

Four years after Cancun, Mexico can help clinch a global trade deal

Comment by Peter Mandelson

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Four years after they broke down in crisis at Cancun, the Doha global trade talks have reached a point where the shape of a final deal is pretty much clear. The gaps to close are political as much as technical. The timetable, with a change of administration in the US, is tight. It is time to take a hard look at what is on the table, so that we know what failure would mean. Both Mexico and the European Union have been strong supporters of a global trade deal. Mexico has used NAFTA and an FTA with the European Union to become the biggest exporter in Latin America. But a global agreement would boost its expansion into other markets in the developing world. This week, on a visit to strengthen EU trade ties with Mexico, I will be asking for Mexico's help in clinching a final Doha deal.

Doha would transform global farm trade. There is a package on the table that amounts to the largest liberalisation of farm trade in history. At the centre of this package is the EU's willingness to cut its farm tariffs by an average of 50%, within a system of bands that ensures that the highest tariffs would be cut the most. Alongside these cuts to border protection the EU is also proposing to cut its overall trade distorting farm support by at least 70% and the elimination of all export subsidies if others agree to do the same.

It is easy to forget that while we have been cutting tariffs on trade in industrial goods for forty years, Doha is the first round to treat agriculture seriously. A farm package this ambitious, assuming the US will match the EU in making changes to the way it supports its farmers, would be exceptional. It will relieve a lot of the burden that trade distorting farm subsidies in the developed world currently place on farmers in the developing world. For Mexican farmers that compete with subsidised US crops, this is vital.

Industrial goods negotiations have taken a backseat to agriculture for much of the Doha round. Yet here too the outline of a potential package is emerging. At least based on the ranges proposed by the chairs of the negotiating groups in Geneva this summer, Doha has the potential to basically eliminate all remaining industrial tariff peaks, and to eliminate virtually all remaining industrial tariffs in developed markets. For a growing industrial exporter like Mexico looking for new markets in the emerging economies, this is a package worth pushing for.

But a deal serves the equally important purpose of injecting some much needed confidence into the global economy at a time of great uncertainty. Mexico has felt the recent shockwaves from the US credit market. Yet there is still very little sense among WTO members of the value of a trade deal, both as a confidence builder and as a ratchet in the global economic machine that would stop it sliding backwards if global growth should slow. Most trade liberalization over the last decade has resulted not from negotiating pressure, but from internal economic rationalization and reform. Unless it is locked in by a WTO deal, that openness can be reversed.

But getting to this Doha deal is now as much a political challenge as a negotiating problem. All sides recognise the middle ground where a deal is possible. All sides need to be ready to show

flexibility. All sides are highly sensitive to their domestic politics. The United States will need to show its cards on the levels to which it is willing to reduce its trade distorting farm subsidies. The large emerging economies such as India and Brazil will need to come to the table with industrial tariff cuts of their own. Mexico's well-respected voice in urging this final trade off is both useful and necessary.

With a wider and more diverse WTO membership than ever before, getting the Doha round to its current state has been an exercise in political balance and incremental advance. It is also a test of the strength of our commitment to multilateralism and development. We have arrived at a point where only political leadership and a willingness to make a few more tough choices are needed. Nobody wants to repeat the mistakes of Cancun. Success in Doha comes with a small political price. Failure would cost us much more. No multilateral trade round has ever failed. Can we really afford to allow Doha to be the first?