

THE TRICKS OF THE TRADE: WTO members take another shot

By Anne-Laure Constantin, TIP/IATP

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When delegations met in the WTO for the last time before the summer break, at the end of July 2007, their speeches stressed every member's commitment to the Doha Round yet gave little hope that a deal could be reached in the foreseeable future. A few days before, the two men who facilitate the Doha Round negotiations on agriculture and industrial goods and natural resources (NAMA) – Ambassadors Falconer and Stephenson respectively – had released a new set of texts in yet another attempt to move WTO members towards agreement. The agriculture text was by and large felt to be more acceptable than the NAMA one, yet it left so many important questions open that it was clear that no comprehensive deal was yet in reach (See IATP, *Moving past the pain*, July 2007).

Delegates thus came back to Geneva in September in a downbeat mood: discussions seemed bound to go on and on. Would any member finally dare to acknowledge the failure of the Doha Agenda? And yet, declarations of political support to Doha continue to flourish in high-level interventions, while yet another version of the negotiating in parallel format (this time as a Group first of 8 and now 12 countries) has generated a renewed sense of momentum for the stalled multilateral negotiations.

How did the shift happen? Is there really renewed hope for Doha? What lies behind U.S. trade officials' statements about tighter caps on agricultural spending? Is there a way out of the negotiating impasse?

I. THE TRICKS OF THE TRADE: WTO members back at work in Geneva

Multilateral agriculture negotiations, chaired by Ambassador Falconer, resumed on September 3 and stopped for a break on September 21. In conformity with the plan laid-out by the Chair, members used the three week long negotiating period to go over all the

issues outlined in the July draft modalities text. Some issues received more attention than others: the discussions on sensitive products, developed countries' domestic support and the question of the designation of Special Products (SPs) by developing countries continued to be in the spotlight.

No progress was in sight until, on September 19, with the negotiating period coming to an end, the U.S. openly accepted to work within the ranges proposed by the Chair for limiting domestic support. This meant agreeing to cap trade distorting support somewhere between US\$13 – 16.4bn. Previously, the U.S. official offer was a cap of US\$22bn (in an offer tabled in October 2005, and not revised since then). Negotiators knew they would likely come down from this ceiling, but still the public acceptance of Ambassador Falconer's suggested compromise range was important, even if the question of whether it will be US\$16bn or \$13bn remains unanswered.

The U.S. move did not come free of strings, however: in exchange, other members are expected to accept the rest of the parameters set out in the two Chair's texts, both in agriculture and in NAMA. The latter appears particularly unlikely, given the strong resistance the NAMA draft faced from a number of developing countries when it was released in July. Still, the U.S. move had some impact. Yet as multilateral negotiations paused for two weeks on September 21, it remains unclear whether the U.S. move will trigger any significant reaction from other countries.

The U.S. also played a leading role in the other major development that marked negotiations in September: the emergence of a new parallel negotiating configuration, originally known as the "group of eight" (G8). Including the U.S., E.U., Brazil, India, Australia, Japan, Argentina and Canada, the group started meeting on September 6th, at the invitation of the U.S. delegation. While members had initially downplayed its significance, portraying the group as a "forum", its importance became more obvious after their informal and secret meeting with Ambassador Falconer on Friday, September 14. >From then on, genuine negotiation among the members of the group was expected to trigger progress in the multilateral process.

To many WTO members and observers this sounds all too familiar. To push an agenda that the broader membership is resisting, a small group of countries emerges to lead the charge and gets tasked with brokering a compromise. Although previous attempts in the Doha context have failed, powerful WTO members have not abandoned the strategy.

At some point though, India conditioned its continued participation to the group on the inclusion of more developing countries. China, South Africa, Jamaica and Indonesia were invited to join the G8 on September 18 and became new members of what is now called "the group of twelve" (G12). Since then, the group has held intensive negotiating sessions, occasionally inviting other countries to join on specific issues. Participants have reported a high level of engagement, very technical and in-depth discussions on numerous issues, but little concrete progress. Starting October 1, they planned to go back to try to produce technical papers to feed into the multilateral process.

It is unclear whether this will be possible. And if they do produce papers, it is unclear what new things they can say. Obviously some stakeholders hope the G12 process will make the breakthrough towards agreement on the Doha Agenda, while a number of members are frustrated that the multilateral process is again being sidelined.

II. A LOOK INSIDE THE U.S.: what's behind recent Doha initiatives?

By convening the first meeting of the G8 and taking a bold step on proposed agriculture subsidies cuts, U.S. trade officials showed a level of engagement that few were expecting from them at this point in the negotiations. Most observers, indeed, pointed at the constraints faced by the Bush Administration at home, which seemed to make new efforts on trade before a new President assumes office in January 2009 unlikely. Has something suddenly changed in the domestic situation of the United States that explains this renewed engagement?

The first recent development in the U.S. of importance to the Doha agriculture negotiations was the passage, at the end of July, of a new Farm Bill by the House of Representatives (the lower chamber of legislators). With a few tweaks here and there, the House is proposing that U.S. agriculture policy remain the same as it has been since 2002. Lessons from the U.S. loss on the WTO cotton dispute with Brazil are not properly taken into account. And while higher global commodity prices have cut actual spending on domestic support dramatically, any change that brings prices back down will then trigger an automatic increase in public spending on various support programs. The House version of the Farm Bill also leaves out efforts to regulate competition in agricultural markets, which means that major U.S.-based agri-food companies continue to exercise undue market power, distorting competition in both domestic and global markets.

The Senate still has to discuss and pass its own version of the Farm Bill (which should happen sooner rather than later in the month of October), before both Houses meet and adopt a final version of the Bill. Changes can still happen, and a variety of stakeholders in the U.S. are still trying to influence the final contents of the legislation. But for now, there is no sign from Congressional leaders that they are prepared to accept multilateral constraints on their farming policy. Certainly, this is not where the new acceptance by U.S. trade officials of lower domestic support spending limits has come from!

In the meantime, Congressional activity on trade has been minimal. Bilateral free trade agreements signed before the expiration of Fast Track authority are still waiting to be finalized. Heated debates on the safety of imported products, unfair currency competition, and poor working conditions in developing countries have hit the headlines, reflecting a popular lack of enthusiasm for more trade deals. Lately, the Democratic leadership conditioned action on free trade agreements (FTAs) to the prior examination of a renewed Trade Adjustment Act (TAA), which should provide measures to cope with adjustment costs in the United States. Concerns over the effects of more trade opening on the U.S. economy have been growing and are expected to remain high on presidential candidates' agendas in the next few months.

It should thus come as no surprise that alleged U.S. “moves” in Geneva were received with caution, if not outright criticism, in Washington. The most vocal group was the cotton industry, for whom the prospect of cutting subsidies to the extent proposed by the WTO is simply not an option. They had the message conveyed to African negotiators in Geneva by a delegation from Washington, and to the U.S. Trade Representative (USTR) by a group of influent senators through an aggressive letter stating their refusal to compromise.

Many other voices expressed scepticism at the USTR’s initiatives. Charles Rangel, the Democrat who chairs the committee which regulates foreign trade in the House of Representatives, said, "At this point in time I don't think we have to deal with Doha, unfortunately . . . I think President Clinton is going to have to deal with it." (As a supporter of Hillary Clinton’s bid for the presidency, he chose this way to say it will be up to President Bush’s successor).

There is, undoubtedly, an ongoing battle between the Republican Administration and the Democratic-controlled Congress for leadership over trade policy. However, even the Republican leadership has most recently downplayed the U.S. ambitions for the Doha Agenda. In a news conference on September 27, the newly appointed U.S. Agriculture Secretary, Chuck Conner, stressed that the U.S. position on Doha “hasn’t changed. I maintain it’s not going to change going forward” (see link to transcript below).

The signals from the U.S. are confused, and trade partners have to make their own assessment of where power really lies. Many WTO members are tired of negotiating with an ever-weakening Administration that lacks Congressional support for its positions. The ongoing electoral campaign is certainly not set to improve this situation in the coming weeks and months.

III. TAKING A HARD LOOK AT FOOD SECURITY: insights from the SP impasse

Although some recent developments have temporarily revived hopes for the Doha Round, prospects remain bleak for an agreement in the near future. There is not enough multilateral will or consensus to overcome difficulties associated with the complexities of the U.S. political situation.

Meanwhile, no country wants to take the blame for stalling the multilateral negotiations. This might be because, although the current texts are far from the initial agenda proposed in 2001, the Doha Agenda is still known as the “Development Round”, and many still hold hopes that it will (sometime) deliver on redressing imbalances that still prevail in the world trading system.

And yet, the persistence of the impasse on how to treat Special Products should focus developing country negotiators’ minds on the inadequacy of the Doha framework when it

comes to addressing development concerns. In September, discussions on Special Products (SPs) got stuck on the question of indicators: countries that dislike the concept of SPs argue their use needs to be governed by objective criteria, based on verifiable data. SP proponents, on the contrary, are concerned that this might constrain the freedom of countries to “self-designate” their special products, a principle that was agreed to at the WTO Ministerial Conference in Hong Kong in 2005.

There is no simple solution to the complex challenges of protecting food security, rural development and livelihoods in all developing countries, be they net importers or net exporters of agricultural products. Ultimately, to address these fundamental issues in a trade negotiation will require strong and respected input from other multilateral agencies and government officials with the requisite expertise. If criteria are hard to determine and easy to hide behind, then WTO members must find some way of judging the criteria (and their application) by working with experts who know something about rural livelihoods and food security. This is not a task for trade lawyers alone. Were the multilateral trade agenda properly integrated into the wider multilateral system of governance such an approach would be obvious. Negotiations on how to respect rural development priorities within the framework of a trade agreement could be a place to experiment with a new approach.

IV. TIME TO NOTIFY: regular agriculture committee considers lack of notifications

On September 26, WTO members met in the setting of the regular agriculture committee. This configuration is independent from the negotiating committee (also known as “the special session”), and forms part of the institutional WTO framework. It provides members with an opportunity to discuss questions related to the implementation of the Agreement on Agriculture.

Lack of notification was one of the issues on the agenda of last week’s session. Data circulated at the meeting revealed that 78 countries had failed to provide all or part of the required information concerning their export subsidies, domestic support and market access measures. While in some cases this can be attributed to lack of administrative capacity, a number of major players in the negotiations have not notified their spending since 2002 or earlier, including Argentina, Norway, and the U.S. Canada has not notified since 2003, the EU since 2004 and Japan, the Republic of Korea and Switzerland not since 2005.

Without adequate notification, it is very difficult for members to monitor whether WTO members are honouring their commitments. For the sake of the system’s credibility, stricter rules on providing timely notifications should be put in place. The Cairns Group and the G20 both have proposals on this issue in their Doha Agenda submissions.

V. IMPORTANT DATES TO REMEMBER

1 - 2 October	Regional African Aid for Trade review in Dar es Salaam, Tanzania
8 October	Multilateral agriculture negotiations resume
22 - 24 October	African trade ministers meeting in Cotonou, Benin
25 - 26 October	ACP trade ministers meeting in Cotonou, Benin
26 October	G90 meeting in Cotonou, Benin
20 - 21 November	Global "Aid for Trade" Review in Geneva and WTO General Council
3 - 14 December	UN climate change conference in Bali, Indonesia
10 December	WTO General Council

V. DOCUMENTS

AGRICULTURE

The House-passed 2007 Farm Bill at a glance, July 31, 2007. CRS Report for Congress
<http://www.nationalaglawcenter.org/assets/crs/RL34113.pdf>

Farm Bill budget and costs: 2002 vs 2007, July 17, 2007. CRS Report for Congress
<http://www.nationalaglawcenter.org/assets/crs/RS22694.pdf>

U.S. Senators' letter to Susan Schwab on cotton
<http://www.tradeobservatory.org/library.cfm?refID=100238>

Transcript of new U.S. Agriculture Secretary Chuck Conner's news conference on September 27
<http://www.usda.gov/wps/portal/!ut/p/ s.7 0 A/7 0 1OB?contentidonly=true&contentid=2007/09/0269.xml>

Draft agriculture modalities text
<http://www.tradeobservatory.org/library.cfm?refID=99255>

G33 contribution on indicators for the designation of Special Products (March 2007)
<http://www.tradeobservatory.org/library.cfm?refID=97798>

NAMA

Simulations by the WTO secretariat of the impact of proposed tariff cuts, September 4 2007
<http://www.tradeobservatory.org/library.cfm?refID=100039>

Draft NAMA modalities text
<http://www.tradeobservatory.org/library.cfm?refID=99256>

OTHER

UNCTAD's 2007 Trade and development report: "Regional cooperation for development"
<http://www.unctad.org/Templates/webflyer.asp?docid=8951&intItemID=2068&lang=1>

UNCTAD's 2007 Least Developed Countries Report: "Knowledge, technological learning and innovation for development"
<http://www.unctad.org/Templates/webflyer.asp?docid=8674&intItemID=2068&lang=1>

Economic Development in Africa: Reclaiming policy space, UNCTAD, 2007
<http://www.unctad.org/Templates/Webflyer.asp?docID=8996&intItemID=1397&mode=highlights&lang=1>

IATP, Moving Past the Pain: time for a new trade framework, July 2007
<http://www.tradeobservatory.org/library.cfm?refID=99348>

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