

# Why the poorest need a Doha deal

## Speech by Peter Mandelson at the Least Developed Countries Ministerial

Lesotho, 29 February 2008

### Summary

In this speech to Trade Ministers from Least Developed Countries in Lesotho EU Trade Commission Peter Mandelson says that the Doha Round of world trade talks are now "facing a high risk of failure" unless negotiators can restore balance to the different strands of the negotiation and close a deal before a change of US President made negotiating a deal difficult. Mandelson says that the poorest have the most to lose if the concessions already on table in the Doha Round - which include a "paradigm shift" in global farm subsidies - are lost. Committing the EU to a constructive role in the endgame, Mandelson said: "We will not ask for more than others can do. But nor can we settle for less than what others can afford".

Mandelson:

- Says that a balanced Doha package must not backtrack on earlier commitments to real new market access in agriculture, industrial goods and services.
  - Urges negotiators to conclude a deal while global agricultural prices are high and economic uncertainty would make a trade deal a valuable backstop against a slide into protectionism.
  - Warns that the collapse "would signal that the international community is simply not capable of pulling together when it comes to global economic governance – which is the worst possible signal to be sending as we search out global solutions on climate change and financial flows".
  - Warns against the loss of a negotiating package that would "get unfairly subsidised farm goods from the developed world out of LDC markets for good, and open up new markets for your farm and industry exports".
  - Tells LDC Ministers that Doha could and should free up south-south trade. "It could give Least Developed Countries a new foothold in the booming markets of the rapidly growing economies. We should never forget that a 1% increase in African global market share would be worth many times more than what you currently receive in aid."
  - Says the EU would back the LDC call for other developed and emerging economies to extend the duty free quota free market access that the EU already extends to all LDCs as part of a final Doha package. He also throws the EU's weight behind LDC calls for dramatic reform of global cotton trade.
  - Concludes: "it is time to get this deal done. There is no external force that can end this negotiation for us. We're like a boat with oars. Unless we *row*, we go nowhere. Unless we all row *together*, we go in circles. Unless we row *now*, the tide will push us past the last remaining harbour"
-

I'm particularly pleased to be able to meet and speak with you on the question of the Doha Round. I've looked closely at your Ministerial Resolution, and you can be sure that on very many issues, you will have my support.

I remember that last time you met in 2005 it was few weeks before Hong Kong. I hope that once again your unity and your voice will give impetus to our work.

I have always believed that Least Developed Countries have a very substantial interest in seeing the DDA completed – Doha was after all conceived as a round in your interests, in the interests of development. I think that you all feel the same frustration that I do at our failure to bring this Round to a successful conclusion. Frustration at the fact that although the basic ground for an agreement has been mapped out, negotiators can't seem to converge there.

In part this has been driven by a sense of imbalance in the negotiating texts on the table. The industrial goods text has created new ambiguities rather than removing old ones. But the deal remains to be made if we want it. The question is if we do.

### **Close to failure**

Let me say emphatically on Europe's behalf, we will work all hours to achieve a fair and balance outcome. But I now fear that Doha is facing a high risk of failure - the first failure ever for a multilateral trade round. That would not be a good signal for the global economy – which needs the confidence boost and the insurance against protectionism. It would not be a good signal for the workers and jobs in all of our economies that would grow from new trade. It would signal that the international community is simply not capable of pulling together when it comes to global economic governance – which is the worst possible signal to be sending as we search out global solutions on climate change and financial flows. It would not be in the interests of the LDCs most of all.

Old hands in Geneva will always say that the Uruguay round took longer than Doha has up to now. But this is not just another one of those multiple moments of truth that all trade rounds pass through on their way to a hard-fought consensus. The current impasse in the negotiations is defined by two things.

First, although some seem determined not to recognize it, we have arrived at the core outline of the only deal that will work. If we don't embrace it, and instead start to unpick it, a better one is not going to come alone.

Second, the US political calendar requires a decision in the coming period. The climate for trade deals is not going to improve with a new US President.

We cannot backtrack on our past commitment to real new trade opportunities in both industrial goods and services as well as agriculture. Flexibilities so wide that they will effectively neuter new market access, whether in developed or emerging economies, will not fly.

### **More than binding**

Some have started to suggest that Doha should bind existing openness rather than create some new market access for trade. That we should lock in the unilateral opening of the last fifteen years and leave the table happy. I am the first to accept the value of binding. I believe that one of the chief functions of the WTO system is to keep consolidating openness and in doing so, create certainty for traders, which has real commercial value. But we came to do more than that when we launched the Doha Round. We cannot find agreement through a retreat from ambition.

The EU's current market access offer in agriculture in these talks is worth more than a binding round. It would cut average tariffs in half, and cut the highest the most. It would slash trade-distorting subsidies by up to 70%. The EU's proposed tariff reductions for products like beef, for example, would create hundreds of thousands of tonnes of new market access. As the steep drop in export subsidies see EU farmers withdraw from global export markets for products like milk and poultry, these markets would become available for the exports of others, not least farmers in the developing world. It is, as one US analyst put it: "by far the biggest liberalisation of global farm trade in history". We now need the United States to match us with comparable subsidy cuts of their own. And the large emerging economies to bring some balance to the package by offering some new market access in industrial goods and services.

In industrial goods where tariffs are already low, developed countries will cut even further. Please do not misread the politics in Europe concerning this Round. We will not ask for more than others can do. But nor can we settle for less than what others can afford.

### **What is the EU asking?**

This means in practice that when I talk about market access, I am not talking about the Least Developed Countries. Nothing is expected from their subsistence farmers or infant industry. For them, this is a round for free, and rightly so.

For the small group of around 30 rapidly growing developing countries that have become export powerhouses, the situation is different. Not the Chads and the Benins, but the Chinas and the Brazils.

From them, this is what we ask: bind most of your remaining unbound tariffs; reduce your peak tariffs; consolidate duties to the levels that are actually being applied. And for some countries and some sectors, make limited adjustments of 1 or 2% in real tariffs over a period of ten years. That does mean explaining to a small number of sectoral interests that at some stage over the next decade, their level of protection will have to be modestly reduced as a result of this Round.

The openness of these growing markets matters for the poorest – for the producers and traders represented in this room. African, Caribbean and Pacific countries pay no tariffs on almost everything they export to Europe. But they pay to export to Brazil and China and India. As you know, developing countries are paying more tariffs to each other every day than they do to the developed world. It is not a challenge to the solidarity of the developing world to point out that this is not a development friendly situation.

Doha should free up south-south trade. It could give you a new foothold in the booming markets of these rapidly growing economies. We should never forget that a 1% increase in African global market share would be worth many times more than what you currently receive in aid.

That is why the extension of duty free quota free market access to you, by all developed and emerging economies – the kind of access the EU already gives you – is so important and should be part of a Doha modalities agreement. You need this access both to counter the impact of preference erosion, but also to encourage economic diversification. On preference erosion, the EU supports the LDCs' request for longer implementation periods for tariff reduction on products of key LDC interest in the major markets like the EU and the US.

The trade facilitation negotiations also have the potential to deliver significant benefits by helping standardize customs practice. The biggest winners would be economies like Lesotho

– landlocked, far from ports, dependent on swift and transparent customs procedures to get goods to market.

We should also insist on ambitious agreements on ending the serious distortions in the global cotton trade. The EU accepts the Cotton Four original proposals in full, including the Blue Box product specific cap of one third. We are playing our part; we have already reformed our domestic support and we will continue to invest in cotton specific development assistance.

The residual support we provide to European cotton producers is marginal in its impact on the international cotton market. I am confident that the United States will show some flexibility. But, I suggest, you will not sway the US by pressurising the EU.

### **...and why now?**

To conclude, I simply want to say again that we are faced with a final window for this deal. Global agricultural prices are currently high, and price guarantees for farmers are unspent. This offers the US a unique window to reform its trade-distorting farm supports without significant political pain. Agricultural commodity demand is high and supply is tighter than ever, which makes the logic of freer farm trade compelling.

Despite the increasing uncertainty in the global economy, the systemic value of a trade deal is still being underestimated, both as a confidence builder and as a ratchet in the global economic machine that would stop it sliding backwards. But Doha would do both of those things. Anyone even contemplating the argument that no deal is better than a less-than-perfect deal must believe that the global economy has no reverse gear. How they can have reached the end of February 2008 with that conviction intact I have no idea.

And this will be a less-than-perfect deal. Perfection is not on the table. There are no overwhelming triumphs to be brought home from the negotiating room. But there is a deal within clear reach that will go further in the name of development than the multilateral trading system has ever gone before.

A deal that will reform global farm trade in a way we would not have thought possible twenty years ago. This is a massive paradigm shift in global farm trade. It will get unfairly subsidised farm goods from the developed world out of your markets for good, and open up new markets for your farm and industry exports. It will integrate trade solutions to deal with preference erosion and be flanked with trade development assistance. It would clean up the global rule book for customs procedures and bring trade justice to the cotton trade.

The failure of Doha can only mean a rush to bilateral trade agreements that would squeeze out LDC interests. Not only would you lose the concessions that are part of the DDA, but as others signed FTAs around you, you would see your preference erosion accelerate.

So it is time to get this deal done. To the wider WTO membership I would say this: the WTO system is member-driven. There is no external force that can end this negotiation for us. We're like a boat with oars. Unless we *row*, we go nowhere. Unless we all row *together*, we go in circles. Unless we row *now*, the tide will push us past the last remaining harbour. We cannot afford to let that happen.