As Ministerial starts, the question is “Who will move first?”

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As various WTO groupings held their own meetings on Thursday to plan ahead of the mini-Ministerial Green Room the next day, and as some Ministers gave their previews to the media, the question being asked by delegates and observers alike is “Who will move first, or will no one move at all?”

The developed countries are saying they may be able to move, but the developing countries have to offer “new trade flows” (code for cutting their bound tariff rates to below the present applied rates).

Brazil’s Trade Minister Celso Amorim today criticised the developed countries for “reversing the burden of leadership.” The rich countries have to move first, because this is a Development Round supposed to benefit the developing world, he said.

The European Trade Commissioner Peter Mandelson said the EU is ready to move if others also move significantly. The EU Agriculture Commissioner Marianne Fischer Boel was more specific: the EU was prepared to move toward the G20 proposal on agriculture market access in terms of average tariff cut though not sensitive products.

[The G20 proposal is for a 54% average cut for developed countries; the EU last October had offered 39% (according to most estimates) but has recently some officials unofficially indicated it could move beyond 46% and towards 50%. The EU proposed last October that developed countries could designate 8% of tariff lines to be sensitive products; the G20 proposal is that these be restricted to 1% of dutiable lines.

The United States proposal is for a 66% average cut and its officials have insisted that a compromise has to be between the G20 and its own proposals.]

However, Mandelson’s position was contradicted by the French Ministers of Trade and Agriculture, who said he had no mandate to go beyond the October offer. The EC battle with its own member states will be one of the interesting and important factors in the coming days.

Meanwhile, the US is coming under pressure to offer better than its October proposal on reduction of agricultural domestic support, which would cut its allowable level of overall trade-distorting support (OTDS) from $48.2 billion to $22.7 billion, a 53% cut. Since the actual US OTDS in 2005 was $19.6 billion, this offer is seen by its partners as inadequate, as it would allow the US not only to continue but expand its most recent level of support.

[The G20 proposal is that the US cut its allowable OTDS by 75% from $48.2 billion to abount $12 billion and that the EU cuts its allowable OTDS by 80% from 67.2 billion euro to about 22 billion euro. The EU’s October proposal is that it cut its own OTDS by 70% to 33-34 billion euro, while the US would be by 70% to $19 billion. The G10 proposal is that the US bring its OTDS down to $17 billion and the EU to 27 billion euro.]

There have been speculative reports that the US is ready to offer a further cut to the allowable OTDS (through reducing the limit of the de minimis support, one of the components of the OTDS). But this has been denied by US officials.

The WTO's DG, Pascal Lamy, created a stir on 28 June when he suggested the number 20 as a possible "landing zone" for a deal this week: the G20 market access proposal to be applied to the EU, below $20 billion domestic support for the US, and coefficient 20 in the Swiss formula for NAMA for developing countries.

Powerful Congress representatives two days ago told the US Trade Representative that she should not increase the US offer on domestic support, while yesterday the head of the American Farm Bureau Federation criticised Lamy's suggestion that the US domestic support offer be improved, and the proposed tariff cut (which it said was too low).

The feeling among many delegations is that the US can comfortably move to improve its domestic support offer, to enable the allowable OTDS level to be cut to $20 billion and below, as it would hardly affect the present actual spending level.

But the US, like the EU, is saying it cannot move unless others move first by improving their offers sufficiently.

Today (29 June), a pointed question was put to Brazilian Foreign Minister Celso Amorim at a press briefing. Given Lamy's 20-20-20 suggestion of a deal, would Brazil be happy to accept an offer of $20 billion domestic support from the US?

"No, there will be no deal if the ceiling of $20 billion is maintained," replied Amorim. "We don't spend ten years discussing agriculture to maintain the same level of subsidy of (that the US has actually been applying in the last few years). $20 billion is more than the applied level....The only thing I like about Lamy's 20-20-20 is the G20 proposal."

Amorim seemed pessimistic about the outcome, saying that "we are not getting very much near to the result we need. Though I find there is goodwill, but somehow the gaps don't diminish. Looking back over the past 2 to 3 months, I have the impression the gaps have widened or become more rigid. We have a hard task to face."

Amorim expressed disappointment on how the developed countries had behaved. "This is an attempted reversal of the burden of leadership," he said. "It is as if they expect the developing countries to make offers which then can encourage the developed countries to do what they have to do.

"Yes we all have to do our part, but this has to be proportionate to our power and our capacity. This Round is a Development and an agriculture Round., and it is on development and agriculture that the main movement should be made."

When asked whether Brazil was willing to accept a Swiss formula coefficient of 20, Amorim said there was no point for him to be so specific. Brazil had indicated its position already. "We are a developing country, this is a Development Round, and it is morally false to reverse the equation and ask developing countries to take on the burden (of moving first)."

Meanwhile the NAMA-11 group of developing countries issued a Ministerial Communique today. The members are Argentina, Bolivarian Republic of Venezuela, Brazil, Egypt, India, Indonesia, Namibia, Philippines, Tunisia and South Africa.

The communiqué said that the Ministers of the NAMA 11 group of developing countries met in Geneva on 29 June 2006, to assess the progress of negotiations and to contribute to the objective of achieving a fair, balanced and development oriented set of NAMA modalities predicated on the following mandated principles:

- placing development concerns at the heart of the negotiations;
- ensuring “less than full reciprocity in reduction commitments” for developing countries;
- comparable level of ambition with agricultural market access; and
- appropriate flexibilities to manage adjustment costs and address development needs.

The Ministers recalled the unprecedented agreement for all Members to undertake tariff cuts in NAMA using a Swiss formula with coefficients. Whatever the coefficients agreed, this formula will entail deep line-by-line cuts, particularly on the higher tariffs. This represents a significant contribution by developing countries.

They noted that the objective of an ambitious outcome can be achieved only through tariff reductions greater than those in previous Rounds and expressed concern that developed countries are offering a reduction of only 20% to 30%.

“In sharp contrast, in this development Round, developing country Members are being asked to undertake tariff reductions of 60% to 70%. This inverts the mandate of “less than full reciprocity in reduction commitments” by developing countries,” they said.

The Ministers also recalled that some proposals have sought to ensure “less than full reciprocity in reduction commitments” through an appropriate spread between the coefficients. A Swiss formula with two coefficients, based on reductions from bound rates, may also deliver on this mandate, provided that there is a difference of at least 25 points between the coefficients for developed and developing countries. This is imperative to take into account their respective levels of industrialization and competitiveness; social and economic situations; and their capacity to bear the costs of adjustment.

The Ministers noted the substantial autonomous tariff liberalisation by developing countries since the Uruguay Round resulting in dramatic increases in imports; whereas developed countries continue to retain tariff peaks, high tariffs and tariff escalation, particularly on the products of export interest of developing countries. This imbalance has to be rectified.

They stressed that the numbers in brackets in paragraph 8 are the bare minimum and as such a higher number of tariff lines and larger trade coverage would be required by developing countries to address specific situations. “We reiterate that a fair mark-up on unbound tariffs is needed to address the sensitivity attached to both low and high unbound tariff lines.

“We underscore that an ambitious result in NAMA is possible, but not at the expense of the development dimension of the Round. Developing countries cannot be expected to pay for the Round whilst developed countries make minimal reductions to their own industrial tariffs and continue to retain their subsidies and allow only limited market access in Agriculture.”

P.S.

* TWN Info Service on WTO and Trade Issues, 30 June 2006, Third World Network, www.twnside.org.sg