

Where do WTO negotiations stand and what should we expect?

Esther Busser*

WTO Doha negotiations continue to be dominated by negotiations on Agriculture and Industrial products (NAMA). In 2008 the negotiating texts remained on the table and more progress was made to resolving some of the issues in both negotiating areas. Highlights of 2008 were the July mini-ministerial, which saw a push for the conclusion of these modalities for Agriculture and NAMA, and the December attempt to finalise modalities once again. This article will provide a summary of the WTO negotiations in 2008, it will take stock of the situation at the beginning of 2009 and will provide some insights on what can be expected for 2009.

Overview for 2008

Both Agriculture and NAMA continued to dominate the WTO Doha negotiations in 2008. The main issues in the Agriculture negotiations were the demands on the US to lower the domestic support levels, on the EU and other developed countries to offer market access for agriculture products that are of interest to developing countries, and on developing countries to limit the safeguards and special products. In NAMA the main issues continued to include tariff reductions on industrial products in developing countries, the imbalance between developing country and developed country commitments, exemptions and exceptions from tariff reductions for different groups of countries, and some other issues like preference erosion.

What is particularly important is the balance and trade-offs between agriculture and NAMA, and the way this balance is perceived. Developed countries look for a large number of flexibilities in Agriculture and so far have received such flexibilities by being able to identify sensitive products that will be subject to lower tariff reductions. The US will have to reduce its domestic support levels in agriculture to around USD 15 billion, but will still be able to increase its actual levels of spending. Therefore sensitivities for the developed countries have been taken well care off. On the other hand, the sensitivities for developing countries in Agriculture, like the special products and the special safeguard mechanism, have led to difficult discussions so as not to provide too much flexibilities to developing countries to protect their production and employment in these areas. The food price crisis resulted in a realization that developing countries do need a mechanism to protect and increase their internal food production and food security. Moreover, looking at the NAMA negotiations, the reductions that will be made by the developed countries will be much lower than those made by the developing countries that are subject to the formula reductions. Flexibilities for the developing countries remain very limited for such a wide range of products, including for

* The author is the Trade Policy Officer at the ITUC office in Geneva. This article was prepared in January, 2009.

countries that are still in different and sometimes early stages of industrialization and therefore require a higher number of flexibilities.

The main focus in 2008 was on getting final modalities in Agriculture and NAMA. Draft modalities text for Agriculture and NAMA was tabled at the beginning of July, before the start of the mini-ministerial. At the same time preparations were made for a services conference to coincide with the mini-ministerial with an aim to get an indication of services offers and commitments of the main players in the services negotiations.

July Mini-ministerial

Lamy called a mini-ministerial starting July 21. Ministers of around 30-35 countries participated but the negotiations mainly took place in the G-7 consisting of the EU, US, Brazil, India, China, Japan and Australia. The G-7 could initially not get to an agreement. At the end of the week, on the 25th of July, Lamy prepared a text with elements of agreement on issues in Agriculture and NAMA. These elements were presented to the G-7 on a take it or leave it basis. The Lamy text did not cover all NAMA and Agriculture issues. The G-7 could agree on almost all the elements except for the Special Safeguard Mechanism (SSM) in Agriculture and some issues in NAMA like the sectorals text and the anti-concentration clause not being entirely accepted. The SSM, as proposed in the text, was not acceptable to India and China, and therefore no agreement could be reached on the totality of the elements. The mini-ministerial thus broke down without decisions on key issues, but also without negotiations on some key issues like cotton. Furthermore, many countries were unhappy about the fact that they had not been involved in the negotiations, which basically took place in the G-7 only.

In August, the Chairs of the Agriculture and NAMA groups prepared a report in which they indicated which issues got agreement in July during the mini-ministerial, however, they could not draft a new modalities text since there was no full agreement on all the elements discussed in July.

The Agriculture part of the Lamy package would have led to substantial reductions in domestic support in the EU and US, but not in actual spending, which in the case of the US could still be increased substantially from current levels. Tariff reductions in developed countries would not lead to large improvements in market access as sensitive products would continue to be protected. Cotton subsidies were not addressed. The Special safeguard mechanism as it was proposed would be insufficient to protect agriculture production in developing countries.

The NAMA part of Lamy's proposal included text on participation in sectoral negotiations (for zero tariffs), linking them to the coefficient. It further included a coefficient of 8 for developed countries and between 20 and 25 for developing countries (depending on the number of flexibilities). The controversial anti-concentration clause stated in Lamy's text that full formula tariff reductions shall apply to a minimum of either [20] percent of national tariff lines or [9] percent of the value of imports of the Member in each HS

chapter. The clause was proposed by the EU to avoid that developing countries exclude whole or almost whole sectors from the tariff reductions when using the flexibilities.

The services signaling conference took place in July as well. The conference was meant to bring together a group of 30 countries interested in the services negotiations and to exchange potential offers. Most of the participants were developing countries, in whose markets the *demandeurs* of the high-level services meeting are seeking deeper and broader concessions in a large number of sectors. In contrast, the main developing country demands centred on more access for their temporary service providers (movement of natural persons or mode 4 of services supply) and cross-border services, such as business outsourcing (mode 1). Developed countries like the EU and US would be willing to allow more mode 4 commitments, albeit mainly linked to mode 3 and only for higher skilled personnel. Ambassador Fernando de Mateo, Chair of the services negotiations, presented on 17 July a draft proposal on the 'elements required for concluding the services negotiations.

Other contentious issues like fishing subsidies and anti-dumping rules were not dealt with in July.

The period after August

After the summer break, the negotiations resumed in September. A G-7 meeting took place to find agreement on the Special Safeguard Mechanism, since this issue was considered (unjustified) as being the deal breaker in July. Again the G-7 was not able to get an agreement. The differences between the US on the one hand and China and India on the other remained too large.

In NAMA a new chair was appointed, Ambassador Luzius Wasescha from Switzerland. He consulted with members and continued negotiations on the basis of the 10 July Stephenson text as there was no agreement to take the Lamy text or the Stephenson August report as the basis for further negotiations. Negotiations took place on several smaller issues like treatment for the Recently Acceded Members, Small and Vulnerable Economies etc. There was in particular disagreement on the sectorals. The EU and US kept pushing for some sort of mandatory participation in sectorals but the NAMA 11 continued to stress the voluntary nature of participation in sectorals.

Although many NAMA 11 countries were willing to accept the ranges for the coefficient and flexibilities as proposed in the July Lamy text, Argentina remained strongly opposed and also South Africa continued to ask for more individual flexibilities. The NAMA 11 issued a statement at the end of October which stressed that sectoral negotiations in NAMA have to remain voluntary, reiterating the Hong Kong Ministerial Declaration. The NAMA 11 has been severely weakened due to the fact that some countries, like India and Brazil, had accepted a low coefficient (20-25) during the July ministerial.

Agriculture talks have also moved forward since September, but very slowly, and with still quite some difficult issues to resolve. In October talks took place on tariff quota creation, tariff simplification, the special safeguard mechanism,

sensitive products, the Green Box domestic support and cotton. On the Special Safeguard Mechanism in Agriculture the main issue of contention was, and remains, under what circumstances (if at all) tariffs could be raised above their pre-Doha levels. On the reduction of cotton subsidies no progress has been made so far.

In December again attempts were made to organise a mini-ministerial for the conclusion of agriculture and NAMA modalities. New text came out for NAMA and Agriculture at the beginning of December, building on the July ministerial progress. However, the likelihood of concluding the modalities in a ministerial meeting remained insufficient, and it was decided not to call upon ministers to come to Geneva. The December texts now seem to have been accepted by most WTO members as a basis for further negotiations.

Conclusions and expectations for 2009

Based on the December texts in Agriculture and NAMA, it can be concluded that the commitments made in Agriculture do not reduce actual subsidy spending (OTDS) and do not offer substantial market access for developing countries in products of their interest. It also fails to design an adequate safeguard mechanism for developing countries to protect their agricultural production and development. The key issue of cotton subsidies is not sufficiently addressed so far.

In NAMA the coefficients for developing countries remain low and the tariff cuts deep. Based on the ranges of coefficients and flexibilities a number of sectors in developing countries will be negatively affected in terms of employment. All developing countries are likely to face difficulties and restrictions in terms of future industrial development and employment. The sectorals remain an issue of concern and the participation in these should remain voluntarily since these negotiations aim at reducing tariffs in selected sectors to zero. The anti-concentration clause is also problematic since it further restricts the already low flexibilities and takes away some of the gains made in the negotiations on flexibilities. The coefficient of 8 in NAMA for developed countries will lead to reductions and job losses in some protected sectors in developed countries with no possibility to exclude sectors or have lesser tariff reduction.

It has been clear that the developed countries are not at all sensitive to arguments of developing countries around concerns of employment losses and negative effects on industrial development. The commitments made by developing countries in NAMA and the negative effects on employment and development are much higher than the commitments made by developed countries in both NAMA and Agriculture.

The election of Barack Obama as the new US President has raised some questions around the US position on the Doha round as well as its commitment to the Doha round. Obama is likely to review the US position on the Doha negotiations, which might result in less US commitments or in more

US demands on other WTO members. Some time will be needed to formulate this new position and will therefore reduce the speed of the negotiations at least in the first couple of months of the year. The chairs of the negotiating groups have already indicated that they would like to continue work on the technical issues and the schedules of commitments, rather than the big political decisions that have to be taken, which is also an indication that they do not expect such political decisions any time soon.

But there is another dark cloud that is overshadowing the negotiations. The financial crisis and resulting economic crisis which has kept the world economy in its grip is also affecting the Doha negotiations. Although some warn against protectionist measures and see the finalization of the Doha round as an effective instrument against such protectionism, it is not very realistic to expect countries to make substantial commitments during a crisis period. Such commitments would affect employment and add to the employment losses already caused by the recession. Countries would rather opt for a maximum number of policy instruments at their disposal to deal with the crisis and to ensure an adequate response to the crisis in terms of job creation. The first calls for and signs of protectionism are already surfacing in Europe and the US, and developing countries should not be forced to open up their markets now.

The economic crisis is also likely to reduce the Doha round as a priority for US policymakers. Since the crisis hits particularly hard in the US, Obama will need to put all his efforts in addressing the consequences of the crisis. He will focus on the domestic market and the Doha negotiations will simply not be one of his priorities.

The December 2008 General Council meeting announced the continuation of work in 2009 on the Doha agenda. Pascal Lamy reiterated the need to conclude modalities on NAMA and Agriculture but also requested attention for other issues like services and rules for example. He further called upon members to try and get an early harvest on issues like trade facilitation, Duty Free Quota Free Market Access, Cotton and Bananas. Beyond Doha he also preempted some changes with a possible shift in the WTO work programme. The WTO is likely to expand its work to some of the broader and actual issues like trade and climate change, the food crisis, the energy crisis and the financial crisis, in particular trade financing (due to credit limits that affect trade). One of the responses in that respect could be the mobilization of resources. In response to the financial and economic crisis continued analysis and updates on the trade consequences of the crisis and reporting on the trade measures taken in the wake of the financial crisis like stimulus packages would be provided. The discussion of such measures will take place in the Trade Policy Review Body. And finally Lamy called also for the development of a roadmap for work on Aid for Trade in 2009.

This again is a signal that the Doha round is likely to get less attention in the near future. Even though a ministerial meeting is likely to be held at the end of 2009 with an aim to finalise the Doha round, such a ministerial will also focus

on the future work programme and priorities for the WTO, making it less dependent on the progress in the Doha negotiations.

Trade union monitoring of the NAMA negotiations remains very much needed in 2009, however, due to the likely slowdown in negotiations during the first half of the year, it is unlikely that any mobilization is required. However, vigilance is needed, and work needs to be done to reassess some of the commitments made by some governments, in particular Brazil, India, Indonesia, the Philippines Egypt and Tunisia during the July ministerial meeting. With regard to South Africa and Argentina continued support and vigilance is needed for their specific negotiations with other WTO members. Other issues that need to be addressed and that require monitoring are the sectoral negotiations and the anti-concentration clause.