

## **Uphill battles for South in WTO's end-June process**

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On 28 June, a G6 Ministerial is expected. On 29 June, a G20 Ministerial is expected in the morning, and a G33 Ministerial lunch and evening reception are also expected.

The "mini-Ministerial" involving some 20-30 members is expected to start on 29 June and then proceed fully on 30 June. It may continue to the weekend (1 and 2 July).

Conclusions made at the Green Room are then expected to be brought to the TNC, which could be convened at short notice, to have them formally endorsed. That is, if those who are not party to the Green Room are agreeable to stamp their "Yes".

On the prospects and shape of a possible deal, the situation is very fluid.

Developing countries will thus have to prepare themselves for hard battles ahead: for transparency and participation in a process that looks like marginalising the majority even more than before; to ensure that the developed countries are really to offer effective cuts in domestic support and tariffs in agriculture; to ensure that small farmers in developing countries are not made sacrifices of, through market openings that threaten their livelihoods; and to fend off the aggressive pressures to slash their industrial tariffs in ways that are unfair and extremely damaging. +

Below is a report giving a preview of the fortnight ahead. It was published in the SUNS on 21 June.

with best wishes  
Martin Khor  
TWN

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## **Uphill battles for South in WTO's end-June process**

**By Martin Khor (TWN): Geneva, 20 June 2006**

The "end of June" process at the WTO is expected to start in earnest on Wednesday (21 June) with the issuance of two papers - the draft modalities on agriculture and on non-agricultural market access (NAMA).

WTO members are eagerly awaiting the two documents which the Chair of the agriculture negotiations Crawford Falconer and the Chair of the NAMA negotiations Don Stephenson have been preparing.

The papers were originally scheduled to be out on 19 June, but the new expectation is for 21 June, though it may be postponed still for a day.

They are likely to contain many square brackets, within which will be ranges of figures (for rates for cutting tariffs or agricultural domestic support); and several options of how to treat certain issues.

The documents are intended to be a guide to diplomats, senior officials and Ministers on the structure of the modalities, and on the range of possibilities for filling the structures with concrete figures and mechanism.

Since intense negotiations in Geneva in recent weeks have not narrowed differences among the WTO Members, the documents should put forward the many options and ranges, if they are to reflect these differences accurately.

How accurately and fairly they place these different positions, and in which context, will determine the reactions that the different Members individually and in their groupings will give to the papers.

Some trade diplomats expect that an informal plenary session will be held on Friday (22 June) to allow all Members to react to the papers. There could possibly be a meeting the day before to discuss the process.

Regarding the end-of-month processes and events, there is no clear time-table yet, but several formats will be involved, some of them operating simultaneously. According to trade diplomats, there is high political interest since concrete modalities are at stake, and over 40 Ministers have indicated they may come, and many more countries may send Vice Ministers.

Questions still abound as to whether Ministers who come to Geneva can attend the "Ministerial Green Room" that will be convened by Pascal Lamy, presumably in his capacity as Chair of the Trade Negotiations Committee (TNC). Or whether, as expected, the Green Room will accommodate Ministers

from only invited members.

The issues of transparency, participation and legitimacy can be expected to arise yet again, as uncertainty swirls around as to who is invited to the Green Room, on what criteria or basis, and on whose invitation.

According to diplomatic sources, on 28 June, a G6 Ministerial is expected to convene. On 29 June, a G20 Ministerial is expected in the morning, and a G33 Ministerial lunch and evening reception are also expected.

The “mini-Ministerial” (i. e. the Ministerial Green Room) involving some 20-30 members (the numbers and the names of members are not known) is expected to start on 29 June and then proceed fully on 30 June.

Also on 30 June, a meeting of the TNC is expected to be convened, to be open to all Members, and Ministers, senior officials and diplomats are expected to take part. Those not invited to the Green Room will have a forum in which to participate.

But the real negotiations will take place in the Ministerial Green Room. Some diplomats expect that if it becomes clear from the first day that no progress can be made, the meeting may be short. If enough progress is made, the Green Room may continue to the weekend (1 and 2 July).

Conclusions made at the Green Room are then expected to be brought to the TNC, which could be convened at short notice, to have them formally endorsed. That is, if those who are not party to the Green Room are agreeable to stamp their “Yes”.

The above scenario of events, which diplomatic sources have painted, could of course be varied, depending on circumstances, including the views voiced by the WTO diplomats in the next days after the agriculture and NAMA draft modalities papers are issued.

On the prospects and shape of a possible deal, the situation is very fluid. Keen attention will be paid to the US-EU summit in Vienna on Wednesday. If the leaders of these two majors are able to come closer to an agreement among themselves on agriculture, then it would give a fillip to prospects of a Geneva deal next week.

However, it could also spell danger for developing countries. Some diplomats fear that the EU and US could agree to forgive or half-forgive each other’s agriculture “sins”, with both sides not having to do anything effective in market access or domestic support, but then agreeing on a joint campaign to get the developing countries to open their markets in both agriculture and NAMA as well as services.

In this scenario, the pressure will be put on developing countries in the G33 to climb down on their positions on special products (SPs) and special safeguard mechanism (SSM) in agriculture.

Developing countries will also be asked to significantly reduce their agriculture tariffs, even if there are no real cuts (i. e. cuts only in

“water” but not in applied or already planned levels; or shifting of subsidies from one to another box) in domestic support in the developed countries. The “two-thirds principle” may be invoked, that developing countries agree to tariff reduction rates equivalent to two-thirds those of the developed countries.

The G33 have so far been firm on holding to their principles and positions on SPs and SSM, and defended these in determined fashion when these positions were attacked in recent weeks by the United States and a few developing countries such as Thailand. Their convening of a G33 Ministerial as part of the end-of-June events signals their intention to get strong political backing for their technical proposals.

In the past week, a large number of developing countries, centred around the ACP Group and the small economies grouping, (including Kenya, Nigeria and Barbados individually as well as Mauritius for the ACP Group) have also strongly projected their defensive interest with regard to agricultural tariff reduction.

They indicated that they did not accept the G20 proposal as the middle ground as far as the tariff formula as applied to developing countries is concerned, and that the solution lies “south” of that.

So far the ACP countries’ views have not been taken on board in the mainstream discussions on agriculture, where “middle grounds” are searched for in relation to the US, EU, G20 and G10. Perhaps the reason is that the ACP is not part of the G6 in which some of the most intense negotiations takes place.

Whether the positions of the large number of developing countries (that are not prominent in the Green Rooms and inner circles like the G6) can be accommodated in the modalities draft papers, and if not whether they are able to project themselves and their views in the crucial fortnight ahead, may be one of the important factors that determine the outcome.

In NAMA, the developing countries are on even weaker ground than in agriculture. This is largely because most of the discussion is focused on the Swiss formula and its coefficients.

As the NAMA 11 group expressed last week, the Swiss formula hides the true nature and extent of commitment, especially as between developed and developing countries, so that the developed countries can boldly demand that the difference in coefficients between them be restrained to only five points.

Coefficients of 10 for developed countries and 15 for developing countries (which are being bandied around by the developed countries) may not sound so bad to those not familiar with the formula and its effects. When translated in real terms of tariff cuts in percentages (and worse, in percentage points), there will be gross inequalities (between North and South, due to differences in their tariff profiles) and massive effects on the tariffs of developing countries.

The developing countries would have to make tremendous commitments, the likes of which have never before been seen in the history of GATT/WTO, while the developed countries would hardly be affected at all.

Even if the coefficients were 10 for developed and 30 for developing countries, there would still be great inequalities, with the local industries of developing countries facing the threat of closure or loss of market share, and job losses. These countries would also lose a large share of their public revenues obtained from tariffs.

As there are no differences among developed countries in NAMA (unlike in agriculture), they have been piling on the pressure on developing countries in this area, with the pressures increasing in the last fortnight when a six-country paper was put by them in the NAMA group.

At the end-of-June meetings, especially in the Green Room, the same pressures will surely be applied with even greater force, and especially if the EU and US manage to agree among themselves in agriculture.

Developing countries will thus have to prepare themselves for hard battles ahead: for transparency and participation in a process that looks like marginalising the majority even more than before; to ensure that the developed countries are really to offer effective cuts in domestic support and tariffs in agriculture; to ensure that small farmers in developing countries are not made sacrifices of, through market openings that threaten their livelihoods; and to fend off the aggressive pressures to slash their industrial tariffs in ways that are unfair and extremely damaging.