

Trade Talk Impasse Prompts a Plan B

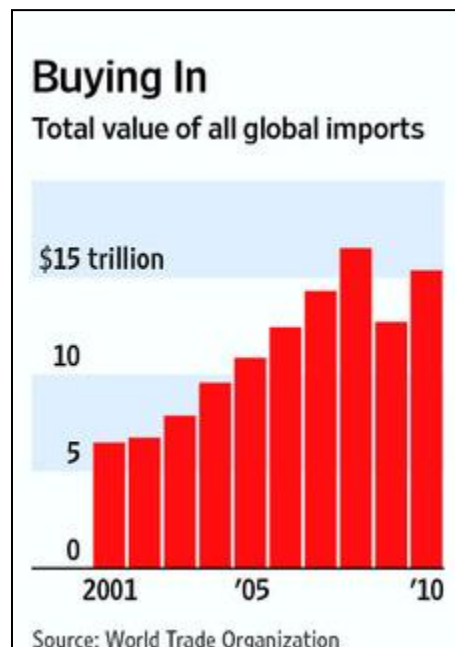
By JOHN W. MILLER

Brussels — The World Trade Organization's 153 member nations will openly discuss for the first time an alternative to the failing Doha round of global trade talks, say high-ranking WTO officials.

The so-called Plan B, to be discussed Thursday and Friday at WTO headquarters in Geneva, would likely eliminate issues that have proved impossible to solve over the 10 years of Doha's existence. Those sticking points include reaching deals on cutting tariffs on machinery, cars and other industrial goods, and levies on agricultural products. Instead, countries would maintain what they can agree on, such as common customs standards and curbing fishing subsidies.

WTO Director-General Pascal Lamy will present a "lucid, exact evaluation without pretending we don't have this huge problem" on cutting tariffs, he said in a phone interview. The WTO chief decided an alternative to Doha might be needed after consulting with all WTO members last week, WTO officials said.

Downsizing Doha to something all countries can swallow would preserve the WTO's legitimacy as keeper of the trade rule book and arbiter of disputes between countries and their companies, and keep open the option of a future trade round, say analysts.



Several scenarios will be put up for consideration, according to a trade diplomat familiar with the agenda. One issue all sides agree on, for example, is a treaty on "trade facilitation." Developing countries often lack the roads, ports and customs offices needed to expand exports. Rich countries increasingly target their aid toward helping to build these facilities. Doha would turn this aid into a treaty obligation.

Concluding Doha "is not a matter of tying up a few loose ends," said Simon Evenett, a professor of trade economics at the University of St. Gallen in Switzerland. A Plan B "is what's known as the 'early harvest' option, but it might be the 'only harvest' option."

A Doha failure would be an ominous sign. **The last trade negotiation to collapse was the London conference of 1933, say trade historians.** The two-week conference, which failed to end the Great Depression, is famous for Nazi economics minister Alfred Hugenberg proposing German colonial expansion in Africa as a cure for the Depression.

With the 2012 U.S. election season approaching, WTO members have resolved to finish the Doha round by the end of this year. Doha, which began in Nov. 2001, was meant to be a "development round," offering poor and emerging economies more access to U.S. and European Union markets, and thus fighting the poverty that feeds terrorism.

However, the dramatic rise of China, Brazil and India spooked the talks. Suddenly fearful of these new rivals, the U.S. and EU refused to lower barriers to farm imports unless these countries opened their burgeoning markets for industrial goods.

These five trading blocs—without Japan and Canada, which gradually lost their status as trade-talk heavyweights—clashed at summit after summit throughout the decade. They could never made it work. And, increasingly, trade negotiators are openly confessing the impossibility of success.

"Some of the gaps that we have to bridge, particularly in opening up markets outside of agriculture, in manufacturing and services, are probably not going to be filled in time for us to do it in 2011," U.S. trade representative Ron Kirk said at a think-tank event in Washington last week.

However, as many trade negotiators have started to do, Mr. Kirk left the door open to an alternative proposal. "There is a way forward," he said. "So what I would say is that it doesn't have to be over."

Speaking to the European Parliament last week, EU trade commissioner Karel De Gucht said there was "no reason to be optimistic" and that a Plan B should be contemplated if the talks broke down. Other ministers have offered similar appraisals.

Last week, Mr. Lamy ordered a full review of all 20 chapters included in the Doha negotiations. A couple of issues appeared intractable. There was little appetite, for example, to broker a deal on various services, especially from the U.S. and Brazil.

The U.S. and EU complained that, under the current deal, their average tariffs will be less than 2%, down from around 4%, meaning they'll have little to concede in future rounds.

China, Brazil and India vociferously objected to demands by Western countries to create tariff-free supply chains for big multinationals in sectors such as chemicals, factory machines and electronics. That made it clear that negotiators needed to face some hard truths in Geneva this week, said Mr. Lamy. "It's not my job to present a Plan B, C or D," he said. "There has to be a consensus of the members."

Other ideas offered for consideration include *reform of the dispute settlement system, a deal on fisheries and closer environmental-trade co-operation, the trade diplomat says.* "Essentially this means *an agreement much more centered on rules than on market access.*"

For example, countries could agree to set up a review process for nontariff barriers, such as sanitary requirements, which are often used as political weapons. If WTO members sign off on a Plan B, a deal could be wrapped up relatively quickly, even before the end of the year, say WTO officials.

"A deal is better than no deal, but the legitimacy of the institution might still be a problem," says Paul Blustein, author of "Misadventures of the Most Favored Nations", a book about the Doha Round. "Of course, if the round fails completely, it's really bad."