

Doha's momentum must not be lost

(Letter to the Press: 27/07/2006)

There have been a fair number of Black Mondays in history – most prominently 28 October 1929 (during the Wall Street Crash) and more recently, 19 October 1987, the day that saw the second largest one-day decline in recorded stock-market history. But I fear that the profoundly disappointing and entirely avoidable suspension of the World Trade Organisation's Doha Round of talks, which led to what the press has simply dubbed the "Doha collapse", has the potential to turn last Monday into the 'blackest' Monday yet for world trade.

The United States' inability, at this crucial point, to offer flexibility on the issue of farm subsidies in the WTO meeting with five other major members - Australia, Brazil, the EU, India and Japan, led WTO Director-General Pascal Lamy to suspend the negotiations. Clearly, the very essence of the multilateral trading system is at stake.

Suspension need not mean collapse or failure – if a way forward is found in the months ahead out of the current impasse, this weekend's events will not mean losing the important, tangible gains assembled over the past five years for the developing world. International investors have already cautioned that sliding back into protectionism would inevitably lead to a reduction in competitiveness, slower economies, and possibly increasing inflation, recession, tax increases and more regulation in the medium to long term.

Without doubt, the costs of this breakdown are high - and will be even higher if it becomes permanent. Not only do we all - South Africa included - risk losing new opportunities for trade in agricultural and industrial goods and services, but also stronger trade rules that could drive economic growth and development for the most needy in the world. We risk weakening the WTO and the multilateral trading system at a time when we urgently need to top up international confidence and do what we can to stabilise the world, not create additional tension and uncertainty. Let's be clear, as well as an economic cost, the political cost of failure is huge.

The suspension of the Round is a blow for development and will make the achievement of the Millennium Development Goals unnecessarily more challenging. Many of our trade partners in the developing world, particularly in Africa, who stand to lose the most (e.g. an estimated \$20 bn on top of the GDP for Sub Saharan Africa by 2020) have been cautious to attribute blame for the current impasse.

But the facts speak for themselves: prior to the meeting, the EU signalled its ability to make a significant improvement in its agricultural market access offer, bringing its average cuts close to the level requested by the G20 group of developing countries, provided others move in parallel. We are talking of 100% elimination of export subsidies; 75% reduction in trade distorting domestic support; readiness to move from a 39% to a 50% average tariff cut. These moves go well beyond previous offers.

The EU is not giving up on this Round. We are ready to continue negotiations as soon as possible. Despite Mr Lamy's reservations on moving forward on selected aspects at WTO level, we should ensure, in the immediate future, that in particular the more needy developing countries do not fall victim to the inability of the WTO membership as a whole to strike a deal. We propose a seven-point action plan for salvaging or extending the development agenda.

- *To push ahead the Aid for Trade package;*
- *To continue to develop a new agreement on trade facilitation, linked to aid for trade;*
- *To put in place the new Integrated Framework for technical assistance to trade for the LDCs;*
- *To fully implement, and possibly improve on, the Hong Kong agreement on duty free, quota free market access outside of the Round;*
- *To pursue specific proposals on Special and Differential Treatment on a fast track and stand alone basis, adapting existing WTO agreements in this way;*
- *To make origin rules more development friendly;*
- *To work on improving the dispute settlement understanding to make it easier for developing countries to use.*

Outside of the WTO, Europe will also focus intensively on its pro-development Economic Partnership Agreements (EPAs) with the African, Caribbean and Pacific countries. These trade instruments underpin development, and seek to compensate for the benefits which the poorer developing countries would have gained from a successful conclusion of the Round.

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