution of major differences and to impose solutions has established that negotiations cannot be built on denial.
24. Following the high profile, very public crash of the Geneva mini-ministerial in July 2008, former U.S. Trade Representative, Susan Schwab said:
“... the complexity of the cathedral that was built for Doha may have been its own worst enemy.” She also suggested that “this grand-scale format that we have been operating under since 1947 needs to be reviewed”.¹⁵
25. Martin Wolf, the Chief Economics writer for the Financial Times of London, captured the problems very well in his 2009 Thames Essay:

¹⁴ Op. Cit

¹⁵ Op. Cit.

- “The WTO is beginning to look like a tragic example of “advance into decline”. Its birth looked like a massive breakthrough, since it turned the GATT into the international organization it was originally supposed to become, as the International Trade Organization. Yet, in practice, the more institutionalized and comprehensive the trading system has become, the less effective it has also risked becoming, notably at the old business of trade liberalization.”¹⁶
26. Dr. Wolf recommended the following fix for the WTO:
- “We need to abandon huge multilateral trade rounds. It has taken more than 30 years to complete two and fail, so far, to complete a third. In an ideal world, we would complete the Doha round and then declare victory.”¹⁷
27. But how does the world we live in fix this obsolete, dysfunctional negotiating process? There are few workable suggestions on how to repair the WTO negotiating process. In part we presume this comes either from a reluctance to admit or declare failure and recognize the breakdown of the WTO process, or because the multilateral negotiating process would go into a deep freeze for a decade or more while governments tried to fix a system plagued with seemingly insurmountable North-South differences or to create a new one.
28. Anyone who was in Geneva in July 2008 knows developing countries had their own concerns with U.S. demands. None of the major developing countries were prepared to make additional concessions. Nor would the U.S. or E.U. properly address the major problem in the Agriculture Negotiations. The NGO group War On Want argued:
- “The WTO could have focused its energies on brokering a deal to stop the dumping of E.U. and U.S. farm produce on developing country markets, one of the very worst abuses of the international trading system. But this did not happen. Instead of a development agenda, the talks degenerated into an unapologetic market access agenda.”¹⁸
29. The shift away from development to improving market access in manufactured goods and agriculture for the USA and E.U. has created, not removed the roadblocks. The debate over special safeguards, while based on concerns which are real to WTO purists, simply

¹⁶ “Does the Trading System have a Future?”, Martin Wolf, Jan Tumlir Policy Essays, Number 01/2009

¹⁷ Ibid.

¹⁸ J. Hilary, Director of policy at War on Want, July 2008. Quoted by Euractive in “Pros and Cons of reviving Doha”

contrasts the interests of deep pockets corporate farming with the very real vulnerability of small, subsistence farmers in countries like India – and the very real political powers of these small farmers.

30. The reality is that individual countries, especially those which have declared themselves to be developing countries, are reluctant to make major concessions under a multi-lateral trading regime. A case in point is China:

China refused to cut its 40% import duty on cotton to help the Americans. “We have a political problem, 10 million cotton farmers, mostly in the western province of Xinjiang.” China also declined to give more access for wheat and corn. In the industrial area, China said substantial cuts had already been made during the WTO accession process: “We cannot go back now and say, ‘we will make further tariff cuts’...”¹⁹

31. Agriculture is the main but not the only key to the Doha logjam. We have explained since the launch that Farm Trade is a problem primarily because of the evils of undisciplined domestic support. These subsidies create surpluses which drive world prices down and cripple small farmers in developing countries. They also insulate domestic producers and have an import replacement effect. It is a concern in the global trading system which needs to be excised. There were no improvements in the 2008 Farm Bill. The next Farm Bill is already being discussed and battle lines drawn between the Administration and Congress. Initial discussions in Congress of the 2012 Bill don’t promise relief.
32. U.S. House Agriculture Committee Chair Collin C. Peterson has publicly signaled that he is interested in creating in the 2012 Farm Bill a system that focuses on ensuring revenue for U.S. farmers through improved risk management programs, possibly through enhanced crop insurance and conservation programs.²⁰ However, these are the types of programs which Administration bean counters are proposing to cut.²¹ Indeed, Chairman

¹⁹ “How to revive Doha with some chance of success”, Roderick Abbott, Senior Trade Adviser at ECIPE, No. 04/2009

²⁰ “Peterson Presses Ahead On New Farm Bill, Senate and Administration Defer”, Inside U.S. Trade, May 7, 2010

²¹ “Direct Payments, Crop Insurance Are Prime Targets For 2012 Farm Bill Cuts”, Inside U.S. Trade, May 28, 2010

Peterson has pointed out that a new Farm Bill will have to contend with the fact that there will be less money available due to efforts to reduce the budget deficit. So Congress will try to do more with less or will ignore demands for cuts which will have an impact on an increasingly dissatisfied and ornery electorate.

33. Crop insurance programs under the World Trade Organization are considered to be non-product specific trade-distorting farm subsidies classified in the amber box. There were proposals in December 2008 which appear to be designed to try to make them green.²² This allows countries to shield these programs from the cuts that are otherwise imposed on amber box subsidies as so-called de minimis exemptions, so long as those exemptions do not exceed 5 percent of a member's total agricultural production. For the U.S., this amounted to roughly \$5 billion.
34. In the December 8, 2008 draft, there were proposed modifications to the Annex 2 Green Box criteria which would make it much easier to make "Green" disaster payments. These payments are very valuable to the U.S. which makes them frequently and sets a threshold for market risk insurance below the disaster relief payment level. These modifications would at least enable Canada to allow Canadian farmers to exercise a much higher degree of risk management in a way which did not interfere with the AMS.
35. Chairman Peterson told the North American Agricultural Journalists (NAAJ)²³ that commodity groups are beginning to work on possible changes to crop and margin insurance programs, with the dairy industry being ahead of everyone else. He said cotton producers are looking at potential changes to the program, made necessary in light of Brazil's successful challenge in the World Trade Organization.
36. According to Chairman Peterson,²⁴ wheat growers have put together a working group to look at their programs, as have soybean producers and corn growers, who were at the forefront in the last farm bill by proposing a revenue protection program that ultimately

²² "Whole farm approach in 2012 Farm Bill could boost Amber Box", InsideTrade.com, May 26, 2010

²³ Op. Cit.

²⁴ Ibid.

resulted in the ACRE program in the 2008 Farm Bill. But the changes are likely to impact how funds are paid much more than how much.

Would a Doha Round benefit Canada?

37. In August 2007, the Peterson Institute, a very active WTO/Doha cheerleader, suggested that \$700 billion in benefits would flow from a successful Round. With the greatest respect to the Peterson Institute, this is a “base canard”. These projections and misleading methodology blindly promote what James K. Galbraith calls the conventional ignorance on Free Trade.²⁵
38. Projections of hundreds of billions in benefits from the Doha Round are frankly not credible. They are overstated and unreal. They have been debunked by work done by the E.U. and the Carnegie Endowment, among others. And Canada is not even on the radar when it comes to significant beneficiaries from the Doha Round.²⁶ Some 85 per cent of the benefits will go to Europe, Japan, Korea, Taiwan, Hong Kong and Singapore. These benefits would be mainly in the form of lower food prices.²⁷
39. Ackerman and Gallagher in their 2008 Report explained:
- “The numerical rhetoric surrounding the Doha Round of trade liberalization, the projected benefit of hundreds of billions of dollars to the developing world that continues to echo through trade policy debates, is simply not supported by recent CGE analysis.”²⁸
40. They went on to report:
- “For the world’s less affluent citizens and for developing countries with many people living on \$1 or \$2 per day, CGE models of full trade liberalization offer a penny per

²⁵ “The Predator State: How Conservatives Abandoned the Free Market & Why Liberals Should Too”, August 5, 2008

²⁶ Anderson et al (2005) predicted that the Doha Round would have relatively small benefits for Canada and the USA.

²⁷ “The Shrinking Gains from Global Trade Liberalization in computable General Equilibrium Models: A Critical Assessment”, Frank Ackerman and Kevin P. Gallagher, *International Journal of Political Economy*, vol. 37, no. 1 Spring 2008, p 57

²⁸ *Ibid.*, p 73/74

person per day in some variants and as little as one quarter of a penny from some forecasts of the likely effects of the Doha Round. Similarly, the number of people lifted out of poverty by trade liberalization turns out to be far fewer than the hundreds of millions originally advertised.”²⁹

41. The report outlines how far the modellers went to maximize potential goals:

“Modelers have tried with limited success to broaden the discussion, to discover other categories of benefits that could be brought into the same framework. Liberalization of services does not fit comfortably into trade models; for the most part, there are no service tariffs, making it hard to apply methods developed for merchandise trade analyses. Hypothetical long-term productivity gains from trade liberalization remain open-ended and speculative, only loosely attached to the underlying CGE models of tariffs and short-term trade flows.”³⁰
42. Estimates of benefits to developing countries rest on faulty assumptions and the modelling is misleading.³¹ Such analysis focuses on maximization of benefits, perfect distribution of trade and disregard for the high costs for many developing countries of Doha-style liberalization. At best, benefits to developing countries will be about \$16 billion³² – and costs in terms of lost tariff revenue will be \$64 billion. Only the developing countries ever ask how their lost tariff revenue will be replaced.³³
43. If a Doha Agreement were to be concluded based on the most recent Doha texts, the major beneficiaries in agriculture will likely be Argentina, Brazil and India. Tufts University analysis indicates that of the developing countries, only Brazil will have a slight net benefit.³⁴
44. The problems which would flow from a Doha deal for developing countries are real; they are not imagined. Some countries came out of the Uruguay Round with very limited ability to provide financial support to their farmers. Canada, for one, accelerated implementation of its subsidy reduction commitments, in part to meet budgetary

²⁹ Ibid., p 73/74

³⁰ Ibid.

³¹ “Projected Doha Round Benefits Hinge on Misleading Trade Models”, Third World Network, April 2, 2007

³² “Trading Our Way Out of Financial Crisis”, Global Economic Governance, March 17, 2009

³³ “Concluding Doha Round Could Boost Recovery and Bring Significant Gains”, World Bank, November 18, 2009

³⁴ “Getting wise to the WTO”, Tim Wise, Tufts University, December 27, 2005

concerns, but primarily because Canada lives up to its obligations no matter how difficult it may be to do so.

45. The Uruguay Round Agreements and the WTO Doha rules and negotiating process simply did not take account of the very fundamental, subsistence nature of agriculture in many developing countries. Most developing countries did not have the resources to support their millions of subsistence level small farmers even before the Uruguay Round. Small farmers in these countries are extremely vulnerable to cheap import competition. Small farmers in developing countries cannot be treated the same way as the agribusiness and corporate farmers who dominate agriculture in North America and will do so increasingly in Europe.
46. Some 22 developing countries have announced that they expect to conclude a South-South FTA by September 2010.³⁵ Canada must recognize that these countries, the alleged beneficiaries from Doha, recognize that it is an empty shell and that once the gravy boat moves down the table past Brazil, Argentina and India, it will be empty. Peter Gallagher explains why low income countries will not benefit from Doha:
- “What about the billions of poor people who are only consumers of agriculture? Wouldn't they be better-off with lower barriers?
- Yes, very likely. But the ugly mess of the draft Doha agreement is not the way to do that. The crucial market-access parts of the draft have been corrupted by the otherwise-noble idea of giving trade preferences to low-income countries. The proposed agreement actually *preserves protection* in most low-income countries. That's not going to help the poor.
- Yes...but what about an agreement to end the subsidies to rich-country farmers? Wouldn't that help the poor?
- Yes it would; although not as much as you might think (90% of what they *could* gain from an agreement would come from lower trade barriers) and not as much as it would help budget balances in rich countries. But, again, the draft Doha agreement doesn't do that; it doesn't really make *any* changes to the plans of the main subsidisers, the USA and the EU.

³⁵ “African-Latin American Ministers discuss South-South trade”, Magharebia, June 24, 2008

Yes...but is Doha *really dead* forever? Don't you agree it could come back if markets turn sour in a 'double dip' recession, or Obama wins a second term, or...?

Completely. Nothing is forever...”

47. Canada is not on anyone’s list of winners of any size. Canadians tend to approach the Multilateral Trading System with blind faith and too much of it. On its face, the GATT/WTO system appears to have served Canada well – but nowhere near as well as the CUSTA did. It was here and not in NAFTA where Canada made its most significant gains.
48. In addition to good faith/blind faith, Canada seems to have an abundance of hope that the results of multilateral liberalization will be beneficial. But hope is not a sound business strategy.
49. Canada has been slow and almost reluctant to enforce its WTO rights and to collect on negotiated concessions which it has bought and paid for. Canada did not get what it bargained for in the Uruguay Round. A half-hearted attempt has been made to challenge U.S. domestic support,³⁶ but it is dormant, with no sign of intentions to revive it.
50. In other cases, Canada pursues liberalization of measures which are not problematic to Canadian exporters. Addressing non-tariff and SPS measures which Canadian exporters can already cope with is imprudent. Eliminating/ liberalizing these barriers for all will open up markets we now enjoy to others who cannot meet the tests. Clearly, Canada should accept and understand that one size does not fit all and that we should not waste our valuable negotiating coin to benefit others. In addition, failure to pay attention to detail has cost Canada markets.³⁷
51. Canada can no longer afford to base its trade policy on a “Field of Dreams” approach. The “Shoeless Joes” in the Doha tragedy are likely to be tens of thousands of Canadian

³⁶ “CRS – Canada’s WTO Case Against U.S. Agricultural Support: A Brief Overview”, September 18, 2007, RS22724

³⁷ A case in point is the E.U. Hilton beef quota.

farmers, ranchers and their families. The United States has a more competitive currency than it did when we negotiated the Uruguay Round. The Euro is now much more competitive based on recent currency trades. Modifications to U.S. domestic support systems will likely insulate U.S. farmers from risk much better than Canada can or will.

52. It is time that Canada abandoned its faith in and attachment to the mythology of pure free trade. Theoretical Free Trade does not exist in our mercantilist world. U.S. domestic support and the CAP are not negotiable. And how do we cope with the \$US82 billion in amber support which China has at its disposal.³⁸ Canadian legislators and negotiators must focus on the facts and on reality.
53. Why can't we break the log-jam? Washington has not issued a death certificate for the Round – but the U.S. is the main target of blame casters – because Congress and the Administration are seeking an ambitious and balanced agreement – one in which larger, more advanced developing countries share some of the burdens of liberalization and make bigger contributions to the USA. The U.S. demands for greater contributions from large developing countries (Brazil, China and India) made the logjam even more complicated. The Obama Administration is not playing the usual leadership role ensuring compromise. It is widening the gap.³⁹
54. Does the U.S. really want a Doha deal? – Yes, but only if it suits them. Washington wants greater burden sharing from the larger G-20 members and the U.S. wants more market access without putting their domestic agricultural support under proper and effective discipline.
55. Domestic farm support in the U.S. and E.U. is not the only reason the negotiations are stalled. This is only one of the reasons that the Uruguay Round did not deliver its promised results. The U.S. Congressional Budget Office recently reported that after the Uruguay Round there were some 5,000 tariff lines in 29 countries subject to special

³⁸ “China: Shadow WTO Agricultural Domestic Support Notifications”, International Food Policy Research Institute (IFPRI), September 2008

³⁹ “Tough Doha trade talks loom in political shadow”, The Malaysian Insider, May 30, 2010

tariffication measures – or TRQs (Tariff Rate Quotas).⁴⁰ These TRQs are supposed to guarantee minimum access to these markets for sensitive products, which were exempted from formula or normal cuts. In far too many cases TRQs are not filled because of administrative manipulation. It is folly for Canadian negotiators to discuss increases in unfilled TRQs if they do not or cannot attack and fix the causes of underfill.

56. There is also a view that the negotiations have been overtaken by events. Peter Gallagher explains:

“Forget what the economic modellers say about the big *potential* of a Doha deal. The problem is not that we can't *imagine* big returns from a deal, but that traders and governments have to make choices about how to improve trade returns and, right now, a trade agreement like Doha is not the most attractive option . That's especially true in agricultural markets, but it's also true in services markets.”

Is Supply Management a Cause of Doha Stagnation?

57. There is a conventional ignorance and Pavlovian readiness of uninformed free trade crusaders to make Canada's dairy and poultry sectors whipping posts for all trade woes, real and imagined. Please be assured that we are not opposed to free trade as long as it is truly free trade. This assumes that border measures and internal subsidies are both disciplined and removed. Removing tariffs and border measures to imports without disciplining production and trade distorting subsidies is economic suicide and the worst kind of betrayal of a country's farmers and ranchers.
58. The uniformed criticism of Canada's alleged position on its supply-managed systems never ceases to amaze me. There seems to be more criticism of these systems from inside Canada than from our trading partners – most of whom have their own problems. Too many Canadians seem to approach trade issues, which do not directly impact our exports, with a guilt complex. It is no wonder our trading partners pick up the whip to lay on a few of their own.

⁴⁰ “Alphonse and Gaston Visit Geneva: The Impasse in the Doha Round Agriculture Negotiations”, Peter Clark, Newsmaker Breakfast, National Press Club, September 14, 2005

59. I explained in a letter to the editor of the Globe and Mail:
“Is our dairy policy an impediment? Nothing could be further from the truth. Coming on the heels of a review of European Union dairy policy, concerns attributed to France are an ingenious diversionary tactic”.⁴¹
60. Reporting on supply-managed products in the Doha context does not always benefit from thorough research and analysis. No one ever mentions Canada imports 4.2% of its consumption of dairy products compared to 2.0% in that the USA and 2.7% in the E.U. Do they mention the massive subsidies to dairy industries in the USA and Europe? Or the fact that TRQ protections in Australia on dairy products are much more rigorous than Canada’s?
61. Managed trade is intrinsically evil to most economists, but we seldom look at how others manage trade.
62. For example, Embassy Magazine in a recent article referred to the E.U. as being the largest open market for agriculture in the world.⁴² In view of the overwhelming evidence to the contrary. It is, in fact, the largest rigged market for food and agricultural products in the world. This is an astonishing but incredible statement.⁴³
63. In 2009, the E.U. said it expects to spend up to €600 million on market measures for dairy in 2010. As part of the 2003 CAP reform, an additional €5 billion per year was added to dairy support funding for direct payments to dairy farmers to compensate for reductions in intervention prices. Under the Health Check⁴⁴ and the economic recovery package, an extra €4.2 billion is available to address ‘new challenges’, including dairy

⁴¹ Stop milking our dairy policy, The Globe and Mail, Letter to the Editor, Peter Clark, October 21, 2009

⁴² “Supply management hurting major transpacific trade opportunity: Experts”, Embassy Magazine, By Laura Payton, January 6, 2010

⁴³ “The real reason Canada is lagging on free trade”, Embassy Magazine, By Peter Clark, January 20, 2010

⁴⁴ See www.farmpolicy.com. This was a review of the SFP system two years after the last Member State adopted the SFP.

restructuring. This comes on top of what is already available in Rural Development policy.⁴⁵

64. Canadian dairy farmers balance supply and demand without government support, while the E.U. provides generous support to its dairy farmers (the E.U. Commission, in fact, recently approved €300 million in additional dairy aid). In the past year, France has pumped billions of Euros into their farm economy with a heavy concentration in dairy.⁴⁶ Canadian farmers should not have to compete with the E.U.'s Treasury.
65. Trade negotiations are complex, and the devil is always in the details. This places a premium on balanced research combined with healthy skepticism, especially during these talks."⁴⁷
66. In February 2007, I told the Commons' Standing Committee on International Trade that Canada should be paying more attention to free trade agreements with Asia. Others claimed Canada couldn't hope for success in Asia because we had not been able to negotiate a free trade agreement with Singapore. The Singapore FTA has been hung up in part because Singapore would not agree to treat Canada as favourably as it did the U.S. on some services and investment issues. Canada should not accept second-best deals and has not.
67. When New Zealand Trade Minister, Tim Groser passed through Ottawa he claimed that Canadian dairy policy will keep Canada out of the Trans-Pacific Partnership.⁴⁸ That Canada is being called to task about its positions on dairy in the context of the Trans-Pacific Partnership by New Zealand – whose Fonterra behemoth is the Microsoft of the Dairy Industry – is bizarre because NZ remains silent against broadly based lobbying in

⁴⁵ http://ec.europa.eu/agriculture/markets/milk/index_en.htm

⁴⁶ "Sarkozy announces loans for Crisis-hit French Farmers", AFP, March 6, 2010; "Sarkozy announces €1.65 bn farm aid package" Dairy Markets, October 29, 2009; "E.U. member states demand €300m dairy fund", Dairy Markets, October 15, 2009

⁴⁷ Letter to the Editor, The Globe and Mail, by Peter Clark, October 21, 2009

⁴⁸ "Canada misses chance to Join Pacific Free Trade Deal", The Globe and Mail, April 11, 2010

the USA to keep dairy out of the TPP. Furthermore, there was not even mention of the extended phase-in of dairy tariff reductions by Chile.

68. On December 17, 2009, the U.S. National Milk Producers Federation petitioned the Obama administration to keep dairy imports from New Zealand out of the TPP talks.⁴⁹ What does this mean for New Zealand’s TPP objectives in dairy products? Both Australia and New Zealand should recall the extensive debates in Congress on the U.S.–Australia free trade agreement, which resulted in a special safeguard on Australian beef.⁵⁰
69. U.S. dairy producers told United States Trade Representative Ron Kirk that “the heightened prospect of greater exploitation by New Zealand of not only global markets, but also our domestic industry and policy, would make an already uneven playing field in the global markets worse,” and “will drive down dairy farmer income in America, force farms out of business, and create a ripple effect on dairy plants and other rural businesses.”⁵¹ These are the concerns of a very heavily-subsidized U.S. dairy industry.
70. Clearly participation in the TPP is very important to Canada because of the potential economic expansion of its Asian participants, and because it will eventually add larger players like Thailand and Indonesia. But there are many factors delaying their participation. Reports out of Washington suggest that the U.S. would like to do the deal with current TPP participants and add others later. But Washington has also been sending mixed signals to Canada – mostly focussed on Intellectual Property. The U.S. Congressional Dairy Caucus has told USTR that the TPP is fine but take a hands-off approach to dairy.⁵²

⁴⁹ “Dairy Producers Discuss Key Trade Issues with U.S. Trade Representative”, National Milk Producers Federation, May 13, 2010

⁵⁰ “United States and Australia Free Trade Agreement”, FAS Online, Commodity Fact Sheet, June 2004

⁵¹ “Dairy Producers Discuss Key Trade Issues with U.S. Trade Representative”, National Milk Producers Federation, May 13, 2010

⁵² “USTR Ron Kirk Comments on Trans-Pacific Partnership Talks”, Office of the USTR, June 18, 2010

71. Washington does not need Canada in the TPP – they have us in NAFTA and we need to be wary of U.S. intentions to re-negotiate FTAs with existing FTA partners who are in the TPP negotiating group. While the possibility of a NAFTA-TPP deal down the road should neither be ignored nor discouraged, Canada must not allow Washington to make regional trade liberalization a hub and spoke exercise, forcing Canada to play catch up on an opportunity to re-open NAFTA.
72. Canada too already has free trade agreements with some TPP participants. NAFTA, of course, and an FTA with Chile. Canada has also negotiated an agreement with Peru that has been ratified by Parliament. A deal with Singapore could be done if Singapore removes the discriminatory roadblocks it has introduced by insisting on treating Canada as an inferior trading partner.
73. To suggest that any Canadian policies, initiatives or practices will make or break the deal, given our unquestioning attachment to the system and our blind faith in the benefits of trade liberalization – multilateral, regional or bilateral, is a perplexing mix of self-flattery and self delusion. Canada can still play an important role as an honest broker, and has been prepared to pay the price to be at the various secondary G-X, Y and Z tables since the G-20 leaders trashed the Quad. But there are important questions of balance and equity – should we have to pay to understand what is in play? Or should Canada exercise its right to withhold consensus – as have India and others – to ensure that the process is more open and transparent?
74. Canada must abandon its blind faith approach towards trade negotiations. It may have worked in the past, but in the new WTO, it is a prescription for disaster. In this ‘Field of Dreams’ approach, the ‘Shoeless Joes’ will be tens of thousands of Canadian farmers and ranchers.

CAN THE DOHA ROUND BE SAVED?

75. The mixed and increasingly apathetic and unenthusiastic political support for the Doha negotiations and the problems that have frustrated progress – particularly in Agriculture, are well known. Critical analysis suggests that there will be little in the Round for Canada if it is ever concluded.
76. That the WTO Doha Round launched in 2001 appears to be going nowhere is an understatement. The elusiveness of a balanced and ambitious deal in the Doha Round is more serious than in any previous negotiation. One would normally expect that between the extreme positions on either side is a middle ground. But, notwithstanding dozens⁵³ of Ministerial exhortations and non-stop cajoling around the world by WTO Director General Pascal Lamy, it has not been found.
77. Is Doha dead and beyond salvation? We tend to agree with Charles Freeman, a former assistant U.S. Trade Representative now at the Center for Strategic and International Studies in Washington, who wrote in a Financial Times op-ed:
- “The President periodically perfumes the rotting corpse of the Doha Round by committing to its successful conclusion in multilateral statements.”⁵⁴
78. The 7th WTO Ministerial meeting dithered and did nothing about the Doha Round.⁵⁵ That closure in 2010 will not happen has been clear for some time. While recent signals suggest a deal is becoming increasingly remote, there may be some kind of face-saving wrap-up in 2012 – or 2013. This would be nearly 12 years after the launch – a launch for clearly the wrong reasons. And this is unlikely to happen without modifications to the mandate and serious dilution of the original development and rebalancing goals.

⁵³ Prudently, the WTO members have decided not to concentrate on Doha Round issues at the 7th WTO Ministerial. For many the Doha Round is dead in the water.

⁵⁴ “Obama’s decision on tariffs is calculated cynicism”, Charles Freeman, Financial Times, September 13, 2009

⁵⁵ “U.S. trade chief turns attention to creating jobs”, AP, December 2, 2009

If the WTO is Broken, How Do We Fix It?

79. If the WTO trade negotiating system is not broken, it has become seriously dysfunctional; indeed, we share the view that it is obsolete. Negotiations towards further trade liberalization have been paralyzed for years with no sign that the logjam can be broken. The WTO has become very much like a U.N. body – with all the North-South divisions and administrative inflexibility that comes with this. But it is not only the evolving nature of the organization that leads to the problems which have plagued the multilateral trading system.
80. There has also been considerable analysis of the problems which caused failure in the Round – and which are preventing completion. To put the issues in their simplest form:
- there are too many players with different economic situations and ambition to take on WTO obligations;
 - the process has become too complex and too quantified;
 - one size fits all solutions do not work;
 - the increased ability of the G-20 and developing countries to exert influence and reject attempts to force bad deals upon them;
 - major developed participants have essentially ignored demands for rebalancing, i.e., revising the bad deals for developing countries in the Uruguay Round – and now find the U.S. (and E.U. in a different way) demanding additional concessions;
 - China, Brazil and India will need to give more and demand less;
 - China's competitiveness in manufactured goods has chilled enthusiasm for ambitious cuts in NAMA which would primarily benefit China;
 - pretending that consensus exists when it does not, creating an artificial and unsupported deadlines and agendas damages credibility. Pascal Lamy alternates between crying wolf and crying sheep at a dizzying pace;
 - the shift away from the focus on development aspects of the agenda towards unenlightened mercantilism makes the process less attractive to the majority of WTO members. The shift is not surprising. Trade Ministers are responsible for expanding trade, not for aid and development assistance – and the thrust has intensified in the current economic crisis.

81. Roderick Abbott, in his 2009 paper analyzing the prospects for reviving the Doha Round, asks the pivotal question:

“Was it ever realistic to expect the participants to achieve all the objectives that were set in Doha in November, 2001?”⁵⁶

82. The bar was surely set too high in Doha because in the post-911 environment it was important to launch for geopolitical reasons. India used this to their advantage and secured an ambitious development agenda whether or not the Doha Development Agenda resulted in unrealistic expectations. It has suffered because inadequate attention was paid to the implications of India’s demands on behalf of developing countries.⁵⁷

83. Former HK representative to the WTO and Chair of the Agriculture Negotiating Group, Harbinson addressed the need for change in the WTO:

The case against the WTO is that it has achieved little or nothing of substance since the late 1990s. As the Consultative Board to Director-General Supachai Panitchpakdi put it in 2004:

“In recent years the impression has often been given of a vehicle with a proliferation of backseat drivers, each seeking a different destination, with no map and no intention of asking the way.”⁵⁸

84. The problems with the Doha agenda and lack of political will were recognized early on – but no one was prepared to amend the mandate – and no one was prepared to modify the ambition.

“As early as 2003 the deadline for agreement on ‘modalities’ in the agriculture negotiation was missed and later in the year in Cancun the discussions began to fall apart, prompting references to a sick patient and the need for intensive care. So what went wrong?”⁵⁹

⁵⁶ “How to revive Doha with some chance of success”, Roderick Abbott, Senior Trade Adviser at ECIPE, No. 04/2009

⁵⁷ Ibid.

⁵⁸ The “Sutherland Report”, WTO, 2004

⁵⁹ Op. Cit.

85. Stuart Harbinson attaches significant importance to the pre-Cancun U.S.-E.U. Framework proposal:

“Scenting the danger of being presented with a fait accompli, other Members, including a large number of important developing countries, were galvanized into forming new groupings in order to counter the EU-US alliance which was seen as focused mainly on reconciling the views of the two parties concerned. The most prominent of these new groupings was the “G20”, which submitted its own version of a possible framework in advance of the September Cancun meeting and has played a very significant part in negotiations ever since.”⁶⁰

86. Much can be attributed to the evolving membership of the WTO:

“Before and during the Uruguay Round the leaders group was the so-called ‘Quad’ – U.S., E.C., Japan, Canada - with general support from the OECD countries; but after 1995 with the establishment of the WTO, an exponential expansion of the WTO membership and the impact of globalization in the world economy things began to change.... Emerging economies such as Brazil and India, China, with South Africa, Mexico and Chile not far behind, began to take centre stage and exercise their clout.”⁶¹

87. Martin Wolf, the Chief Economics writer for the Financial Times of London, in a 2009 Thames Essay noted:

“The WTO is beginning to look like a tragic example of “advance into decline”. Its birth looked like a massive breakthrough, since it turned the GATT into the international organization it was originally supposed to become, as the International Trade Organization. Yet, in practice, the more institutionalized and comprehensive the trading system has become, the less effective it has also risked becoming, notably at the old business of trade liberalization.”⁶²

88. Mr. Wolf’s prescription for improving the WTO as a negotiating body seem obvious:

“First, the idea of a single undertaking needs to be looked at again. Insisting that everybody signs up to everything creates two contradictory pressures – a move to the lowest common denominator and the imposition of what may turn out to be politically intolerable obligations.”

“Second, the dispute settlement procedure needs to be reconsidered in at least one important respect: where the underlying meaning of the texts is obscure, panels

⁶⁰ “The Doha Round: ‘Death-Defying Agenda’ or ‘Don’t Do it Again?’”, Stuart Harbinson, ECIPE Working Paper No. 10/2009

⁶¹ Op. Cit.

⁶² “Does the Trading System have a Future?”, Martin Wolf, Jan Tumlir Policy Essays, Number 01/2009

should not try to invent law. They should, instead, encourage parties to return to negotiation. If necessary, they should honestly admit that the law is unclear.”

“Third, the range of compensation needs to be broadened, to include financial compensation since compensation through trade often imposes unfair costs on unrelated parties.”

“Fourth, the question of legitimate infant industry protection and subsidization needs to be re-examined.”

“Fifth, we need to abandon huge multilateral trade rounds. It has taken more than 30 years to complete two and fail, so far, to complete a third. In an ideal world, we would complete the Doha round and then declare victory.”⁶³

89. In fact, there are as many problems as there are participants. This is particularly true in the negotiations on Agriculture.

90. A simple restart is not the solution. It is not even clear which Chair’s texts have status. Roderick Abbott explains:

“... it would be futile and self-defeating to simply try to resurrect negotiations from the same point where they collapsed. No major participant is going to abandon its positions in that way; there would be reiteration of previous positions and the current impasse would simply be strengthened. It recognizes that everyone is reluctant to give up on the investment in time and talent that has led discussion to the point it has now reached...”⁶⁴

91. The quantitative automated approach must be abandoned; one size no longer fits all if it ever did.⁶⁵

“The concept of an automatic tariff cutting formula, applied by all in principle with no exceptions, was a hypothesis that could not be sustained by the majority of the membership. ‘One size fits all’ for both developed and developing participants was unrealistic; the tariff profiles of the first group were too different from most of the second, and even among developing countries there were wide variations in situation.”⁶⁶

⁶³ “Does the Trading System have a Future?”, Martin Wolf, Jan Tumlir Policy Essays, Number 01/2009

⁶⁴ Op. Cit.

⁶⁵ We made this point in Charlottetown in 2004. “The Doha July 2004 Framework: Smoke and mirrors – what benefit to Canada?”, Presentation by Peter Clark to the Canadian Federation of Agriculture

⁶⁶ Op. Cit.

92. And as anyone who was in Geneva in July 2008 knows, developing countries had their own concerns. Roderick Abbott explained:

“China refused to cut its 40% import duty on cotton to help the Americans. “We have a political problem, 10 million cotton farmers, mostly in the western province of Xinjiang.” China also declined to give more access for wheat and corn. In the industrial area, China said substantial cuts had already been made during the WTO accession process: “We cannot go back now and say, ‘we will make further tariff cuts’...”⁶⁷

93. Many were concerned that reductions from bound rates, as opposed to actual or applied rates, did not improve market access. This has been a very pivotal concern to the Canada Wheat Board.⁶⁸ Mr. Abbott describes this concern as follows:

“More specifically, the different patterns of bound and applied duty rates presented a host of problems. Negotiations were traditionally aimed at reducing bound rates; but in the context of post-Uruguay situations this either led to reducing high rates of duty (giving improved predictability on future rate changes, but no new access) or to pressure to lower low rates which countries were unwilling to do.”⁶⁹

94. U.S. and E.U. domestic support was not disciplined. Mr. Abbott notes:

“A similar problem of measurement presented itself in seeking the reduction of domestic subsidy payments in agriculture.”⁷⁰

This clearly has been the major problem.

95. The impact of this obscene domestic support to U.S. and E.U. to farmers on developing countries was clearly a very central problem. War on Want concludes:

“The WTO could have focused its energies on brokering a deal to stop the dumping of EU and US farm produce on developing country markets, one of the very worst abuses of the international trading system. But this did not happen. Instead of a development agenda, the talks degenerated into an unapologetic market access agenda.”⁷¹

⁶⁷ Ibid.

⁶⁸ Canadian Wheat Board, “Few market gains”, <http://www.cwb.ca/public/en/hot/trade/deal/fewgains.jsp>

⁶⁹ Op. Cit.

⁷⁰ Op. Cit.

⁷¹ J. Hilary, Director of policy at War on Want, July 2008. Quoted by Euractive in “Pros and Cons of reviving Doha”

96. Agriculture was certainly not the only problem with the Round. Lamy, in his perpetual selling job, downplayed or deferred discussion of the other potential deal breakers. The rules for trade remedy measures such as anti-dumping and countervailing duties were carefully avoided.
97. The Rules negotiations were focused primarily on the Anti-dumping Agreement. This was in large part the U.S. against the rest of the world (at least optically) on “Zeroing”.⁷² But while this was a key area of disagreement, there were also differences in drafting of disciplines to apply to other trade remedies and subsidies in the fisheries sector. Abbott characterized the most recent draft on the AD agreement as “a recital of points where parties disagree rather than any proposed text to bridge their differences.”⁷³
98. Canada’s approach to trade negotiations is based on highly inflated and misguided expectations and “blind faith” in the multilateral negotiating process. But this faith has not been rewarded. We have prepared reports on how Canada did not receive what it bought and paid for in the Uruguay Round.⁷⁴ The WTO is not self-policing. Trade Agreements are contracts. And one cannot write good faith into a contract.
99. What does Doha paralysis mean for Canada? Would Canada be better off with ambitious bilateral and regional initiatives? Prime Minister Harper seems to think this should be Canada’s focus until Doha comes out of its coma.⁷⁵ Even these regional and bilateral negotiations require detailed research, analysis and hard-nosed negotiating.⁷⁶

⁷² Zeroing means that in calculating dumping margins there is no credit allowed for overselling – the dumping margin is zero for such transactions. Such methodology is argued to increase actual dumping. The U.S. considers that Appellate Body decisions which have effectively banned zeroing has renegotiated the Anti-dumping Agreement through litigation.

⁷³ “How to revive Doha with some chance of success”, Roderick Abbott, Senior Trade Adviser at ECIPE, No. 04/2009

⁷⁴ Peter Clark, Grey, Clark, Shih and Associates, Limited, “Undelivered Promises and Betrayals of the Uruguay Round”, September 14, 2005, www.greyclark.com

⁷⁵ “G8 leaders drop commitment for Doha deal in 2010”, Reuters, June 26, 2010

⁷⁶ “Understanding CETA – is the Common Agricultural Policy on the Table?”, A report to the House of Commons and Senate Standing Committees on Agriculture and International Trade, Prepared by Grey, Clark, Shih and Associates, Limited, June 17, 2010

Where is the U.S. coming from and going to?

100. In July 2008, former USTR Susan Schwab got well ahead of Congress in trying to compromise to forge a deal. But it wasn't enough – and certainly not enough to overcome the grandstanding and posturing of former Indian Trade Minister Kamal Nath. Harbinson reports her reaction after that Ministerial effort crashed and burned:

More recently, former US Trade Representative, Susan Schwab, was quoted as saying, following the failure to agree modalities in July 2008: “the complexity of the cathedral that was built for Doha may have been its own worst enemy.” She also suggested that “this grand-scale format that we have been operating under since 1947 needs to be reviewed”.⁷⁷

101. The Bush Administration wanted to conclude Doha on its watch. The Obama Administration is at best indifferent unless it can shift the terms and, in effect, the agenda. While Washington has not issued a death certificate, the U.S. is the main target of blamecasters – because Congress and the Administration are seeking a balanced agreement. Their idea of balance is a deal in which larger, more advanced developing countries share some of the burdens – while opening their agricultural and manufactured goods and services markets to the U.S.

102. Does the U.S. really want a Doha deal? Yes, but only if it suits them. Contrast the U.S. position at Singapore and Copenhagen⁷⁸ – where President Obama urged the countries present to strive for something good, not perfect.

103. Whatever the problems with the negotiations, or with the WTO process, the issue to the USA is a perceived lack of balance. This was attributed to President Bush going too far too fast without getting enough in return because he badly wanted to conclude a deal on his watch. Even then it was clear that Congress did not support his position.⁷⁹

⁷⁷ “The Doha Round: ‘Death-Defying Agenda’ or ‘Don’t Do it Again’?”, Stuart Harbinson, ECIPE Working Paper No. 10/2009

⁷⁸ “Leaders: Copenhagen May Not Produce Treaty”, AP, November 15, 2009

⁷⁹ And where is Congress now?

104. The projections of hundreds of billions in WTO benefits from the WTO Doha Round are not credible. They are overstated and misleading. The claims that developing countries will benefit from DDA liberalization rest on faulty modelling, misleading representations of the benefits, and disregard for the high costs of Doha-style liberalization for many developing countries. At best, benefits to developing countries will be about \$16 billion – and costs in terms of lost tariff revenue will be \$64 billion.
105. In August 2007, the Washington-based Peterson Institute suggested there would be \$700 billion in benefits from a Doha deal. This is simply not credible. The Peterson Institute's sound reputation is diluted by extreme and unreal projections.
106. Frank Ackerman and Kevin Gallagher took a very hard look at the claims that the Doha Round would generate massive benefits. They were trying to determine why governments were not sufficiently persuaded by the estimates of massive gains to facilitate the compromises which would permit them to share in the claimed benefits.
107. Ackerman and Gallagher concluded that the potential gains from trade and the scope for expanded trade to reduce global poverty were limited and less than originally believed. They demonstrated the estimates of benefits declined since 2003 because assumptions in the earlier studies were unrealistic. The initial modelling used 1995-97 as the benchmark. The newer models used 2001 as their base and take account of FTAs, elimination of textile quotas and China's accession to the WTO. Simply put – a lot of liberalization has occurred, so there are fewer benefits to be gained. Doha has less to do because much of the liberalization was done by the last round.
108. What does the \$84 billion in gains projected by Hertel and Keenly in 2005 mean to various participants? This is equivalent to \$14 per year or \$0.4 per day per capita.⁸⁰ Most of the benefits come from liberalization of Agriculture (\$55.7 billion) of which

⁸⁰ "The Shrinking Gains from Global Trade Liberalization in computable General Equilibrium Models: A Critical Assessment", Frank Ackerman and Kevin P. Gallagher, *International Journal of Political Economy*, vol. 37, no. 1 Spring 2008, p 53

\$47.6 billion is liberalization (cheaper food) in high-income countries.⁸¹ In our experience this faith in the pass through of benefits which occurs in economic models is rarely achieved in the real world. There is no offset for reductions in employment or producer incomes in the importing countries. For politicians this is a crucial omission.

- 109. Most of these benefits are to consumers in high income countries through tariffication. The models tend to minimize the losses to producers.⁸²
- 110. Elimination of high income countries export subsidies is a loss to developing countries which pay higher prices for their imports.⁸³ A number of studies have indicated that the reduction in domestic support and export subsidies in wealthier countries would represent a net loss of welfare for developing countries.
- 111. Even complete liberalization (which is far beyond what was contemplated in Doha) would not represent half a per cent of GDP gain for either rich or poor countries.⁸⁴
- 112. Complete liberalization would mean the following per capita benefits:

High Income	\$40.00/capita
Economies in Transition	\$5.37/capita
Developing	\$2.54/capita
Global	\$9.09/capita
- 113. Within the developing country group more than two-thirds of the benefits in every sector would go to Argentina, Brazil and India. China and Vietnam are the largest beneficiaries of textile liberalization.

⁸¹ Ibid.
⁸² Ibid., p 74
⁸³ Ibid., p 54
⁸⁴ Ibid.

114. Which countries will benefit? The E.U. prepared an analysis which suggests:

- According to Carnegie and CEPII's studies, only a handful of big agro-food exporters would benefit from an increased agricultural market access, namely: Australia and New Zealand, Brazil, Argentina, Chile, Thailand and South Africa.
- More than half the countries or regions in the developing world would be net losers in terms of their overall income if agriculture were the only sector to be liberalized.

In most developing countries, the agricultural sector is mostly made up of subsistence farmers without a major interest or much ability to export to foreign markets. By contrast, only very organized and efficient exporters can fully exploit access to developed countries' markets.

- By contrast, in Carnegie and CEPII's studies, developing countries as a group gain substantially from the liberalization of manufactured goods and individually this is the case for the vast majority of developing countries.
- However, in both studies, when agricultural market access is combined with NAMA, some countries would still lose in the aggregate. This is the case for Northern and Sub-Saharan Africa in CEPII's study, for Bangladesh, East and Sub-Saharan Africa in Carnegie's study.⁸⁵

115. The E.U. analysis also pointed out:

“The World Bank's study is at the other extreme of the range regarding the underlying assumptions in terms of adjustment of production factor markets. In particular, two major assumptions artificially inflate the economic impact of increased agricultural market access compared, for instance, to NAMA:

1. perfect mobility of production factors across sectors combined with full flexibility in their prices;
2. higher trade elasticities for agricultural sectors.”⁸⁶

116. The E.U. analysts went on to explain that:

“When relaxing the assumption of perfect mobility of land, the DCs'⁸⁷ global gains from full liberalization are divided by 5, from \$10.6Bn to \$2Bn. As economic gains linked to NAMA are not much affected by this assumption, *this implies that most of the DCs agricultural gains are dependent on the assumption of ability to grow every kind of crop on every kind of soil.*”⁸⁸

⁸⁵ Comparison of Carnegie, World Bank and Centre d'Etudes Prospectives et d'Informations Internationales' (CEPII) studies regarding the potential DDA impact on poor developing countries, Brussels, June 1, 2006

⁸⁶ Ibid.

⁸⁷ Developing Countries

⁸⁸ Op. Cit.

117. Without a Doha deal, the E.U. will not be paid for a major reform of the CAP launched in 2003. This reform was undertaken by the E.U. for urgent budgetary and enlargement reasons. The E.U. had to fix the CAP but the changes due to this Reform will be a large part of its payment in the Doha Round. As IATP (Institute for Agricultural Trade Policy) points out,⁸⁹ the longer the negotiations drag on, the less this chip will bring to the E.U.
118. What can Canada expect to receive from a Doha deal at varying degrees of ambition? Neither Canada nor the USA are expected to be significant beneficiaries.⁹⁰ Canada should heed the warning signal from the announcement by 22 developing countries at the 7th WTO Ministerial that they expect to conclude a South-South FTA by September 2010.⁹¹ These countries, the alleged beneficiaries, recognize that Doha is an empty shell and that once the gravy boat moves down the table past Brazil, Argentina and India, it will be empty.
119. As noted above, the major beneficiaries in agriculture will be Argentina, Brazil and, India. Professor Ackerman's Tufts University reports on benefits analysis indicate that of the developing countries, Argentina, Brazil and India would receive most of the benefits from agricultural liberalization to developing countries, whereas China and Vietnam receive most of the benefits of textile liberalization.⁹² According to Hertel and Keeney, Thailand, Mexico, and Turkey would also be significant overall beneficiaries.
120. At Cancun the G-20, led by Brazil and India, catalyzed a turning point in the negotiations in order to try to shift the focus back to its development goals. The lack of progress has demonstrated that the U.S. is not committed to that goal. And the E.U. has its preferential arrangements with its former colonies.⁹³

⁸⁹ "Still no Confronting the Real Challenges", Sophia Murphy, IATP, May 31, 2007

⁹⁰ "The Shrinking Gains from Global Trade Liberalization in computable General Equilibrium Models: A Critical Assessment", Frank Ackerman and Kevin P. Gallagher, *International Journal of Political Economy*, vol. 37, no. 1 Spring 2008, p. 57, referencing to 2005, p. 57, referencing to 2005 World Bank study by Kym Anderson et al

⁹¹ The USA, E.U., Japan and Canada (the Quad) could no longer stage manage the process.

⁹² "The Shrinking Gains from Global Trade Liberalization in computable General Equilibrium Models: A Critical Assessment", Frank Ackerman and Kevin P. Gallagher, *International Journal of Political Economy*, vol. 37, no. 1 Spring 2008, p. 56, 57

⁹³ "E.U. agrees to open markets to former colonies", AFP, April 5, 2007

121. The problems of the Round have been recognized since shortly after its inception. As explained above, the Round will not work and is likely to fail because:
- the “one size fits all” approach does not work. Too many countries have different priorities and difficulties;
 - The WTO has become very much like a U.N. body with all its North-South divisions and operational inflexibility.
122. Before we can determine whether Doha can be saved, first we must try to determine why it has failed to date. The WTO is broken as a negotiating forum. It can be fixed, but it will require fixing not only the institution and negotiating standards; key members will need to change their approaches.
123. These will be seen as drastic solutions – but no meaningful agreement among 150 members can be negotiated on the basis of a single undertaking. There are too many variables – and few if any constants. Indeed, the deal is imbalanced beyond repair every time a new tweak or massaging of the text after each member-specific concession.
124. The Doha Round has taken too long and priorities have changed:
- because actual or applied tariffs are much lower than WTO contractual rates reductions from the latter will not improve market access;
 - U.S. and E.U. are not prepared to make real concessions on domestic farm support and these domestic subsidies will continue to distort world trade;
125. Can the differences which have precluded any real progress be bridged? Not likely, and certainly not easily, and not overnight in a blinding flash of light.
126. This is not how negotiations evolve to a successful conclusion. Positions will be repeated, not abandoned. No one who matters is likely to blink first, even into next year. The Uruguay Round (of the former General Agreement on Tariffs and Trade) was completed because the U.S. and E.U. buried their differences in the self-serving bilateral Blair

House agreement which was served up to other participants on a take it or leave it basis. This is not an option for Doha: Brazil, India, China and others will not let it happen.

127. The United States will not accept a Doha Round Agreement unless large developing countries make better offers to open their markets to U.S. farmers, ranchers, manufacturers and service providers. This was made very clear during the Senate confirmation hearings of the Obama Administration's key negotiators. Washington has not issued a death certificate for the Round, but House Democrats have said it is and it should be buried. The political agenda rules U.S. trade policy and there are no votes in increasing imports.
128. If the WTO as a negotiating forum is not broken, it is seriously dysfunctional. It is time for Canada to refocus its efforts. Blind faith in the multilateral system needs to be replaced with informed pragmatic bilateral negotiations.
129. Canada has traditionally embraced trade liberalization initiatives on a good faith, indeed a blind faith, approach. Canada has been slow and almost reluctant to enforce its rights and to collect on negotiated concessions. In other cases, Canada pursues liberalization measures which are not problematic to Canada – but which, if eliminated, will open up markets we now enjoy to others who cannot meet the tests. Clearly, Canada should accept and understand that one size does not fit all and that we should now waste our valuable negotiating coin to benefit others. In addition, failure to pay attention to detail has cost Canada markets. Canada did not get what it bought and paid for in the Uruguay Round.
130. Canada's past experience with multilateral liberalization has been mixed. The Uruguay Round was not an overwhelming success for Canada. Canada lost 40% of its share in world oilseeds trade in the 10 years after the Uruguay Round.⁹⁴

⁹⁴ "Farmers need the global market – Opinion", By Liam McCreery, Western Producer (editorial), April 6, 2006

131. Many developing countries got a bad deal in the Uruguay Round. They did not receive the benefits they expected or that they bought and paid for. They took on obligations they did not fully appreciate or could not implement. The disappointments are not limited to developing countries. Canadian farmers too were shortchanged and still have not received what was bought and paid for.
132. Reports suggest that Canada will not be a major beneficiary from the Doha Round. The principal beneficiaries will be Brazil and Argentina. But there are few other developing countries which will benefit. Indeed, for many of them the negotiations will not only cripple small farmers, it will also reduce government revenues to the extent tariffs are reduced.
133. The WTO is not self-policing. Cheaters can and do win at the WTO. We see little hope for change if Doha brings forward a deal. And attempts to enforce even the minimal concessions made will be frustrated by the Peace Clause which the U.S. will once again demand in order to prevent challenges.
134. It is difficult to be optimistic about securing increased access for Canadian beef to the E.U., Japan and Korea. For political reasons, the real access blocking problems are unlikely to be addressed in those markets.
135. In addition, the potential for TRQ access to Korea and Japan is also limited by preferential access for beef and pork under bilateral agreements which these countries have concluded. Canada is still too slow to lock up preferential deals. Recently concluded, long overdue agreements are encouraging, but much more intensive priority activity is required.

136. The reduction of bound rates instead of applied rates is not helpful to Canadian exporters. In the case of wheat and barley, for example, the principal markets for Canada wheat and barley farmers over the past 10 years have been:⁹⁵

(all thousands of tonnes)

1) United States	1,698
2) Japan	1,315
3) China	966
4) Iran	878
5) Mexico	872

Doha does not promise gains in any of these markets because formula reductions will not result in any reductions of the bound rates to the current or applied rates.

137. While there are no real market benefits for Canadian wheat and barley growers from formula cuts, traditionalists will argue that cutting from applied rates is a novel and far-reaching approach because the applied rates are not bound. Those insisting on maintaining their bound rates object to attempts to unilaterally dilute their contractual rights of other countries. And the WTO rules support them. That a country may apply lower rates than it is contractually entitled to apply does not mean that such voluntary, but unbound reductions are worthless. Nor does it mean they are *de facto* bound. But they do establish the competitive parameters in the market. Developing countries argue that applied rates were a gift – which was not paid for and that beneficiaries have no right to expect to continue without compensation.
138. Low applied rates tend to mean that the bound levels of protection are not needed. Maintaining them would impose unnecessary costs on consumers. There may be considerable “water” in the bound rates. The CWB observation that there is little or nothing in Doha for Canadian wheat and barley farmers, is a valid concern which must

⁹⁵ Strength in Numbers 2008-09 Statistical Tables, Canadian Wheat Board, http://www.cwb.ca/public/en/about/investor/annual/pdf/08-09/stats_english2008-09.pdf

not be ignored for the sake of solidarity in support of the skewed and imbalanced WTO system which rewards the recalcitrant.

139. Rebalancing was an essential goal of the Doha Development Agenda. Many countries came out of the Uruguay Round with very limited ability to provide financial support to their farmers. Canada for one accelerated subsidy reductions, in part to meet budgetary concerns, but primarily because Canada lives up to its obligations no matter how difficult this may be. Most developing countries did not have the resources to support their millions of subsistence level, small farmers, even before the Uruguay Round.
140. According to Stuart Harbinson, a former chair of the Agricultural Negotiating Group, abandoning the Round is simply not acceptable. He explained:
- “First, serious imbalances remain in the system, particularly in relation to the trade of developing and least-developed countries. The most egregious examples are to be found in agricultural subsidies and in agricultural and non-agricultural market access through tariff peaks and escalation. Secondly, the expansion of international trade and the globalization of production (with attendant overall benefits for development) are being distorted through myriad preferential trade agreements and the misuse of rules for protectionist purposes. Thirdly, now more than ever, in the midst of the worst economic crisis in decades, WTO Members need to demonstrate in practice their commitment to positive international economic cooperation and their rejection of protectionism.”⁹⁶
141. In 2005, we prepared a report which was distributed to your Committees. It was about the “*Undelivered Promises and Betrayals of the Uruguay Round*”⁹⁷ – it analyzed why so many farmers around the world do not want their governments to engage in further liberalization.
142. The study discussed the Uruguay Round’s failure to address adequately:
- unfilled minimum access quotas
 - SPS measures
 - undisciplined domestic support

⁹⁶ “The Doha Round: ‘Death-Defying Agenda’ or ‘Don’t Do it Again?’”, Stuart Harbinson, ECIPE Working Paper No. 10/2009

⁹⁷ http://www.greyclark.com/pdf/Undelivered%20Promises%20%20Betrayals%20of%20the%20UR_SEP%2014_FINAL.pdf

- misclassification of domestic support as “green”
 - food aid and export credits
 - trade remedy actions
 - regional trade preferences
 - farmers litigating to get around their own government’s decisions to grant access (BSE in USA – pork in Australia).
143. Many countries, including Canada and virtually all developing countries, were cheated out of their legitimate expectations from the Uruguay Round because the bigger players did not live up to their obligations. The deep-pocketed providers of domestic farm support have misrepresented, mis-described, and used smoke and mirrors reporting methods to avoid any real disciplines on often obscene domestic support. Smaller players, who opened up their markets as they committed too, and have limited budgets, have borne the brunt of these deceptions. They were not able to find new markets for their production which was displaced by imports. And they have experienced import competition at prices which at times do not even cover their own cash costs. Risk management on a tight budget cannot match risk elimination and deep pockets benefitting competitors.
144. Other countries, like Canada, assiduously eliminated subsidies, only to find that their farmers need emergency support to make ends meet because of declining prices at home and in export markets. In addition, Canadian farmers have had to cope with the price suppressing effects of a U.S. dollar which has weakened by more than a third in recent years.
145. Failure to rebalance the inadequacies of the Uruguay Round and take account of developing country needs has unilaterally undermined the Doha agenda. Developing countries are not interested in further enriching the beneficiaries of generous transfers from public treasuries in the U.S. and Europe.

146. Undisciplined domestic support is the most serious cancer in the world agricultural trading system and it must be excised – the sooner the better. Such support:
- stimulates surplus production;
 - this production must be dumped in world markets;
 - there is no need for the subsidized farmers to recover their cost of production;
 - the subsidies insulate the beneficiaries from import competition – they can urge market access concessions on others because they will be able to offset tariff reductions through domestic or income support.
147. Developing countries had opened their markets – either because the World Bank forced them to eliminate quotas in the 1980s, which could have been converted into TRQs, or because their negotiators took on obligations they could not live with.
148. The WTO rules simply do not take account of the very fundamental, subsistence nature of agriculture in many developing countries. The number of farmers’ suicides attributed to price pressure is increasing.⁹⁸ The Doha Round will provide little relief to the smaller farmers. Indeed, in many cases, they are likely to be worse off. India’s demands for special safeguards were admittedly extreme, but they highlighted the David and Goliath nature of the competition.
149. Small farmers in developing countries are totally vulnerable to low priced import competition from the U.S. and E.U. These low prices are made possible by deep pockets domestic support. Small farmers in developing countries cannot be treated the same way, nor expected to compete toe to toe with agribusiness and corporate farmers which dominate agriculture in North America and will do so increasingly in Europe.
150. Domestic support in the USA and E.U. is not the only problem. In many cases, expected market access, which was bought and paid for, did not materialize. The U.S. Congressional Budget Office recently reported that after the Uruguay Round there were some 5,000 tariff lines in 29 countries subject to special tariffication measures – or TRQs

⁹⁸ “Mass Farmer Suicide in India”, GreenMuze, February 17, 2009

(Tariff Rate Quotas).⁹⁹ These TRQs are supposed to guarantee minimum access to these markets. In far too many cases, TRQs are not filled because of administrative protectionism and manipulation.¹⁰⁰

151. The top ten TRQ-maintaining countries at the signing of the Uruguay Round Agreement were¹⁰¹:

- Norway
- Poland *
- Iceland
- European Union
- Bulgaria
- Hungary *
- Colombia
- South Korea
- Venezuela
- United States

** Poland and Hungary are now members of the EU-27.*

152. Canada must insist on high quality, guaranteed market access from WTO negotiations. There should be no tariffs on imports within the TRQ – how can duty free imports, representing 5% of consumption, disrupt a market?

153. Administrative barriers to filling these quotas must be eliminated. Rigged entitlements, phony aggregation, and directed allocations without purchasing requirements are not unusual. Requiring that soybeans be imported for animal feed instead of permitting higher priced imports of food grade beans limits exports and opportunities.¹⁰²

154. Allocating quotas based on historical performance without adequate provision for transfer, if an importer is no longer in business, will limit imports and keep fill rates low.¹⁰³ As does breaking down entitlements into uneconomically small units per

⁹⁹ “Alphonse and Gaston Visit Geneva: The Impasse in the Doha Round Agriculture Negotiations”, Peter Clark, Newsmaker Breakfast, National Press Club, September 14, 2005

¹⁰⁰ “Agricultural Policy Reform – the Road Ahead/AER 802”, Economic Research Service/USDA

¹⁰¹ <http://www.ers.usda.gov/Briefing/WTO/TRQ.htm>

¹⁰² This is done in Thailand.

¹⁰³ This applies to the E.U. TRQ on pork.

importer – and auction systems which have the same effect as tariffs; indeed, it could be argued that they preclude imports at any prices.

155. There are many underfilled TRQs. Underutilization of these TRQs represents lost or denied opportunities for Canadian and other exporters. Lack of demand is not the issue; administrative barriers and hurdles are.¹⁰⁴ No TRQ should be less than 5% guaranteed market access without administrative “jiggery pokery” designed to frustrate imports.¹⁰⁵
156. Farmers and ranchers in Canada and around the world, need higher quality and guaranteed market access. Notwithstanding all the criticism which Canada’s supply management systems attract (mostly from inside Canada), fill rates for Canada’s TRQs are quite high – Canada cannot be criticized because it has led and continues to lead by example.
157. You will see references in this paper to challenges to policies which govern Canada’s dairy policy and supply managed sectors. All countries have sensitive issues and problems which will require special treatment.¹⁰⁶ Canada is not alone in maintaining TRQs. Some 42 countries maintain TRQs on pork. There are 39 on beef, and 46 on dairy products. The critics never mention that U.S. imports 2.0% of its dairy needs, the E.U. 2.7% and Canada 4.2%. Clearly the substantial subsidies to dairy farmers as well as feed grain subsidies¹⁰⁷ in the USA and E.U. permit dairy producers in the E.U. to sell at import replacement or import preventing prices.
158. Country of Origin Labelling (COOL) in the USA is blatant protectionism. It has significantly reduced Canadian livestock exports. It could be copied into other product

¹⁰⁴ “Agricultural Policy Reform – the Road Ahead/AER 802”, Economic Research Service/USDA

¹⁰⁵ “Undelivered Promises and Betrayals of the Uruguay Round”, Grey, Clark, Shih and Associates, Limited, September 14, 2005

¹⁰⁶ The U.S. has the Jones Act and sugar policy and cotton subsidies. Japan has leather products and rice. The E.U. has the CAP and its Lomé preferences.

¹⁰⁷ Jacques Berthelot, www.solidarite.asso.fr (2004)

areas. Truth in labeling has never been so popular. And the European Parliament is pressing for its own COOL for a wide range of products.¹⁰⁸

159. Canada's pork and beef producers desperately need new markets. Beef and pork producers expanded production to upgrade inexpensive feed grains. This was a conscious policy initiative. Both of these successful sectors have experienced serious access problems and their success has been challenged by competitors in the USA and elsewhere.
160. Pork was one of the success stories of the Uruguay Round for Canada. Canadian pork producers exported to 110 countries in 2009 and Canada was the third largest exporter with 20% of global pork trade.¹⁰⁹ However, important barriers remain for Canadian pork producers in exporting against minimum access commitments in the E.U. and Japan.
161. But Canadian pork is virtually shut out of large, important markets like Japan and the E.U. And as the E.U. grows, it is an expanding market which is denied to Canadian exporters. Some of the newly regulated markets, i.e., Romania, were good markets for Canadian pork before they joined the E.U. Japan's safeguard on pork has been manipulated indeed and some of the manipulators were investigated for criminal activity.¹¹⁰ The E.U. pigment import regime is a case study in administrative complexity and protectionism. And we have addressed it this way in our Report.
162. It has been particularly galling to Canadian pork producers that the E.U. was able to convert their variable levy on pork into TRQs that are well under 1/10 of the expected 5% of domestic consumption. The E.U. did this by aggregating all meats and allocating very niggardly amounts to pork. The pork TRQs are highly disaggregated into several different pork items (e.g., hams, bone-in and boneless, etc.), while in-quota tariff rates (e.g., 20%) frustrate imports. Reducing reference prices for pork under the new regime

¹⁰⁸ "Extend COOL to all meat, poultry, fish and dairy, say MEPs", FoodProductionDaily.com, June 17 2010

¹⁰⁹ "Chinese market reopens to Canadian exports of live hogs for breeding stock", Canadian Pork Council, April 15, 2010, <http://www.cpc-ccp.com/news.php?lang=e&ID=251&article=1&year=2010&da=0&incl=0>

¹¹⁰ "Crackdown eyed over Japanese pork laundering", The Pig Site, May 16, 2005

will only exacerbate this situation by making local production more price competitive. If the E.U. means to import a meaningful volume of pork in order to guarantee minimum access, it must set the TRQ quotas at 5% of consumption and the in-quota tariff must be eliminated. Few expect this result from Doha and those who do will be disappointed.

163. Canadian beef exports to the E.U. and Japan are also severely and unfairly restricted. BSE has created trade problems for Canadian exports which exceeded the actual risk. R-CALF initiated an anti-dumping investigation which cost Canadian cattlemen \$5 million and untold disruption to defend – successfully – but it was very expensive, very disruptive – and unnecessary in an integrated NAFTA market.
164. The U.S. National Pork Producers Council launched an expensive and eventually unsuccessful investigation of alleged dumping and subsidization of live swine from Canada. This was the second investigation of Canadian hog exports in less than 20 years. It made no sense to have such investigations in an integrated market where U.S. hog feeders relied so heavily on Canadian weanlings which are then raised and fed in the U.S. Now with COOL, there are serious reductions in Canadian exports of live swine to the USA.
165. Canada's trade policies, including a rather timid approach to defending its rights, are not improving life for Canadian farmers. Whatever the reason, the job is not getting done and the problem is becoming desperate. Canada needs to change its policies and its approach. Had Canada challenged feed grain subsidies in 2003 at the WTO instead of 2007 – and then, four years later in a half-hearted and lackadaisical manner, the dispute settlement challenge process would be over. In fact, on 8 January 2007, Canada requested consultations with the United States concerning feed grains. Australia, Argentina, Brazil, the European Communities, Guatemala, Nicaragua and Uruguay requested to join the consultations. A panel was established on December 17, 2007 but there has been no further activity.

166. The Hong Kong Ministerial failed because the U.S. and E.U. refused to agree to G-20 demands for meaningful disciplines and reductions of domestic support. The G-20 said quite bluntly, “the poorer countries are running out of patience with the non-committal response of the rich”.
167. The U.S. in its stimulus packages pumped billions into financial support exports. U.S. use of export credits has been condemned by the WTO Dispute settlement Panel and Appellate Body decisions on Upland Cotton.
168. The U.S. once again has been targeted in the Doha negotiations for improper use of food aid. Food aid is acceptable and “green” if it is provided for humanitarian reasons. Too often the USA uses food aid (P.L. 480)¹¹¹ for surplus disposal. In the past, massive U.S. “food aid” exports of pork to Russia hurt Canadian interests. Food aid for surplus disposal destroys local production and steal legitimate market opportunities from unsubsidized competitors. In addition, it should be recognized that food aid is a benefit to some poor countries and that further disciplines in a Doha Round will be a cost to them.

¹¹¹ Public Law 480 is now known as the Food for Peace Act, which, inter alia, can grant or sell food with repayment terms of up to 30 years, with a grace period of 5 years.

DOHA ROUND – CAN IT COME OUT OF THE COMA AND CAN THE WTO BE FIXED?

169. Ministerial exhortations mean nothing if the Ministers cannot persuade themselves to negotiate. The discussions are devoid of the political will needed to cut a deal. They have to talk the talk, but they will not walk the walk.
170. At Cancun, the G-20 staked its claim to playing an essential role in drawing up the agendas, and when the derailed proposed negotiations on the so-called Singapore issues¹¹² (Investment, Competition, Government Procurement and Trade Facilitation) were pushed off the table, the balance changed. There was less in the deal for industrialized countries. Former Canadian Trade Minister Pierre Pettigrew – a star at Seattle – drew extensive criticism from developing countries for trying to advance the Singapore issues at Cancun.
171. Canada is no longer a member of the select group at the centre of the negotiations with the big players. The Quad which shaped the consensus in the Uruguay Round is no more. It has, in effect, been marginalized and its influence diminished with the demise of the Quad. There was always a risk that the U.S. and E.U. would try to cobble together a self-serving salvation package as they did at the Montreal Mini-Ministerial. Canada could not prevent another of these take-it-or-leave-it deals – but the G-20 did and any progress since has been optical and illusory.
172. The impasse has been with us since the very early days of the Round:¹¹³
- 2003 – E.U. Trade Commissioner Pascal Lamy, less than 2 years after the launch, claimed the Round was “not dead, but certainly in need of ‘intensive care’”. (Other observers described it as dead already.) This was an important admission as Mr. Lamy had been one of the prime movers of a Millennium Round, which was hope to have emerged from the Seattle Ministerial but did not.
 - 2004 – The Hindu, “Doha, revival or intensive care?”.

¹¹² These were quite important to Japan, the E.U., USA – as well as to Canada.

¹¹³ These are extracted from various papers by Roderick Abbott for ECIPE.

- 2005 – Ambassador Crawford Falconer, head of the Agriculture negotiating group, suggested just before the HK Ministerial the negotiations were “on life support”.
- 2006 – after total suspension of talks, Kamal Nath, never at a loss for colour and creative imagery, described the Round as “between intensive care and the crematorium”.

In September 2006, after the G-20 plus meeting in Rio, Brazilian Foreign Minister, Celso Amorim claimed, somewhat prematurely, “we have taken the patient out of the intensive care unit and now it is in the sick bay”.

- 2007 – at the time of the Potsdam mini-ministerial, Jagdish Bhagwati and Arvind Panagariya, write in a Wall Street Journal op-ed “Why the trade talks collapsed”
- 2008 – The final crunch came at the Mini-Ministerial meeting in Geneva in July, 2008. The meetings were mired in confrontations, complaints about the exclusionary nature of the process. While India was at the centre of the dispute, it accepted no blame – and was quite prepared to argue the collapse was due to U.S. demands that India could not and would not accept.

2008 – post-collapse the BBC asked whether “life can be breathed into the corpse of the round of trade negotiations”

- 2009 – Charles Freeman in a Financial Times op-ed (commenting on the Obama tariff decision on Chinese tyres) refers to ‘the rotting corpse of the Doha Round’.¹¹⁴
- 2010 Stock-taking ordered by the WTO Ministerial meeting comes up empty. G-20 Toronto will not discuss it. The G-20 in Seoul may – depending on Brazilian election.

173. Roderick Abbott, who has lengthy experience and unique insights into the workings of the WTO, reported India’s reaction to Lamy’s proposed outline as follows:

“India, on Lamy’s proposed outline deal: “I reject everything,” Kamal Nath declared. “I cannot put the livelihoods of hundreds of millions of people at risk If the [Indian] government wants this, they’ll have to find a new minister.”¹¹⁵

¹¹⁴ “Obama’s decision on tariffs is calculated cynicism”, Charles Freeman, Financial Times, September 13, 2009, <http://www.ft.com/cms/s/0/9ae2c6b4-a095-11de-b9ef-00144feabdc0.html>

¹¹⁵ “How to revive Doha with some chance of success”, Roderick Abbott, Senior Trade Adviser at ECIPE, No. 04/2009

174. The Agriculture negotiation is not the only stumbling block. There are deep differences in the negotiations about Non-Agricultural Market Access, Safeguards and Rules (including an attempt by the U.S. to re-legitimize zeroing). Any one of these could cause the negotiations to crash and burn.
175. The latest draft on possible changes to the AD agreement is in fact a recital of points where parties disagree rather than any proposed text to bridge their differences.”¹¹⁶
176. Negotiation in the AD/CVD Rules area is very divisive. There is virtually no progress in the negotiating text and the last Rules negotiating Group meetings did not produce any change. On zeroing, the U.S. is on its own¹¹⁷. And the USA is consulting with its main user industries about how to make its own system much more effective. Agreement on disciplines on fisheries subsidies has been elusive as well.
177. The U.S. is not prepared to engage in multilateral negotiations with a development objective. Politics at home will ensure that President Obama will continue to talk with hollow endorsements of competing Doha – but the absence of U.S. action and commitment speaks volumes.
178. There will continue to be discussions – but there is no real prospect of a conclusion. No one is prepared to wait for the U.S. and the large developing countries. They will carry on with their own business and see liberalization wherever they can.
179. The Canadian Wheat Board is under the gun in a discriminatory way in a Round which envisages few benefits for Canadian wheat and barley. Yet the New Zealand kiwifruit monopoly is exempted from the possible new disciplines facing the Wheat Board by a craftily inserted footnote. Nor are U.S. marketing orders on nuts, fruit and dairy under the same scrutiny or proposed discipline. The most recent draft of Annex K seems to be solely targetted at the CWB. There are two questions which need to be answered. Why?

¹¹⁶ Ibid.

¹¹⁷ There are, however, interests in the E.U. and Canada which support the U.S. position that the Appellate Body has renegotiated the Anti-Dumping Agreement and diluted its value.

And what does Canada get for allowing this ambush of the CWB, or is this a contribution to priming the pump?

180. The U.S. and E.U. markets will continue to be insulated by obscene subsidies. Canadian hog farmers are forced to go into debt at commercial rates while their US counterparts receive, soft money, loan guarantees and access to income support through price¹¹⁸ and margin¹¹⁹ insurance programs.
181. There will be little in any saleable, potential Doha package to benefit Canadian farmers and ranchers. Nor is a Doha Agreement likely to be concluded, if it can, until at least 2012 or 2013, if then. Benefits would not be phased in until 2020. Canada needs to engage as a matter of the highest priority in preventing erosion of market access through negotiation of preferential arrangements with countries which have Canada outside, looking in. The Trans-Pacific Partnership is a good example of where Canada will not be able to play without accepting U.S. demands, particularly on intellectual property.
182. The WTO is much different now than it was in 1994. If there eventually is a Doha deal, and the deal is a bad one - and this “blinkered” approach would produce another one – developing country empowerment will kill it. This, and not individual or joint positions of the USA or E.U. or other players, will be a deciding factor.
183. Developing countries will no longer accept bad deals. Nor does it appear that the Administration of U.S. President Obama will either. USTR Ron Kirk was quite clear about this during his recent visit to Ottawa.¹²⁰ Another dangerous threat to completion of negotiations on domestic support is the U.S. demand for a new “Peace Clause”. The Uruguay Round Peace Clause contributed to abuses which catalyzed a widespread farm income crisis. Few countries will want to provide this *carte blanche* again.

¹¹⁸ Livestock Risk Protection Program

¹¹⁹ Livestock Gross Margin Insurance Program

¹²⁰ Luncheon with the United States Trade Representative, Ambassador Ron Kirk; Presented by Norman Paterson School of International Affairs (NPSIA), Carleton University, on behalf of the Centre for Trade Policy and Law (CTPL), July 22, 2010

184. We saw at the launch of the Doha Round that it takes only one country to block consensus on a bad deal. Where G-33 and G-90 interests have been ignored, the response to a take-it-or-leave-it deal could well be “No”.
185. Canada has very experienced negotiators and continues to be active in Doha. While Canada has promoted ideas to narrow and bridge gaps, this has been seen by some developing countries as “running dog” behaviour in support of the U.S. position.
186. To think that Canada’s positions will make or break the deal, given our attachment to the system and our reluctance to abandon the benefits of multi-lateral liberalization, are a perplexing mix of self-flattery and self delusion.
187. Why does Canada continue to operate on the basis of blind faith and hope? Hope is not a sound business or negotiating strategy.
188. While Prime Minister Harper was not prepared to say that Doha is dead, he did say:
“Those of us who favour liberalized trade are not going to stand still. ... Canada and many other governments are committed to more aggressively pursuing bilateral and regional trade deals as a way of kick-starting the process while we see the Doha talks remaining stalled.”¹²¹
189. Canada must abandon its blind faith approach towards trade negotiations. While the strategy may have worked in the past, in the new WTO, and in bilaterals like CETA,¹²² it is a prescription for disaster. In this ‘Field of Dreams’ approach, the ‘Shoeless Joes’ will be tens of thousands of Canadian farmers and ranchers.

¹²¹ “G8 leaders drop commitment for Doha deal in 2010”, Reuters, June 26, 2010

¹²² Canada-E.U. Comprehensive Economic and Trade Agreement