



International Centre for Trade
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Bridges

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WTO MINI-MINISTERIAL, DAY THREE: AND THEN THERE WERE SEVEN

Seven of the world's largest trading powers emerged front and centre in the struggling talks at the WTO on Wednesday, meeting all afternoon and late into the night in an attempt to find a way out of the impasse in governments' push for breakthrough deals on agricultural and industrial goods trade.

"We made progress, but not enough," said Indian Commerce Minister Kamal Nath after the meeting, which ended past 3am. "Not enough for an agreement, but not no progress, for it to fail."

EU Trade Commissioner Peter Mandelson told reporters that there had been progress "in the sense that after a great deal of very hard work, some issues are nearer solution." He declined to comment on the issues in question.

Brazilian Foreign Minister Celso Amorim sounded a more sombre note, saying that things were still fluid, and that "there is no balance yet."

Australia, Brazil, China, the EU, India, Japan, and the US were discussing non-agricultural market access (NAMA), agricultural market access, and trade-distorting farm subsidies, a source said. WTO Director-General Pascal Lamy, who is chairing the consultation, reportedly told Members that they needed to discuss numbers for future subsidy and tariff levels within the ranges proposed in the draft deals serving as the basis for discussions, and find figures they can agree on.

After governments showed few signs of narrowing their differences on subsidy and tariff cuts during the first two days of a high-stakes 'mini-ministerial' gathering aimed at securing framework Doha Round accords on agriculture and NAMA, Lamy cancelled a so-called 'green room' session with thirty-odd countries planned for today, and called on Members to explore compromises in smaller groups. His intention, he told the Trade Negotiations Committee on Wednesday morning, was to prod Members into "a more intensive mode of consultations" Lamy himself met with the seven-member group, already dubbed the 'G-7'.

Apart from the notable addition of China, the G-7 is made up of the six countries that took the lead in attempting to broker a Doha 'modalities' deal in 2006; that attempt collapsed in acrimony in Geneva two years ago today, primarily over differences on farm subsidies. The EU, Brazil, India, and the US were part of a similar breakdown in Potsdam the following June.

But "Geneva has a different atmosphere this time," Kamal Nath said in the wee hours of 24 July, on his way back to the G-7 meeting after a break.

The fault lines in the negotiations were underlined this week by reactions to the US' new offer to cap trade-distorting farm subsidy spending at \$15 billion, unveiled Tuesday. Brazil and India said that the offer was insufficient, since it would allow Washington to nearly double payments from current levels, and certainly did not merit the sort of tariff cuts that the US was seeking from developing countries in return.

The draft agriculture text calls for the US to cap 'overall trade-distorting support' between \$13 billion and \$16.4 billion. One source suggested that if the US were to lower its limit on OTDS much further, it would put pressure on the EU to offer more on agricultural market access -- a prospect that many EU member states are unlikely to welcome.

Nath: Schwab's offer sign of "movement"

Earlier in the day, Nath expressed appreciation for Schwab's offer. "I really was quite optimistic when I heard about this \$15 billion," he said.

Although the start of movement was a "good sign," the Indian minister said he "look[ed] forward to much greater movement," pointing to the "headroom" between the US' current spending -- about \$7 billion -- and the proposed cap.

Nath was in good spirits, addressing reporters upon his return to Geneva after his ruling coalition convincingly won a parliamentary confidence vote that had required his presence in New Delhi for two days.

He said that the current global economic crisis -- "an economic crisis which has the three F's as challenges: food, fuel, and finance" -- made a development-friendly conclusion to the Doha Round an "imperative."

Nath defined what he meant by a Doha Round with "developmental content": the final package should both promote "healthy economies" in world's poorer nations, and reform "structural flaws in global trade" resulting from rich countries' agricultural subsidy programmes.

In an implicit rebuke to the industrialised world's demands for more tariff cuts by developing nations, Nath said that developing countries needed to have "healthy economies" to be able to purchase imports. "Then only do they provide markets for developed countries," he emphasised. US exports to India in 2007 were 74 percent higher than the year before, he said. EU exports grew by 32 percent. This happened for two reasons: because "India is open," and "India's a healthy economy."

"If you're open, and you're not a healthy economy, there aren't going to be any trade flows," he stressed.

Farm subsidy cuts were necessary to "stimulate investment in agriculture in developing countries," Nath insisted, arguing that subsidy-fuelled price distortions had discouraged investment in agriculture in the developing world." He called for strict disciplines on all classes of agriculture subsidies, as well as a "strong result" on tariff simplification and tariff capping (although he later suggested he could accept an exception from the latter for Japan).

Nath highlighted services trade as an area in which India was willing to make concessions in return for what it was seeking.

"India will go to the signalling conference with a good offer," he said, referring to the meeting, tentatively scheduled for Friday, where countries are due to "signal" future market-opening in services trade. "We have to ensure that... the signalling conference just doesn't remain a cocktail party, but gives signals that are non-reversible." Notably, Nath said that like the EU and the US, India's flexibilities would "depend on a good services package."

With regard to the agriculture and NAMA negotiations, Nath was more circumspect, saying that his flexibilities would depend on what was put on the table by everybody else.

Industry groups take contradictory stances

In Lamy's estimation, the NAMA talks as of Wednesday had not even shown the "modest" progress seen in consultations on agriculture. The views of industry groups from countries in the opposing camps attest to the polarisation:

European manufacturers' 'must-haves' are Indian manufacturers' 'must-not-haves.'

Developed country business groups including Business Europe, the US National Association of Manufacturers, and the Australian Industry Group in June said that to win their support, a Doha deal must, in addition to "significant" market access gains, involve "robust participation" by developed and emerging economies in sector-specific liberalisation initiatives. In addition, they said it must include a so-called 'anti-concentration clause' that would prevent developing countries from focusing their tariff-reduction 'flexibilities' on a limited number of industrial sectors, such as automobiles.

"The basic and primary goal of a global trade round," they said, is to achieve significant commercial gains for all WTO members in all markets through meaningful reduction of tariffs."

The NAMA chair's most recent draft would require developing countries to apply full tariff cuts to either a to-be-negotiated proportion of tariff lines, or a to-be-negotiated share of import value, within each HS chapter. The higher the percentages, the more developing countries would be prevented from shielding similar classes of products from tariff cuts.

This list of 'must haves' from the coalition of rich-country business groups is precisely what Indian industry associations have been lobbying against.

The Federation of Indian Chambers of Commerce and Industry this week issued a list of their own Doha Round 'must-haves': nothing but a minimal anti-concentration clause, and strictly non-mandatory sectoral initiatives (with no incentives for participation in the form of higher future tariff levels). FICCI believes that a Doha agreement should not require developing countries to cut their tariffs by margins far greater than industrialised nations, given the mandate for "less than full reciprocity" in reduction commitments for developing countries.

The Confederation of Indian Industry said that the sectoral initiatives favoured developed countries and would hurt small and medium enterprises in India, affecting sectors such as chemicals, textiles and clothing, industrial machinery, and auto parts.

Globalisation, in the form of foreign investment flows, has added a twist to the debate on NAMA flexibilities. Although the EU invokes the needs of European manufacturers to try to pressure New Delhi into accepting stronger restrictions on its ability to shield industrial goods from tariff cuts, European auto companies with investments in India such as Audi, BMW, Fiat, and Volkswagen have urged Kamal Nath to do the opposite.

Sources say that the European companies fear that their investments in India would be jeopardised by premature exposure to competition from China as well as from the industrialised world.

Officials examining specific issues

The G-7's deliberations overshadowed other informal meetings during the day. These included a consultation by agriculture Chair Ambassador Crawford Falconer (New Zealand), on 'special products' and the 'special safeguard mechanism', two types of flexibilities for developing countries. Sources said that the US put forward some ideas for triggers and remedies under the proposed SSM, which is intended to allow developing countries to raise tariffs beyond bound levels to combat import surges. In particular, it suggested that if safeguard duties are to be allowed to breach pre-Doha tariff ceilings -- one of the chief sticking points on the issue -- they should be significantly harder to trigger. The G-33 bloc of developing countries, which has pushed for making safeguards relatively easy to trigger, reportedly rejected the notion.

Falconer has been meeting regularly with officials for so-called 'walk in the woods' consultations with senior officials, with the aim of clarifying what is -- and what is not -- achievable in the talks.

An African delegate told Bridges that the agriculture chair will convene a 'quadrilateral' meeting -- between Brazil, the EU, the US, and the so-called C-4 group of African cotton-producing nations -- on Thursday morning to discuss

cotton-specific subsidy cuts, which are part of the negotiating mandate. Delegates expect Members to come to the session ready to discuss figures. However, the US has indicated that it is still awaiting outcomes in other areas of the talks -- specifically, agricultural market access -- before it makes commitments on reducing its cotton payments.

Lamy announced Wednesday that he had asked Norwegian Foreign Affairs Minister Jonas Gahr Støre to take his place as coordinator of informal consultations on whether to extend geographical indication protections to foods such as Darjeeling tea or Roquefort cheese, and whether patent applicants should be obliged to disclose any biological resources or traditional knowledge used in their inventions. Having mediated peace talks in Sri Lanka and facilitated dialogue between the Israelis and the Palestinians, Støre is as qualified as anyone to help Members try to bridge their gaps on the two intellectual property issues.

Services

The services negotiating committee met Wednesday to finalise work on a text aimed at providing guidance on how to proceed in the services talks, ahead of the 'signalling conference' that has been tentatively scheduled for Friday. Bolivia, Cuba, and Venezuela maintained their opposition to the most recent services text, joined this time by Nicaragua. Those countries maintain that there is no need for what the chair of the committee calls a 'roadmap' for the talks, arguing that the services provisions of the Hong Kong Ministerial Declaration provide sufficient guidance for the negotiations.

Sources said that the chair, Mexican Ambassador Fernando de Mateo, agreed to mention the four countries' reservations in his next report to the Trade Negotiations Committee. He also said that his 'roadmap' would include a footnote acknowledging their concerns, although it was not clear whether the dissenters were satisfied with that concession.

Bolivia called for the text to include a human rights clause about essential services such as electricity and water. However, de Mateo suggested that the issue could be discussed later, noting that not-for-profit public services are rarely covered by WTO services rules.

Since countries negotiate market-opening in their services sectors through a process of requests and offers, a services text would simply set out guidelines for the market access talks, instead of governing future liberalisation. The current draft services text sets a tentative 15 October date for submitting revised offers, and exhorts governments to formally bind, "to the maximum extent possible," existing levels of market access.

Way forward

The G-7 talks appear set to continue. It is not clear whether Lamy will convene a larger 'green room' meeting of 30 or so delegations on Thursday evening.

New draft texts on agriculture and NAMA, originally expected Friday, may not come until the weekend.

"I would not advise you to hold your breath for those texts on Friday," WTO spokesperson Keith Rockwell told reporters Wednesday.

This would suggest that even if the talks head towards agreement, the final session of the TNC - the meeting at which Members could formally adopt modalities packages - may not occur until 28 or 29 July, instead of 26 July as originally planned.

Cape Verde

In the background of the day's negotiations, Cape Verde became the WTO's 153rd Member on Wednesday. The North Atlantic archipelago, which recorded a GDP of in \$1.3 billion 2006, is the 33rd of the world's 50 least developed countries to join the global trade body. In his opening remarks to the TNC Wednesday morning, Lamy offered Cape Verde his congratulations: "They have worked very hard to achieve this, knowing it will give a welcome boost to the economy, and their efforts serve as an example to us all."

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