

The Doha Deception Round: how the US and EU cheated developing countries at the WTO Hong Kong Ministerial

Threats, deception and manipulation are the underhand negotiating tactics used by rich countries such as the EU and US in the current round of global trade talks, warns ActionAid in a new report, 'The Doha Deception Round: How the US and EU cheated developing countries at the WTO Hong Kong Ministerial.'

Power politics, exclusive meetings, diplomatic arm-twisting and 'take-it-or-leave-it' ultimatums are leading to a final trade deal that will not alleviate poverty and that could have a devastating impact on millions of people worldwide.

Poor countries should not be forced to accept a bad deal at any price and should make history and reject it.

Hardball tactics by the EU and US are undermining the very goal of the current trade talks – known as the 'Doha development round' – which is supposed to have the interests of poverty and development at its heart rather than leading simply to more trade liberalisation in favour of rich countries.

The WTO and its chief Pascal Lamy take much of the blame for allowing and even encouraging a growing reliance on exclusive and informal negotiations which have become the norm over the past two years and which help the big players skew the Doha round, warns the study.

Secretive and exclusive decision-making is now delivering a thoroughly unfair deal and developing countries who make up the majority of the WTO's membership will yet again be the losers unless things change at the WTO, it says.

To highlight the unfairness of current practices at the WTO, ActionAid looks at the lessons of the WTO ministerial conference in Hong Kong in December 2005. These practices are set to intensify in Geneva in the final stages of the WTO negotiations.

The Hong Kong ministerial was riddled with pitfalls for developing countries, it says:

- Invitation-only 'green room' negotiation sessions organised by the WTO leadership completely undermined the so-called 'democratic' decision-making process
- Round-the-clock talks ground down overstretched and exhausted developing country negotiators who were unable to stand up to rich countries with far bigger delegations.
- Divide-and-rule tactics used by developed countries to drive wedges among developing nations, ranging from trying to buy them off with vague promises and spin about development deals to providing heavy-handed "friendly advice" and pressure on their political leaders.
- An eleventh hour take-it-or-leave-it 'consensus' deal brokered by the few which left the majority with no choice between the rubber stamp or the extreme option of rejecting the whole package. If they rejected the deal they fear they would be blamed for wrecking the conference, the Doha Round and even the global trading system.

Hong Kong was billed as a milestone in efforts to complete the Doha Round this year. Such moves were based on ground rules set in the July Framework which was hatched by 'key' WTO governments

in 2004 and then handed down to the rest of the membership. The process was compounded by a string of so-called 'mini-ministerials' and other gatherings of self-selected WTO members.

There is nothing to suggest that the WTO leadership and the organisation's developed country members intend things to change in the coming months. That raises a basic question, says ActionAid: why should developing countries buy into any final deal when they have been shunted aside?

It is now clear the EU and US are pursuing an aggressive trade liberalisation agenda and are offering very little in exchange. The report concludes that developing countries do best when they stick together in coalitions and resist divide-and-rule tactics.

Developing countries should dismiss the argument that any deal is better than no deal: as things stand, no deal is better than a bad deal for developing countries. They should reject what is on the table, and resist the empty offers, manipulation and the pressures of the 'blame game.' They should stay united and use their collective punch to ensure that their interests are put front and centre in the Doha round through a genuinely transparent and inclusive process.

The report is based on 37 in-depth interviews with negotiators, diplomats and others who were deeply involved in the Hong Kong conference. For reasons of confidentiality, their names are not revealed.

It looks at a number of examples to show what was wrong in Hong Kong, providing a snapshot of some of the deep-rooted problems in the WTO process.

Among them:

Green rooms and the myth of democracy and transparency

The 'bottom-up' approach was the big buzzword in Hong Kong. The theory was - and remains - that the negotiation process should be driven by all WTO members rather than being imposed upon them. At the end of the conference, Pascal Lamy told journalists that consensus had been reached after hundreds of meetings and other consultations among members and between different regional groupings in the WTO.

The spin about transparency was such that it seemed absurd to challenge the final result - and given the scarcity of plenary sessions that was already hard enough. In reality, the decision-making hinged on green room talks between a few countries deemed to represent the main interests of members, with Brazil and India and a sprinkling of other called in to represent the developing world. Pascal Lamy even legitimised this exclusive and undemocratic process by giving it a name: the Chairman's Consultative Group.

According to an African trade negotiator: "Ultimately, the real forum of negotiations was the green room and whatever you said in the other rooms didn't matter. What mattered was the position of the big guys and what they felt they could deliver."

Another African delegate put it: "You are told that it is fair representation. It should be based on the principle of a football match: you have 11 on each side. You cannot have two supporting and 20 not. What kind of a deal do you get at the end of the day?"

The green room was a problem even for the developing countries who were allowed the inside.

"You keep repeating your position over and over again, and rather than being heard, people get annoyed, they start to demand concessions from you rather than actually compromising with you," said a negotiator from the African-Caribbean-Pacific group (ACP), which represents 56 WTO members.

The final hours of the conference were just as bad: the heads of delegations were given only an informal meeting to voice their final statements on the overall text of a deal that had emerged from the Green Room process only a few hours before.

"[Pascal] Lamy had picked about 20 countries that were to a large extent positive about the text," said a delegate from an African country that was wary of signing up to the manufactured consensus. "The evolving scenario placed some delegates who wanted to oppose the text at a disadvantage and instead they began to question whether or not the problem was their inability to comprehend the text or the problem was the draft Hong Kong text itself."

To cap it all, the closing plenary session was set up theatre-style without microphones so that delegates could not speak – unless they were prepared to clamber onto the stage and demand a microphone, something only Venezuela's vice-minister chose to do.

- **Double-dealing on the services text**

Ahead of Hong Kong, developing countries had expressed increasing unease over the way negotiations on services were heading. In essence, what was being drafted was a one-sided wish list for countries seeking sweeping liberalisation, rather than a balanced document taking into account the concerns of different members. The draft that ended up on the table in Hong Kong disregarded the repeated objections of developing countries: alternative proposals from around 70 developing countries had simply been sidelined by Pascal Lamy and WTO brokers.

After facing delaying tactics before Hong Kong, developing countries at the conference were then told that it was too late, because the purpose of the ministerial was to sign off and not negotiate.

"Not only was it unethical but also unprocedural," said an official from the G90, which represents 64 WTO members.

Although the WTO and major powers were aware that the document was under dispute, services was the area least discussed in Hong Kong, and general discussions were delayed until as late as possible.

"Services was not an agenda in the green room. If there were 100 hours of negotiations in the green room in Hong Kong, one hour was devoted to services," said one official.

- **Brussels' and Washington's divide-and-rule tactics**

Attempts by G90 members to have their voice heard on services sparked a fight back by the EU and US against the developing countries steering such efforts.

Rwanda, for example, spearheaded moves in the run up to Hong Kong to ensure that the conference would address developing countries' concerns. Although WTO rules mean that the world's Least Developed Countries (LDCs) - 32 of whom are WTO members - are not required to commit to services liberalisation, such nations have stood alongside others in the G90 who would have to. As a result, Rwanda was among several LDCs that faced heat from the EU and US, through 'reminders' that they should shut up on services if they wanted to get anything out of separate talks on a package of duty-free and quota-free measures for their products.

"With these tactics of bad guy versus good guy, they managed to break up the G90," said a delegate from the grouping. Malawi, which picked up the baton on behalf of the developing country majority, also

had to deal with pressure from the proponents of liberalisation – including phone calls to its president from the EU.

"We suspect it was the EU who called given what they were saying to us in the meetings," said a capital-based Malawi delegate.

"It's a diplomatic reminder of where you are geo-politically and where they are," said a negotiator from the African-Caribbean-Pacific grouping, which includes 56 WTO members.

An empty development package

The so-called 'development package' – a deal that would purportedly help the world's LDCs – received huge publicity in Hong Kong. It was the media-friendly result that the WTO needed to prove that the goals of the Doha round had not been set aside. But the package turned out to be the biggest deception of the Hong Kong outcome.

It also represented an opportunity for the EU and US to play the mutual blame game over the freeze in the Doha round. It likewise provided them with an opportunity to break the solidarity of developing countries by manipulating the different needs of the poorest and playing down their common neighbourly economic interests which are crucial for genuine development.

The EU first proposed the development package two months before Hong Kong, a move which enabled it to put the US on the defensive and set itself up as the noble champion of preference-receiving countries, while at the same time fending off criticism of its own agriculture tariffs. The US, which accused the EU of hiding behind the LDCs, proved little better, dangling the possibility of a deal in front of the world's poorest nations.

Negotiations on the package took up the bulk of the LDCs' time in Hong Kong, pulling their delegations away from other areas of concern to developing countries.

For one ACP trade negotiator, the package was "like a carrot on a bungee, just when you reach for it, it goes back up again."

Focusing on the mantra of duty-free and quota-free imports of LDC goods, the final fudge which emerged offered 97 percent access to rich markets but left the possibility of loopholes so that the developed world to restrict imports of key LDC goods – such as textiles or leather goods.

The LDCs had actually rejected what was put before them in Hong Kong, saying they would not settle for a half-baked deal and that they wanted more negotiations at the WTO's Geneva base to ensure they got substantial results.

"Our demands were simply brushed away," said an LDC official from Africa.

As a result of their stance, they faced huge pressure from the WTO in the closing hours of Hong Kong to go along with the compromise accord or risk losing what they had negotiated so far.

"The LDCs didn't want to be blamed for the collapse of the whole process, so we settled for this thing. We had very little choice at that point," said an LDC ambassador.

- **US dodging on cotton**

Cotton is a particularly contentious issue at the WTO. Under the 2004 July Framework, it was meant to be dealt with "ambitiously, specifically and expeditiously," but there was little or no subsequent movement.

The issue was back in the spotlight in the run up to Hong Kong, as the so-called C4 countries (Benin, Burkina Faso, Chad and Mali) plus Senegal pressed for an end to the dumping of cotton on their markets, mainly by the US, and for compensation for the economic damage it has caused. The cotton debate has resulted in an absurd situation where the US has promised the affected countries aid money to make cotton production more efficient while at the same time destroying their trade production capacity through dumping.

In Hong Kong, the US only agreed to duty-free and quota-free access for the C4 by the end of the Doha round and to remove cotton export subsidies this year. Other parts of the deal are still up for negotiation.

Far from being a huge sacrifice, the US concessions were effectively meaningless, because the C4 mainly export to the EU and the bulk of cotton dumping comes through US domestic support schemes and not export subsidies, which Washington was in any case required to eliminate after a WTO dispute settlement decision last year.

Despite the paltry nature of the deal, C4 delegates gave in simply to keep the debate alive -- because of veiled threats from the WTO secretariat that future cotton talks could be derailed if they didn't -- and to avoid taking the blame for any broader failure in Hong Kong.

In addition, the cotton countries had to endure almost non-stop talks during which they were vastly outnumbered and slowly ground down.

"It was deplorable, all happening in the night," said a C4 official. "You have to have extraordinary physical force to do this. It all contributes to the non-transparency. In a state of extreme fatigue, you can't think or negotiate well. The US had more than 200 people. They can change their negotiators in all the meetings. We had to be everywhere."

Conclusion:

This report highlights serious problems with the way negotiations are conducted at the WTO and the way these unfair processes lead to unfair outcomes.

ActionAid believes if these procedural and structural problems are not addressed that power imbalances will only get worse; power politics, manipulation, and arm-twisting have no place at the WTO.

If urgent action is not taken and the WTO remains unreformed, it is likely that a very bad deal will be agreed in this current round of talks that could have a devastating impact on poor countries

ActionAid asks rich countries to stop cheating poor people. The organisation believes that if the current deal does not radically change to reflect the needs of poor people, developing countries must reject it.

We urge the WTO secretariat and membership, to:

- Reform the WTO system
- End the green room and Mini-ministerial processes
- End take-it-or-leave-it accords at WTO conferences
- The WTO must provide equal opportunities for all members to take part in decision making
- Push for a genuinely development friendly deal for poor countries in the current round of talks