

The way forward on Doha - interview with Catherine Ashton

Financial Times © - 7 September 2009

James Lamont, the FT's South Asia bureau chief, joined a small group of journalists to talk to Baroness Catherine Ashton, European Union trade commissioner, in New Delhi on Saturday 6 September 2009. What follows is an edited transcript of the discussion.

Q: What progress has been made to advance the World Trade Organisation's Doha round?

Ashton: This was an impressive initiative by Indian commerce minister Anand Sharma to bring together 35 trade ministers from across the world who came in order to re-energize the Doha round. In that he has been extremely successful. Yes, there's lots of issue to resolve but the spirit in which everyone engaged was very important.

It is a development round and in this economic climate development this is of enormous important significance. It's also important for every economy as we look at the economic backdrop. The talks were stalled when economies looked very different, and the world looked very different. So there's even more of an imperative to do it.

The flows of trade released by the Doha round will be year on year on year. Figures vary. We talk about €150bn that we would see minimum each year. In the grand scheme of financial stimulus sometimes this doesn't feel like a big figure, but it is year on year on year.

Trade is so much part of the solution to where we go next from this economic downturn. It's a big signal to the world that we are open for business. So it's significant that we finish the round.

Timetables have been talked about. It's important to set deadlines in a sense of wanting to achieve things. Even if they slip, it's still a success. So we are looking at 2010. We haven't put a month on that but 2010 is when we want to complete. That gives impetus to bringing officials together in Geneva in a couple of weeks time with a clear mandate to try to move forward and bring together all of the issues. For different countries there are different issues outstanding. That also means thinking about some of the issues – of which services are the biggest example – that we were going to do afterwards and whether we can start a parallel process to begin to work that through.

There is recognition that all of us have domestic audiences and that the domestic situation plays in our approach to this round. We have to be able to recognise the realities of our own economy and the opportunities that this round will bring but to also understand the domestic lobbies on us and to make sure that we are selling the opportunities of the Doha round.

Q: Which are the most important domestic lobbies?

Ashton: We are actually in a good position in the EU. The 27 countries of the EU are standing firm behind the agreement. They have said this on a number of occasions. The agriculture and Nama proposals on the table, the EU is comfortable with. There are benefits to be gained for Europe on services. I have full support from the EU.

Q: What was the cause of breakdown in July?

Ashton: I arrived after July. The specific issue was between the US and India. On the special support mechanism and what would happen if India found itself in a position with massive influx of imports and was allowed under the rules to raise tariffs. The talks broke

down over that specific point. There are varying views that had it not been that there might have been other issues.

The significance of these discussions taking place in India cannot be underestimated. For India to do this was a risk. You see the discussions were not guaranteed to go well. Yet minister Sharma and the prime minister were willing to bring everyone together and say India is fully engaged and wants to move forward. The specific points upon which it foundered were not discussed we did not do the technicalities nor the specifics. But I'm really optimistic that there is a solution to be found on that point.

Q: Where do your sympathies lie in the dispute between India and the US?

Ashton: My sympathies lie in the fact that we need to find a solution and I think we can. What is significant about the moment we are in is that there is an understanding that there are some difficult issues that need to be resolved. But the prize is worth the effort.

Q: What steps would unlock the deal?

Ashton: For the US, what Ron Kirk, the US Trade Representative, is trying to do is get a greater understanding of what a final outcome will look like. Within the deal, countries have the right to determine which products they put in. Also to see in generality how the deal stacks up. It's almost like a sum gain of where you look at what you gain what you don't. Services is a good example. The lobby most in favour [of a deal] in the US is the services sector because they can see opportunity. But it's not quantifiable. The lobbies that are most worried are the farm lobby and manufacturing. For the US, it's about gaining a better understanding of what this might look like to sell it domestically and see what might be gained.

[In some cases], they have decided to talk bilaterally about what that might look like.

There's nothing at the moment where we are engaged in sectoral discussions. At the present time, the biggest proponent of sectorals at the end of last year is engaged in looking at what bilateral discussions yield.

Q: How confident are you on having a deal by first half of 2010? Is there any linkage with European free trade agreement with India?

Ashton: We can do it by then. It's doable but it won't be a failure if we don't do it by then and it takes a bit longer. We must not get too hung up on the deadlines. But they do have implications. There are elections coming up in various countries. There are the Brazilian elections and they are an important player.

As for the bilateral agreement, we have had seven rounds of negotiations. It's progressing but I'd like to speed it up if I can. Doha doesn't have a direct impact but the negotiations we have bring us closer together. You can short circuit some of the niceties and get down to some of the details.

Q: Within the free trade agreement is the EU looking for more intellectual property concessions from India?

Ashton: Intellectual property is very important. It's an area where the future of trade policy is going to be more prominent. Historically we have all been involved in lowering tariffs; increasingly as tariffs come down we are looking at interesting and more difficult issues of which intellectual property is one.

Q: How are you addressing the complaint by India that generic pharmaceutical consignments are being unfairly seized in EU countries?

Ashton: We are very aware of the issue. We are all engaged in that customs appropriately looks for false medicines and dangerous products. There is an issue about them having capacity to be able to tackle that issue. I'm trying to find ways to prevent the problems that have happened which is one occasion but nonetheless an important one. We are making sure we are collaborating and doing so in a way that we don't have a repeat.

Q. Has there been an official WTO complaint by India?

Ashton: They have not told me that they are [making one]. There are rumours and whispers. But no notification. Part of the reason I want to talk to Minister Sharma is that I'd prefer that we sort it out without doing that partly because we have some ideas. It's a better solution that we don't end up [having a complaint].

The ambition is that customs does its job properly everywhere. And that different countries have the right to do that. We want to try to resolve it.

Q: US lawmakers say the WTO's ruling on state aid to Airbus is more in favour of US. How do you see that? What consequences will this have for the EU?

Ashton: It's a confidential report and I have not read it. It's 1,000 pages long. It's been given to both parties in Brussels and US. What I pick up is that the conclusions of what is an interim report are nuanced. It's not a 'This side wins' or 'That side wins'. It's a nuanced report.

We have to wait for the final report and, of course, we have the report on Boeing to come, which is the whole package.

My ambition is that we need viable aircraft industries and we have to make sure that we have strong competitive industries and industries that deal with all issues we care about as consumers as well as anything else which make sure we have good planes and environmentally-friendly planes operating effectively. That's the ultimate ambition we have got to get to out of all of this,"

Q: Is it premature for the US to claim victory?

Ashton: Yes, maybe it is.

Q: What are the next steps?

Ashton: The report on Boeing we believe will be in the next few months. That's the end of the major part of the package. The question is whether we have the right to appeal and that can be done on substance or legal issues. The position will be much clearer when both reports are out. Nonetheless, the ambition is that we have to find ways to support these industries in a viable way for the future because economically that makes sense.

Q: What is the room for manoeuvre?

Ashton: Depending on what the reports say, my view is that we need to find a solution.

Q: What are the chances of a negotiated solution?

Ashton: We need to have viable industries. So the question is how do we get there? Depending on what the [WTO] report says, if you can find a way to get to a position where you have that by constructive negotiation that can often, but not always, be a better solution than going through the legal process. Sometimes the legal process is better. But until we see what the reports say it's difficult to know.

Q: How close are you to resolving your differences with India over market access for wines and spirits?

Ashton: We are in discussion. We are not there yet. I'm quite hopeful we will find a solution. We are talking but we are not at end of it yet.

My preferred solution is to work this out. Countries always have the right to take these issues to WTO...actually I think we may be able to sort this out.

Lots of issues lie on the table for years. Either you get a new energy that comes in, or because of other things there is an opportunity to address it. We are in the middle of a big negotiation of a broad agreement – on wines and spirits. I think there has been progress.

Q: Are you seeing greater political will from the US to complete the Doha round?

Ashton: I think Obama is committed to trade and this round. [USTR] Ron Kirk is instinctively someone who wants to be involved in this. He's a realist. He doesn't underestimate the difficulties and the difficulties are about building domestic support. In India you have change of trade minister but the continuation of a government. In the US, when you have a complete change of administration and Congress becomes different you need to Obamarise the deal. It has to feel for the administration and the Congress that this agreement is the right agreement. If you are inheriting something, you have to examine it quite carefully. Then you have to convince the domestic constituencies in a time of economic downturn.