



International Centre for Trade
and Sustainable Development

Bridges

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POLITICAL POSITIONING DOMINATES OPENING DAY OF WTO TALKS

A week of high-stakes talks is underway at the WTO, as governments attempt to salvage a deal in the struggling Doha Round of trade negotiations. But the first day of the 'mini-ministerial' gathering was marked principally by political positioning, with the real horse-trading yet to begin.

Members are attempting to strike framework 'modalities' agreements on agriculture and non-agricultural market access (NAMA). These would include formulae and figures that will determine countries' future subsidy and tariff levels.

WTO Director-General Pascal Lamy opened deliberations on 21 July by telling Members that an accord was achievable, although it would not be easy. "I remain convinced that with patience and determination we will be able to get to our collective objective," he said.

"I can think of no stronger spur for our action than the threats which are facing the world economy across several fronts, including rises in food prices and energy prices and financial market turbulences," Lamy told the Trade Negotiations Committee, saying that a balanced Doha Round agreement could contribute to growth and development by bolstering the rules-based trading system.

Trade powers agree: others should move first

Trade ministers from several countries echoed Lamy's sentiments that concluding an accord would send a positive signal to markets at a time of financial uncertainty. Some pointed to specific priorities, such as duty-and quota free access for exports from least-developed countries, or cotton-specific subsidy reform. In general, ministers stressed their commitment to agreeing on modalities for agriculture and NAMA.

Commitment to reaching a deal, of course, is quite different from agreeing on how to get there.

Key players in the negotiations do seem to agree on one thing: that it is their trading partners who must move first and offer new concessions in order to make a deal possible.

While addressing Members in the TNC, US Trade Representative Susan Schwab noted that the US is committed to seeing the round through to a successful conclusion. But immediately afterwards, Schwab told journalists that offers of further tariff cuts by major emerging economies -- Brazil, China, India -- would be "most significant" to the finalisation of modalities.

In a comment directed at the developing countries that have been pushing the US to accept stricter constraints on its allowable trade-distorting farm subsidies, Schwab acknowledged that Washington had "a contribution to make," but said that "the US move on subsidies has been a convenient target for a lot of countries that would rather not get to the other parts of the negotiation, namely the market access parts... whether in terms of agricultural market access or manufactured goods or indeed services."

EU Trade Commission Peter Mandelson struck similar notes. "A limited number of developing countries must accept tariff cuts imposed by a NAMA coefficient," he told the TNC, referring to Brazil, China, India, and the rest of the 30-odd relatively larger developing countries required to use the standard tariff reduction formula. "They must be real. These cuts must provide some new market access in practice. That is the political bottom line. Nothing else will work for us. Nothing else will close the deal."

Mandelson said that the EU had "political 'must-haves'" on agriculture, NAMA, services and intellectual property protections for geographically linked food names. He reiterated his call for a NAMA agreement to include an "anti-concentration clause" that would prevent developing countries from focusing on a handful of sectors their entitlement to shelter some industrial products from full tariff cuts. "Why should European industries like cars and textiles see their tariffs slashed to less than 6 percent at home while the tariff protection of the same sectors remains untouched or barely affected in the fastest growing economies in the world?"

Meanwhile, Brazil's foreign minister, Celso Amorim, took the precise opposite view about what was needed to move forward. "Positive and concrete indications, on the part of the developed countries, early on, about the key elements of the agricultural negotiations are indispensable to set the tone for a positive dynamic on all areas of [the] negotiations," he said. He pointed to unresolved issues beyond the gaps on trade-distorting subsidies, such as the speed with which tariff cuts would be phased in; tariff capping; and a potential provision in the draft agriculture text (Paragraph 80) that would allow countries to create tariff quotas for products for which none currently exist, which he said would create "a zone of indetermination."

With regard to the industrial goods talks, Amorim said that "the attempt to extract an additional price in terms of anti-concentration or disguised mandatory sectorals would overload the negotiation and make a conclusion impossible." He was referring to the US' attempts to link developing countries' participation in sector-specific liberalisation initiatives to the depth of tariff cuts they would undergo.

Developing countries including Argentina, China and India have also expressed opposition to the notion of a stiff anti-concentration clause; Japan and Switzerland have indicated their support for such a measure.

No real movement in 'new' EU farm offer

Peter Mandelson made news headlines on Monday by suggesting that the EU could cut farm tariffs by an average of 60 percent -- higher than the 54 percent that the 27-country bloc had previously mentioned. A Commission spokesperson later clarified, however, that the higher figure was simply the result of incorporating higher tariff cuts on tropical products into the overall calculations, and thus did not represent a "fundamental change" in what was on offer.

The EU has been telling its trading partners that it has already made major concessions on agriculture trade, and now it is their turn to offer concessions on agriculture and NAMA in return. Mandelson reiterated this message at the TNC session, saying that "on agriculture... the EU will be a major net loser in any deal."

At home, however, the Commission has suggested that the effects of its agriculture trade offer would actually be fairly modest, in the face of criticism from EU member states. Earlier this month, a Commission trade spokesperson rejected French President Nicolas Sarkozy's accusations that Mandelson's Doha offer would devastate the farm sector, cutting production by one-fifth and costing 100,000 people their jobs. The official said that the draft WTO text on the table would reduce production by only 1.1 percent; job losses would be little higher than the sector's normal rate of productivity-related attrition. Moreover, Doha Round tariff cuts would save EU farm exporters roughly 5 billion euros in duties in third markets.

G-33: draft texts "still unbalanced"

But while the EU thinks that the balance of the agriculture negotiations is not in its favour, neither do the 45 members of the G-33 coalition of developing countries, which include China, India, and Indonesia. Speaking on behalf of this group, Indonesian Trade Minister Mari Pangestu told journalists on Monday that the current draft was "still unbalanced" with regard to the G-33's two priorities: flexible tariff treatment, including full exemptions, for some 'special products' (SPs), based on food and livelihood security and rural development concerns, and the special safeguard mechanism (SSM), a measure that would allow developing countries to temporarily raise import tariffs above bound levels in response to sudden import surges or price drops.

Some competitive farm exporters have been critical of the G-33's demands, fearing diminished market opportunities.

"We all understand the value of market access," Pangestu acknowledged, "but we all have sensitivities, whether for political reasons or for more tangible ones. Liberalisation must happen in a way that does not lead to very adverse circumstances – hence the flexibilities are necessary."

Also responding to the criticism, GK Pillai, India's commerce secretary, said that the SSM the G-33 was seeking would not involve remedies stronger than those that have been used to protect rich-country farmers since the WTO's inception, under the global trade body's existing special agricultural safeguard (which, for a variety of technical reasons, cannot be used by many developing countries. He added that even after a Doha agreement, the very highest tariffs on agricultural products -- reaching the equivalent of up to 1700 percent -- would be levied by developed countries, not developing ones.

Pangestu and Pillai added to the calls for developed countries to take advantage of high food prices and cut agricultural subsidies, which they blamed for distortions in world markets. Pillai called agricultural subsidy reform the "unfinished business of the Uruguay Round," noting that 14 years after that trade round was concluded, rich countries were still paying out hundreds of billions of dollars of subsidies -- even though developing nations had adopted intellectual

property protections and other rules as the price for bringing agriculture into the multilateral trading system.

Yet the Indian negotiator sounded the day's most conciliatory note when pressed for more details on the kinds of subsidy cuts he was hoping for. "The G-20 has said we would like 'effective' cuts," he said, using a term that the developing country coalition uses to refer to reductions in actual spending, "but let's see where we can get."

"Many things which we would like, we have to compromise [on] in terms of what is politically feasible, as well as keeping the overall balance in view," he added.

Broad convergence on 'Paragraph 6' countries

Members did manage to achieve broad convergence on at least one pending issue in the NAMA negotiations: special tariff treatment for the dozen, generally relatively poorer, developing countries that have binding caps on fewer than 35 percent of their tariff lines. Under the compromise, which the chair of the talks communicated to the TNC, countries with binding caps on fewer than 15 percent of their tariff lines will bind 75 percent of them at an average level no higher than 30 percent. Those with bound ceilings on more than 15 percent of products will bind 80 percent of tariff lines at the same level. The numbers are on the lenient end of the bracketed ranges of figures in the most recent draft. The so-called 'Paragraph 6' countries include Cameroon, Cote d'Ivoire, Cuba, Ghana, Kenya, Sri Lanka, and Mauritius.

Lamy outlines the week ahead

Lamy told Members that the ultimate aim of the week's meetings is to "prepare the formal establishment of modalities in agriculture and NAMA," while providing assurance that other sufficient progress is being made on other issues of interest to them.

During the mini-ministerial, the TNC, which includes the full WTO Membership, will meet daily to review progress. Lamy will convene daily invitation-only 'green room' meetings of some 30-odd ministers in an attempt to pursue compromise. The chairs of the agriculture and NAMA negotiations may also hold consultations on some issues.

A 'signalling conference' on services trade has been scheduled for the afternoon of 24 July, at which Members will indicate the sorts of liberalisation commitments they are willing to offer. The final TNC meeting is planned for the morning of 26 July, though Lamy said it "could well take place later depending on progress this week."

"The time has come to move from 'discussions' to 'negotiations'," Lamy told ministers. "We have talked the talk, now we have to walk the walk to finish the Round." Likening the pursuit of an agreement to climbing a mountain, the WTO chief said "the only way to reach the top is understanding each others' interests and limitations."

No real progress was made during the week's first green room session on Monday afternoon. Sources report that during the meeting, ministers simply made statements reiterating their own positions.

New negotiating texts are expected to be released on Friday.

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