

## LAMY TAKES THE REIGNS OF THE DOHA ROUND: when will he make his mark?

By Carin Smaller, TIP/IATP

### CONTENTS

- I. IS THE TIME RIPE FOR LAMY TO MAKE HIS MARK?
- II. AGRICULTURE AND NAMA: core issues
- III. FOOD AID: LDCs and the African Group take their future into their own hands
- IV. EMPLOYMENT: trade unions come out strong against NAMA
- V. SERVICES: a rethink on plurilaterals
- VI. IMPORTANT DATES TO REMEMBER
- VII. DOCUMENTS

### **I. IS THE TIME RIPE FOR LAMY TO MAKE HIS MARK?**

The WTO Director-General, Pascal Lamy, made a bold statement at the 28th March meeting of the Trade Negotiations Committee (TNC), in which he called on Trade Ministers to come to Geneva for the last week of April and early May to finalize modalities for the Doha Agenda. This is in keeping with the schedule set out in the Hong Kong Ministerial Declaration but few commentators seem to think the schedule can be met. Yet Lamy clearly believes that the April 30 deadline is still possible. He is among the few. If the meeting does take place, only a small group of Ministers is likely to attend.

On the face of it, there is little sign that WTO Members are ready to agree to modalities on agriculture and non-agricultural market access (NAMA) by April 30. The formal WTO negotiating committees are still discussing substantial points of contention. A series of papers from the Chairs of the agriculture and NAMA negotiations have given WTO members a clearer picture of what issues still need to be resolved (see links below to reports from the Chairs). However, few steps have been taken to start on their resolution. In addition, Ambassador Falconer, Chair of the Agriculture Negotiations, sent a clear message to WTO Members that the requisite degree of convergences is not yet evident; a clear message that he doesn't believe Members are ready to establish modalities.

An informal but parallel process is taking place outside Geneva in the form of a series of mini-Ministerial meetings among a select group of members. While the formal negotiating bodies deal at a technical level, the informal process is deeply political. It is the place where Ministers and senior officials from between four and ten of the most influential countries are deciding the level of ambition for the Doha Agenda and determining the extent of the concessions each are willing to make. Despite these intense efforts, however, the political will to reach agreement, particularly from the U.S. and the E.C., is still lacking. The decision on April 18 to appoint U.S. Trade Representative, Rob Portman, to the post of Budget Director, with deputy USTR, Susan Schwab, appointed to take Portman's place, is widely

read as a sign that the U.S. government does not see the WTO talks advancing, and has decided to invest its (much needed) political capital in domestic issues instead. Ministers from the E.C., initially expected to attend the meeting in Geneva, are rethinking whether they will come. Furthermore, Trade Ministers from the African Union who met in Nairobi, Kenya, issued a clear message to other WTO Members and the Director-General that they will not accept a package which does not reflect their interests.

So why does Lamy seem so intent on pushing the April 30 deadline? Why does he appear to be setting himself up for certain failure? On the one hand, as the Chair of the Trade Negotiating Committee, Lamy has a mandate from the Hong Kong Declaration to ensure the April 30 deadline is met. It is his job to keep pushing the WTO members and to facilitate the conclusion of the Doha Round. On the other hand, WTO members have missed dozens of deadlines in the past, and this particular deadline seems highly unrealistic. So what does Lamy have in mind? Is his confidence and optimism well founded?

While the WTO membership have been negotiating at various levels - bilaterally, plurilaterally and multilaterally - Lamy has engaged in his own process. He has toured the world, reaching out to countries in Africa, Asia, Latin America and the Caribbean to gain their support and build confidence in his leadership. He has visited the more influential developing countries including India, Brazil and Argentina. He has shown his commitment to improving transparency even though he has not been able to ensure effective participation of all WTO members in the negotiations. He is largely responsible for bringing the Aid for Trade mechanism under the mandate of the WTO - the first time the WTO has had responsibility for aid spending. These efforts have put him in a strong position. He is increasingly seen as a leader who can play a key role in concluding the Doha negotiations. He has gained the confidence and respect of the WTO membership. He is building confidence among WTO members that he can represent the needs of all. Finally, there is a strong sense among delegates in Geneva that Lamy wants their permission to draft the text necessary to conclude the Round.

The political climate remains tense. Although it may not in practice make much difference, the expiry of the current U.S. Trade Negotiating Authority legislation (Fast Track) in July 2007 has created a sense of urgency. Additionally, presidential elections are due in Brazil in October this year and in France in May 2007. The sense of crisis in the multilateral trading system has not yet subsided, either, despite the aversion of failure in Hong Kong. This encourages many WTO members to keep quiet rather than subject the Doha Agenda to the risk of further failure. The most influential WTO Members continue to support a conclusion on the Doha Round in 2006. All this makes for a powerful mix. While the signs on the ground do not look ripe, Lamy remains determined to find the right moment to make his mark. Time will tell when that moment will be-April 30 may be too soon.

For NGOs, trade unions and civil society groups, it is an important moment to step up work at the national level. In the next few weeks and months, is when Trade Ministers decide their bottom line, what concessions they are willing to make and when to come to Geneva. It is essential that groups working at the national level are able to input into this process and inform their governments about the risks they see with the current proposals.

## **II. AGRICULTURE AND NAMA: core issues**

This week negotiations on agriculture and NAMA are taking place in parallel. This is the final set of negotiations before the April 30 deadline. The Chairs of the negotiating groups have highlighted the core issues where differences remain significant and also written summary texts on other issues, where members are less far apart. There is no expectation that a final breakthrough will happen this week but the Chairs are hoping to provide clear options for Ministers to consider if they come to Geneva.

In agriculture, the core areas to be resolved are the formula for overall reductions in domestic support, criteria for the blue box, the approach to tariff cuts and the criteria and limits on sensitive products. Other issues where agreement is closer include new criteria for the green box; disciplines on state trading enterprises (STEs), food aid, and export credits; and the terms for special products and the Special Safeguard Mechanism (SSM). For this second set of issues, Ambassador Falconer has prepared "reference papers" (see links below), which he hopes will lead to draft texts. It is still unclear how he plans to deal with the core unresolved issues.

In NAMA, the core unresolved issues are the formula for reducing tariffs, the flexibilities to be granted to developing countries and the treatment of unbound tariffs. Other issues where members are not so far apart include the treatment of preferences, flexibilities for small and vulnerable economies in particular, non-tariff barriers (NTBs) and negotiations on specific sectors. The Chair of the NAMA negotiations, Canadian Ambassador, Don Stephenson, prepared three comprehensive progress reports from the previous week of negotiations (see links below). For this week, he has asked members to articulate clear options for Ministers to consider on unresolved issues. Talks are expected to focus on the three core unresolved issues.

## **III. FOOD AID: the LDCs and the African Group take their future in their hands**

The least-developed countries (LDCs) and the African Group tabled a joint proposal on food aid in March that was welcomed by the majority of WTO members. The proposal sets out criteria for dealing with emergency food aid through the safe-box. It also outlines some principles for treatment of non-emergency food aid. Their submission was a crucial input into the food aid negotiations. It tries to reflect the importance of disciplining food aid practices whilst at the same time acknowledging the dependence of many countries on the existing system, which makes radical reform higher risk. In particular, the LDC and African Group, outline six disciplines to ensure that food aid does not lead to commercial displacement nor adversely affect local production. However, it also allows for monetization (the practice of NGOs selling food aid on local markets to generate funds for development projects) under exceptional circumstances. This reflects a real concern that the resource transfer that monetization provides, although highly inefficient, is not sure to be replaced with alternative food aid resources. The proposal suggests that monetization for the purchase of agricultural inputs should be allowed, reflecting these countries' concerns with their falling levels agricultural productivity after budget cuts have dramatically increased the cost of fertilizer, seed and other inputs for smallholder farmers. Nonetheless, many NGOs and food aid experts see no good way to allow open monetization to continue and would

prefer other ways be found to address the very real problem of diminishing fertility in African soils.

The U.S. submitted a communication on the LDC and African Group proposal that tried to expand the scope for monetization. The U.S. is only major food aid donor to accept large-scale monetization of its food aid. Ambassador Falconer, drafted a reference paper on food aid that was strongly based on the LDC and African Group proposal.

The LDC and African Group proposal was an important step to strengthen the voice of the poorest WTO members in the agriculture negotiations. There are many other issues in the negotiations that will have a considerable impact on the LDCs and African countries and it is important that further spaces are opened for them to contribute to the negotiations and for their voices to be heard.

#### **IV. EMPLOYMENT: trade unions come out strong against NAMA**

As the full implications of the negotiations on non-agricultural market access (NAMA) for employment and industrialization in developing countries become clear, trade unions from developing countries are building up resistance. The Congress of South African Trade Unions (COSATU), together with Central Unica dos Trabalhadores (CUT) of Brazil and the Korean Confederation of Trade Unions (KCTU) of South Korea, are launching a national and international campaign in opposition to the proposed agreement on NAMA. Trade unions in developing countries are increasing their efforts to ensure that the current imbalances and potential disaster for developing countries are not made a reality. The trade unions in Brazil and South Africa in particular have engaged in serious consultations with their government officials to ensure that the interests of workers are reflected in negotiating positions. There is also an attempt at the international level, through the International Confederation of Free Trade Unions (ICFTU), to build up solidarity among workers across the world and to increase resistance towards the current direction of the NAMA negotiations. It is time for trade unions in developed countries particularly to realize that the position of their governments, almost all of whom are pushing for deep market access through significant tariff cuts on non-agricultural goods will jeopardize long-term employment in the North as well. In the long run, the elimination of all import protection will exacerbate the competition to reduce wages and worsening working conditions everywhere. The hard-won protections and benefits that unskilled workers in manufacturing industries in many developed countries enjoy are already being eroded under domestic policy reforms from governments that have embraced globalization. Workers and trade unions in the South are asking their counterparts in the North to stand up against the aggressive proposals and positions of the E.C., the U.S. and others and to support a more balanced approach to trade in non-agricultural goods.

#### **V. SERVICES: a rethink on plurilaterals**

During the last week of March and the first week of April the second cluster of negotiations on services took place in Geneva. Both weeks were characterized by an intense schedule of plurilateral meetings. Up to time negotiations on the cluster began, 20 plurilateral requests had been tabled, for the most part by developed countries (see links below). Two

plurilateral requests had been tabled by a group of developing countries asking concessions from developed countries only (in Mode 4, which deals with the movement of workers across borders and for services related to agriculture). According to Geneva sources, the plurilateral talks each followed a similar pattern with three elements of discussion. First the requests were presented by the demandeurs. Second, a session of questions and answers was held, to clarify the requests. Third, each participant in the plurilateral request - both demandeurs and requestees - outlined the level of commitments already undertaken in the area under discussion and the potential red lines that the country was not prepared to cross.

Developing countries participating in the plurilateral requests made it clear that their participation in the negotiations is entirely voluntary and does not imply any obligation to make final commitments in the sectors under discussion. After this first experience of the plurilateral format, various Geneva sources indicated that the next cluster of services negotiations might again be bilateral instead because developed countries have realized that their own political sensitivities and the nature of the plurilateral setting make it harder to push for the far reaching commitments in services they are after. There are also indications that besides the negotiation cluster scheduled for June, another negotiating week will take place in May.

## **VI. IMPORTANT DATES TO REMEMBER**

17-23 April    Agriculture and NAMA negotiating weeks  
End April     Possible Senior Officials Meeting and Ministerial Meeting in Geneva  
15-16 May    General Council

## **VI. DOCUMENTS**

Report from Lamy to the TNC, March 2006:

[http://www.wto.org/english/news\\_e/news06\\_e/tnc\\_dg\\_stat\\_28march06\\_e.htm](http://www.wto.org/english/news_e/news06_e/tnc_dg_stat_28march06_e.htm)

### AGRICULTURE:

Chair's Reference Paper on Export Credits, April 2006

<http://www.tradeobservatory.org/library.cfm?refid=80645>

Chair's Reference Paper on the Blue Box, April 2006

<http://www.tradeobservatory.org/library.cfm?refid=80644>

Chair's Reference Paper on the Green Box, April 2006

<http://www.tradeobservatory.org/library.cfm?refid=80587>

Chair's Reference Paper on Exporting State Trading Enterprises, April 2006

<http://www.tradeobservatory.org/library.cfm?refid=80586>

Chair's Reference Paper on Food Aid, April 2006

<http://www.tradeobservatory.org/library.cfm?refid=80585>

U.S. Communication on State Trading Enterprises, April 2006

<http://www.tradeobservatory.org/library.cfm?refid=80581>

U.S. Communication on Domestic Support, April 2006

<http://www.tradeobservatory.org/library.cfm?refid=80580>

U.S. Communication on Food Aid, April 2006

<http://www.tradeobservatory.org/library.cfm?refid=80563>

Submission by LDC Group on Food Aid, March 2006:

<http://www.tradeobservatory.org/library.cfm?refid=80374>

Agriculture Simulations for Developing Countries, March 2006:

<http://www.tradeobservatory.org/library.cfm?refid=78784>

Agriculture Simulations for Developed Countries, March 2006:

<http://www.tradeobservatory.org/library.cfm?refid=78783>

Note on Agriculture Simulations (sugar AVE calculation), March 2006:

<http://www.tradeobservatory.org/library.cfm?refid=78782>

EU Memo on Doha Negotiations:

<http://www.tradeobservatory.org/library.cfm?refid=78793>

EU Memo on the Implementation and the Future of the Reformed CAP:

<http://www.tradeobservatory.org/library.cfm?refid=80317>

Comments by Jacques Berthelot Memo on the Implementation and future of the Reformed CAP (english):

<http://www.tradeobservatory.org/library.cfm?refid=80368>

Commentaire de Jacques Berthelot sur le Memorandum sur la Mise en Oeuvre et L'avenir de la PAC Reformee (français):

<http://www.tradeobservatory.org/library.cfm?refid=80369>

NAMA:

NAMA Simulations, March 2006:

<http://www.tradeobservatory.org/library.cfm?refid=78854>

NAMA Work Plan until April deadline and beyond, March 2006:

<http://www.tradeobservatory.org/library.cfm?refid=78781>

U.S. industry letter in favour of protecting textile sector:

<http://www.tradeobservatory.org/library.cfm?refid=78742>

U.S. industry letter in favour of eliminating tariffs on textile sector:

<http://www.tradeobservatory.org/library.cfm?refid=78745>

Report 1 by the Chair of the NAMA Negotiating Group, 20 March 2006:

<http://www.tradeobservatory.org/library.cfm?refid=80394>

Report 2 by the Chair of the NAMA negotiating group, 22 March 2006:

<http://www.tradeobservatory.org/library.cfm?refid=80447>

Report 3 by the Chair of the NAMA negotiating group, 24 March 2006:

<http://www.tradeobservatory.org/library.cfm?refid=80448>

Updated Methodology for Agriculture and NAMA simulations, March 2006:

<http://www.tradeobservatory.org/library.cfm?refid=78661>

Implementing Paragraph 24 of the Hong Kong Ministerial Declaration, March 2006  
(Balance between market access in agriculture and NAMA):

<http://www.tradeobservatory.org/library.cfm?refid=80370>

## SERVICES:

Air Transport Services

<http://www.tradeobservatory.org/library.cfm?refid=78789>

Architectural and Engineering, February 2006:

<http://www.tradeobservatory.org/library.cfm?refid=78721>

Audiovisual Services

<http://www.tradeobservatory.org/library.cfm?refid=78790>

Education

<http://www.tradeobservatory.org/library.cfm?refID=78798>

Computer-related Services, February 2006

<http://www.tradeobservatory.org/library.cfm?refid=78718>

Construction Services, February 2006

<http://www.tradeobservatory.org/library.cfm?refid=78717>

Cross Border Supply:

<http://www.tradeobservatory.org/library.cfm?refid=78832>

Distribution Services

<http://www.tradeobservatory.org/library.cfm?refid=79991>

Energy Services, February 2006

<http://www.tradeobservatory.org/library.cfm?refid=78716>

Environmental Services, February 2006

<http://www.tradeobservatory.org/library.cfm?refid=78715>

Financial Services, February 2006  
<http://www.tradeobservatory.org/library.cfm?refid=78714>

Legal services  
<http://www.tradeobservatory.org/library.cfm?refid=78786>

Model Schedule Legal Services, Option A  
<http://www.tradeobservatory.org/library.cfm?refid=78786>

Model Schedule Legal Services, Option B  
<http://www.tradeobservatory.org/library.cfm?refid=78788>

Maritime Transport, February 2006  
<http://www.tradeobservatory.org/library.cfm?refid=78720>

MFN exemptions  
<http://www.tradeobservatory.org/library.cfm?refid=80020>

Mode 4 - Movement of Natural Persons  
<http://www.tradeobservatory.org/library.cfm?refid=78785>

Postal and Courier Services  
<http://www.tradeobservatory.org/library.cfm?refID=78738>

Services related to agriculture  
<http://www.tradeobservatory.org/library.cfm?refid=80045>

Telecommunications, February 2006  
<http://www.tradeobservatory.org/library.cfm?refid=78719>

Overview of requesting and targeting countries:  
<http://www.tradeobservatory.org/library.cfm?refid=78833>

Timetable for next GATS cluster:  
<http://www.tradeobservatory.org/library.cfm?refID=78791>

---

Carin Smaller  
Project Officer, Trade Information Project Institute for Agriculture and Trade Policy, Geneva  
Office  
15 rue des Savoises  
Geneva 1205  
ph: +41 22 789 0734  
fax: +41 22 789 0733  
[csmaller@iatp.org](mailto:csmaller@iatp.org)  
[www.iatp.org](http://www.iatp.org)  
[www.tradeobservatory.org](http://www.tradeobservatory.org)