No deal better than a bad deal? Fact Sheet – Brussels, 24 July 2006

Some US lawmakers have suggested that the US should walk away from the WTO Doha trade round if the US does not achieve the exceptionally steep farm tariff cuts that it has demanded from others. The USTR (United States Trade Representative) has suggested that the current Doha package is a 'Doha Lite' agreement, with little real substance. No deal, these people argue, is better than a bad deal.

Yet the farm tariff cuts on the table are already the steepest ever offered in a multilateral trade round. The EU has offered to cut its average farm tariff in half, and reduce its highest farm tariffs by 60%. So even in the single area of farm tariff cuts, especially for highly competitive farm exporters in the developing world, Doha is hardly a bad deal. What would be the true costs of 'no deal'?

- No deal would be a blow to the credibility of the international trading system and the WTO.
 The failure of a multilateral Round on this scale would return us to a system of bilateral
 agreements and FTAs (Free Trade Agreements) in which the large can strong-arm the
 small. Trade muscle instead of multilateralism.
- No deal would mean losing new south-south trade in a way that reflects the growing reality
 of the global economy that China and Brazil and the emerging economies of Asia and
 South America have a new power but also a new responsibility. Doha is an opportunity to
 integrate these markets further into the global economy.
- No deal would mean Europe and the US losing vital new access to the markets of the emerging economies like China and Brazil for their exported industrial goods.
- No deal would mean losing the possibility of binding the EU's agricultural reform in Geneva and the possibility of locking in similar reform in the United States.
- No deal would mean losing new market access in farm goods the deepest farm tariff cuts ever offered by the EU by a wide margin. In the EU this would include massive new market access for key agricultural exports such as chicken and beef.
- No deal would mean losing new trade in manufactures that is not just vital for the EU and the US but for the growing industrial sectors of the developing world. Most developing country trade is in industrial goods, and most tariffs paid in the global economy are for industrial goods.
- No deal would mean losing even a modest deal on services trade and foregoing the developmental benefits of foreign investment and the global flow of skills and experience to the developing world.
- No deal would mean losing a new multilateral agreement on duty-free quota-free market access for the Least Developed Countries – similar to that extended by the EU since 2001.
 We would also lose a huge new global package of Aid for Trade.
- No deal would mean losing the chance to rewrite the global trade rulebook in the trade facilitation negotiations to improve the standardisation of customs practice. Economic research suggests that the benefits of these negotiations for developing countries could be greater than any other area of the negotiations – the equivalent of adding \$20bn to the GDP of Sub Saharan Africa by 2020 – effectively doubling what the region receives in aid.