

Progress or Retreat in the Doha Round?
Analysing underlying policies in the WTO and the Harbinson proposal

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Executive Summary

This analysis addresses the question: Is there any room for a genuine compromise in the ongoing negotiations under the auspice of the World Trade Organisation (WTO) and have member positions converged over the past two years? The analysis focuses on the Agricultural negotiations and in particular if there are common positions across the many negotiation countries that could form the basis for forming alliances during the negotiations.

Based on a mapping of the many submitted positions up to the Cancún Meeting in Mexico September 2003, the analysis maps countries in groups with common positions and extracts the underlying general policies that determine these positions. Furthermore, the analyses identify and quantify factors that influence the policy making process such as ideologies, vested interests and country specific conditions. We also provide policy makers with an overview of different policy directions pursued in the negotiations as well as presenting underlying factors that countries base their negotiation standpoints on. A particular purpose of the paper is also to examine the Harbinson draft proposals and assess whether the proposals form a genuine compromise and how it is situated along different and distinct policy directions. The paper is based on and a continuation of the work in Bjørnskov and Lind (2002).

The first step of the analysis examines the countries' policies and proposals to uncover movements in positions and to group countries together that have similar positions. We find some evidence of convergence of the negotiation positions since November 2001. With the introduction of additional domestic support in the 2002 Farm Bill, the US has taken a small step away from the liberal position that they have championed in the organisation. The EU seems to have taken one step forward and another backward with the modification of the Common Agricultural Policy. While the Union seems ready to cut export subsidies and overall domestic support, these concessions come in a package entailing increased support for non-trade concerns and a considerable broadening of the negotiation agenda. It has therefore moved only marginally closer to the bulk of WTO members. Three other members of the organisation have recently advanced a new proposal, which imply that two country groups containing most of Africa and the US, and Canada, China and Indonesia, respectively, are now situated remarkably close to each other in the WTO. Moreover, Stuart Harbinson brought forward two consecutive draft proposals to avoid a deadlock in the negotiations. These drafts seem to be expressions of a genuine compromise, since our analysis place them in a central positioned country cluster comprising one third of the global population including Canada, China and Indonesia.

The next step is to identify the underlying policies or policy directions upon which countries' actual positions are formulated. We extract three different determining latent policies that guide countries in the agricultural negotiations and shape the policy making process. The first and most important dimension calls for cuts in domestic as well as export support. We label this the *liberalisation dimension*. The second policy dimension wants to introduce a development box and keep provisions for the special safeguard clause. This policy direction are pursued by relatively affluent and high profile developing countries, thus we label this the *elite development dimension*. The third policy direction is predominantly concerned with reductions in import barriers; thus, we label it the *market access dimension*. The Harbinson drafts fits very well at the average of the first dimension that explains most of the variation in policies. We can therefore reject European allegations that these drafts have been unbalanced. However, the chairman seems to have been too eager on reforms along the two other dimensions, as his drafts receive significant positive scores along these dimensions in the analysis. Yet, the EU seems only marginally interested in these dimensions.

The final step in our analysis concerns identifying determining factors in the policy making process. The three underlying policies are the outcome of balancing between parties, vested interests, ideologies and the particular options a country is facing. The results add insight into how members form their positions. Some results from these analyses should be emphasised.

- Political ideology exerts a significant influence on policy positions. Specifically, leftwing governments in developed countries are more inclined to liberalise along the development and market access dimensions while being against general liberalisation. Rightwing governments in both developed and developing countries are more inclined to liberalise along the liberalisation dimension.
- Even when controlling for the present level of agricultural support, EU members are substantially less inclined to move ahead along the liberalisation dimension than comparable countries. We hypothesise that the second finding has to do with the fact that the Union consists of several states that have to agree unanimously on a joint set of policies often leading to the principle of the 'lowest common denominator'.
- Having privileged access through membership of preferential access agreements imply opposition to lowering import barriers. This is due to the effect called 'preference erosion' where current preferential access lose value corresponding to reductions in tariffs. Since many developing countries have preferential access they are concerned with potential deteriorating export values and market share losses as a consequence of reductions in import barriers in rich countries. Thus, a main insight with potential implications for policy is that developing countries' concerns with respect to the potential erosion of tariff preference margins as a consequence of liberalisation is a point that Harbinson's drafts in particular seem to fail to take into account.
- The strength of the farm lobby is measured by using the ration of farm support to farm production as a proxy. The analysis shows that the farm lobby exerts a strong pressure on the policy making process by pulling the positions away from liberalisation and market access.
- Developing countries are more in favour of liberalisations than rich countries, and the least developed countries are putting even more pressure towards liberalisation.

Our findings naturally have implications for the ongoing round of negotiations in the WTO, the so-called Doha round. Firstly, we can reconfirm the main findings from an earlier study, e.g. that the EU is isolated in its demands in the round. Of the major players in the WTO, the EU and Japan are by far the least willing to liberalise as such, being in marked contrast to the US and most developing

countries. Neither the US nor Harbinson seem to have taken specific developing country worries sufficiently into account when submitting their proposals. Most developing countries are eager to move forward along the liberalisation dimension, yet their positions reflect that broad liberalisation might erode preferential access to the North American and European markets in particular.

With respect to the immediate future of the negotiations, we note that certain country groups are coming together as a result of subtle changes in negotiation positions. This points to the implication that a majority of members - and more than half of the global population – should be able to reach an agreement. The success or failure of the Doha round therefore rests with a limited number of rich laggard countries that have to swallow their pride in order for the entire membership to come to a consensus on how to move forward in world trade.