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Can the Doha Round be Revived?

The head of the World Trade Organisation has called a meeting of ministers next week – July 21 – in a high-risk attempt to rescue the Doha round of global trade talks. Trade officials warned that large negotiating gaps remained between the leading countries and said Lamy's decision to call a meeting was a gamble that could lead to a high-profile implosion.

In order to understand whether the Doha Round can be salvaged, we need to understand why it has reached its present impasse. The latest Report from the Kiel Institute and CEPR analyzes the factors which have led to longer and longer Rounds and now to the Doha impasse:

- Chapter 1 of the Report (by Patrick Messerlin) focuses on the declining ability of the big developed countries to take a lead in the negotiations. Rounds are now so long that they extend beyond the main countries' political cycles. If Rounds are not completed in one political cycle, then momentum is often lost as a new political regime takes over. In addition, majorities for the ruling parties in the main developed countries have become smaller over time, and undermining their ability to lead the negotiations. Messerlin argues that the only solution is to limit the objectives of each round, focus on the core goal of increasing market access, and make much wider use of simple rules such as the 'Swiss formula' for reducing trade protection.
- New issues such as services are much more complicated than simple trade liberalisation of manufacturing sectors. Chapter 3 of the Report (by Philippa Dee and Christopher Findlay) shows why service sectors differ from traditional manufacturing industries and so require different treatment in negotiations. For many service sectors, domestic liberalisation is required before access by foreign firms (that is, national treatment) is useful. Because of this, the Report argues, services may not be the area to lead concessions and ultimately a successful Doha round.
- Some commentators have argued that the growth of preferential trade agreements (PTAs) may have diverted attention from multilateral negotiations and slowed progress in the Doha Round. The Report takes issue with this argument: Messerlin shows that PTA activity has not been increasing by nearly as much as is usually supposed. PTA activity by the European Union and the United States has been with much smaller countries, and appears to be more about preferential treatment rather than market access. The threat to the WTO from PTAs lies in the future, the Report argues: if the WTO and its members cannot solve the key issues, there is likely to be much more activity in PTAs and the WTO will be in danger of becoming a bystander.

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