



## Doha Reborn, But Keep Making Baby Steps

**A breakthrough agreement revives the “Doha round” of global trade talks and should be celebrated, but the next steps should be equally small, incremental ones.**

As the World Trade Organisation (WTO) reached agreement on a global deal to streamline customs procedures in December, there were smiles for the cameras and even a thumbs up from the new WTO director general, Roberto Azevêdo himself. Such jubilation has until now been akin to putting on a brave face, but this time, it was heartfelt. This is the first major agreement among WTO members since its founding in 1995.

In many ways, the WTO deal was similar to the Iran nuclear negotiation that I wrote a **blog post** on recently. Multiple parties were involved, with multiple layers of decision making and a pungent distrust had come to hang over the negotiating table for over a decade due to dashed hopes of a deal between inflexible participants.

The agreement on trade facilitation was a big deal for those involved, especially the smaller, developing countries that a global deal is supposed to help. It is estimated to add \$400 billion to global trade and has breathed new life into the prospect of a global trade deal.

But new life is all we have for now and all we should have. With 160 countries all holding a veto, the “nothing gets agreed until everything is agreed” principle that has come to characterise the nature of the WTO thus far seems to have been brushed aside

at least for now.

### Let’s believe

Similar to Iran, the first win was the re-establishment of trust between the partners. Before anything remotely resembling a multilateral deal becomes a reality, WTO members and the international community have to believe that they can reach consensus in the first place. The Doha deal had stalled time and again due to a widening divide between developed and developing nations over agriculture and intellectual property, creating distrust. The WTO members not only needed to relearn to trust in each other’s intentions, but also to relearn to trust in their collective competence to achieve something together after almost two decades of failures.

The second win was a boost of relevance for the WTO in response to the proliferation of bilateral or regional deals that countries, frustrated with a lack of a global deal, have pursued with vigour, such as the Trans-Pacific Partnership. As economists will tell you, many of these regional or bilateral arrangements are better than no agreements, but in practice they create “private clubs” and only increase the gap between the haves and the have nots, diverting trade more than increasing it, as my colleagues Pushan Dutt, Ilian Mihov and Timothy

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Van Zandt noted in [this paper](#) and [article](#).

### **From local to global**

This is where the WTO could now be focusing its energy. Azevêdo has got some good political veneer around him from the customs deal. Now he needs to bring the regional and bilateral deals into the fold, not by opposing them, but by drawing them into the global trade deal making process.

The complexities of timing 160 countries with veto power within the context of their own internal political debacles and such big and potentially explosive political issues is like aligning stars; it only happens on rare occasions. Instead of waiting for the perfect alignment, the WTO can focus on more fluid and open processes that allow members to join innovative international trade measures as their timing and internal politics allow them. The beauty is that once in, they will hardly get out as the benefits accumulate and the cost of default increases.

One such idea will be to open existing bilateral or regional deals so that others can join on a country by country basis if they are ready to agree to and fulfill the conditions therein established. Getting 160 countries to agree on anything was always going to be a tall order, so by fostering an environment where regional deals can flourish but remain open to others joining them will hopefully be the baby steps to an eventual global deal and reduce the creation of “private clubs”. With time, the more successful deals can help identify potentially consensual measures for the WTO as a whole to formally analyse and agree upon.

### **Step by step**

Besides the non-negligible implementation risk of having such a treaty implemented in 160 countries, another big risk of this deal is if Azevêdo starts to believe he now has the political clout to push on bigger issues. Remaining humble and down to earth is imperative to take advantage of the recent success. Azevêdo should be encouraged to keep pushing forward and to do so without being overly ambitious on the speed in which the WTO mammoth can move. To do otherwise could mean that the mammoth can stall again until another fortuitous alignment of stars gets it moving again.

Azevêdo can use his new political clout to focus the WTO members on issues likely to be more consensual to continue building small victories and create momentum. To move forward in slowly and steady baby steps, while avoiding the risk of resistance and of backpedalling is the way to go for any multiparty negotiation, including the WTO. Once you backpedal, you accept to move in the

wrong direction and open a dangerous trend in the negotiation. Taking the time to get it right the first time is important to avoid taking another couple of decades for the success of the next round.

### **Rewarding bad behaviour?**

One issue that could throw a spanner in the works is the precedent set by India’s insistence of an indefinite peace clause to let developing countries subsidise agriculture in the name of food security. It has recently announced a massive programme for stockpiling food to feed the poor, in breach of WTO rules on subsidies. While one could argue that a country with such malnourishment might need to be exempt to protect itself from droughts and famine, the way this was brought to the table was not ideal.

India’s insistence on this point and its threat to derail the customs talks unless its demands were met made the subsidy issue yet again a bargaining chip, held over the heads of the negotiators. Most importantly of all, it was unrelated to the customs agreement, but used as leverage against it. The pressure for all other WTO members to get a deal at almost “any cost” or because “we are just so close” is understandable, but conceding to India’s demands *in that context* created a dangerous precedent. In addition, consider that India did not only avoid reprimand for such disruptive and opportunistic behavior, but actually got what it asked for. It becomes easy to see how this precedent may open the floodgates for such hold-out manoeuvres in future WTO rounds and make them virtually impossible to conclude. The jury is out on the true costs of opening such a precedent for future negotiations.

### **Beyond veto power?**

In multiparty negotiation theory, whenever you add multiple parties to the table, the process of decision making becomes a major negotiation point by itself. Questions such as who has the veto? How do we commit? Should we decide based on majority rule or consensus? In sum, who makes the final decisions can completely change the dynamic of the process.

In the WTO, the veto was created to ensure that every country can safeguard its sovereign right to avoid having an external decision imposed on it against its will. The veto, however, creates tempting and potentially negative byproducts. First, the veto power creates the possibility and the temptation to hold the negotiations hostage in the last minute to gain extra concessions as in example of the India case. In most multiparty negotiations, this hold-out maneuver would come accompanied by the risk of being excluded from the deal, but that is not a deterrent at the WTO as no country will be expelled for such a move. Secondly, while everyone has a

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veto, bigger countries appear to have more leverage than smaller ones. Cuba also held out at the last minute over the US economic embargo, but was brought back into line. Both cases set bad precedents. Do we reward the countries who threaten to undo talks at the last minute? Do we pressure smaller countries like Cuba into accepting them?

Thus a new decision making system away from the veto power could be a new field of exploration for the WTO. One recommendation would be to invest in finding a new commitment system that respects the parties' sovereign rights at the same time that it reduces the possibilities and incentives for such "hostage" taking. Azevêdo did an amazing job of uniting the WTO countries behind this deal. Next, we hope he will be looking at the next baby step and one that is ripe for global agreement. It would also be great if he finds the time to create new frameworks or policies not to let old habits or tactics continue to hang over the WTO. Again, a tall order and one we trust he can handle. Godspeed!

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