WTO: Some Tough Questions for the G20

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Ministers of the G20[1] are gathering in Pakistan for what is likely to be a critical meeting on 9-10 September, just three months ahead of the Hong Kong Ministerial. The issues on their list to be discussed will be long, and is likely to include:

- the formula for agriculture tariff reduction;
- how to deal with the developed countries' and EU's sensitive products;
- what treatment they can agree to on special products and the special safeguard mechanism for developing countries (the differences within the group remain, with countries such as Argentina and Thailand being much less enthusiastic than Indonesia);
- whether the G20 will push through on the capping of tariffs (which the EU and especially the G10 are opposed to);
- strategizing on the criteria for an expanded blue box (where the US wishes to house its Farm Bill counter-cyclical payments) so that the US will feel some discomfort;
- other sticking issues in the Round and in Hong Kong, such as the NAMA market access treatment, and the highly controversial benchmarking issue which the EC threw into the cauldron just weeks before the July General Council.

But there are some tougher questions that the G20 Ministers are unlikely to address, yet they are even more critical for the interests of the developing world as a whole:

1) What are the majority of developing countries going to get from this Round? Will they not simply be scapegoats made to implement more anti-development measures in exchange for gains made by a few?

In reality, talks and more talks in Geneva are about the US, EU, Brazil and India (in Geneva parlance, the "New Quad") finding a balance between themselves in terms of what concession they are giving to each other, and what they are getting in return. Whether there is balance for the small players, however, is a question that the G20 may rather not have to deal with.

The EU will profit handsomely in the area of GATS (General Agreement on Trade in Services) and NAMA (Non-agricultural Market Access), and is currently trying its best to make as close to negligible as possible the concessions they have to live with in agriculture – hence the importance of the treatment of sensitive products for them. Brazil will also be rewarded in terms of market access in agriculture, and may have to swallow some losses in GATS and NAMA, where their interests are more defensive. India has its sights on Mode 4 (movement of natural persons) of the GATS, where negotiations especially with the US are particularly intense, whilst attempting to minimize damage in agriculture, NAMA as well as in Mode 3 of the GATS (commercial presence). On balance, the US too, will make handsome gains in NAMA, and in many sectors in GATS such as in financial services, telecommunications etc, but will have to balance these out with giving some concessions in Mode 4 to placate India. There is also a balance to be struck between the US and the G20 on market access and domestic supports. A lot of the negotiations in the next three months will be about whether the US, EU, Brazil and India can come to a mutually acceptable tariff liberalisation formula which would give US agri-businesses the market access they want, whilst ensuring that such a formula is also acceptable to India and the EU. The leverage India has vis a vis the US is in setting conditions for the enlarged Blue Box[2]. In certain sectors, even minute reductions in subsidy payments in the US is anathema to the powerful agricultural lobbies, for example, in cotton, and can affect US' ability to be competitive and avail of any market access opening.

The G20's position on domestic supports has been reduced to a whimper in comparison to their position in Cancun. The G20 then had asked for capping in the Green Box[3] (where up to 70 per cent of US subsidies are housed), and they had rejected the Blue Box expansion. Today, their negotiating energy on the Green Box has gone limp, possibly due to trade-offs with the EU, and their position on the Blue Box has been reduced to ensuring that there are some criteria / limits put on the US' use of it.

But whilst the New Quad is busy horse trading, the majority of developing countries are at the short end of the stick in all the major areas of negotiations – GATS, NAMA, Agriculture.

Most G90 members are also demandeurs in Mode 4, but for unskilled and non-professional labour. As far as their interests are concerned, they have not been offered anything in this area by the major powers. Yet the price tag for the Round seems to be continuously rising. The EU's request for benchmarking[4] in the GATS is making waves in town. Any even diluted form of benchmarking will torpedo the bottom-up or "positive list" structure of the GATS and be antithetical to development.

For agriculture, the majority of developing countries - such as the Africans -- fall on the side of being importers, rather than exporters. They will be hit by an aggressive tariff cutting formula. It is doubtful if the instruments they have asked for to soothe their pain – the SP (Special Products[5]) and SSM (Special Safeguard Mechanis[6]) will be broad enough to fulfill the goals of protecting food security, rural livelihoods and rural development. Any ambitious requests in this area will be paralleled by similar requests by the EU in sensitive products. Beyond a certain limited level, therefore, the G20 is unlikely to agree to a very broad SP. Whether developing countries will finally get an SSM (and a useful one) is still questionable. Some G20 members which export interests have reservations about allowing for an SSM, as do the US and EU.

As for NAMA, the contours of what is now on the table is the perfect recipe for more deindustrialization. Many developing countries have not even bound all of their tariff lines. They are likely to have to do so.In addition, the 2004 July frameworks sets conditions on their tariff bindings – one delegate cited the possibility of 27.5% as the maximum level of binding. Also worrying are the inroads that have been made in the sectoral negotiations where countries are discussing zero for zero tariff levels. These discussions have taken place amongst those with export capacity i.e., between the developed countries and the more advanced developing countries. “For those of us who may want to develop a certain industrial sector in the future, it will be almost impossible in a zero tariff environment”.

2) Why has the G20, having attained a seat at the negotiating table, not insisted that the other developing countries, too, are represented?

This question goes beyond the issue of transparency, but also responsibility. The complaint of the bigger developing countries that have access is that the G90[7] should be more vocal about their positions. It is unreasonable to place on the shoulders of Brazil and India the weight of developing countries’ concerns, and then for the G90 to blame these countries for not carrying their issues adequately. The Africa Group, LDCs, ACP (i.e. the G90) too, need to play their part and articulate their positions much more forcefully, across the range of issues. This would be a valid complaint, if the G90 too, were at the table. The reality is that they were not in the FIPS (the Five Interested Parties of US, EC, India, Brazil and Australia, where the main agriculture negotiations have taken place in the past year), nor in the FIPS-plus, the grouping of about 14 members which met for five days before the July 2005 General Council meeting. The additional members in the FIPS-plus were Argentina, Korea, Japan, China, Benin, Malaysia, Switzerland, Indonesia and Canada. The only African country involved therefore was Benin, representing the West African countries negotiating the cotton issue.

On the issue of transparency, India and Brazil as VIP members of the FIPS had and still have the opportunity to boycott this non-transparent mode of negotiations, implementing the call India and others had issued after the Doha Ministerial for greater internal transparency.

The EU, before the July General Council felt isolated and insisted on the expansion of the FIPS into FIPS-plus to accommodate G10 members, such as Switzerland and Japan, who had been incensed by being left out of the agriculture negotiations. This was another opportunity the leaders of the developing world could have used to insist on opening up the negotiating process.

3) What is the G20’s priority - building a cohesive developing country bloc in order to attain common development objectives, or market access in agriculture? How is the G20 proposing to forge closer ties with the G90 ahead of and in Hong Kong?

Some issues which have traditionally marked the fault line between the ACP countries and the non-ACP countries are now brewing on the back burner, and are likely to come to the fore before and in Hong Kong. The G90, many of whom are preference-receiving countries, would like EU tariffs to be maintained at certain levels so that their preferential access to the EU market can be retained to some degree. There is a direct clash here with the grouping (mostly Latin American countries, and many in the G20) on tropical products. They are insisting that tropical products such as sugar and bananas should not be in the EU’s sensitive list and there should be liberalisation of tropical products by the developed countries.

At the end of the day, the G20 will have to decide if building a cohesive developing country bloc is their priority in order to attain bigger common objectives, or whether market access in agriculture is more important.[8] If there is division, the developing bloc as a collective will lose out in terms of foregone negotiating power. Brazil after all could do with the G90's more defensive interests in NAMA and GATS, and India and the G90 have common defensive interests in agriculture. Breaking ranks would also mean losing the opportunity they've waited 10 years for, to make some real changes to the inequity in agricultural trade which the WTO's rules have accentuated, rather than abated. They would also have lost the opportunity to forge a common position across the host of other issues. (This includes the implementation agenda developing countries were promised would be prioritised when the Round was launched, but these issues are still languishing.)

4) What is the G20's view on development? At the end of the day, who are Brazil and India representing?

This question is relevant for all WTO members, but should be reflected upon by the G20 if it professes to speak for the poor in the third world. (Brazil's Minister Celso Amorin, at the Cancun Ministerial, announced that the grouping represented over half of the world's farmers.) Are the poor farmers in Brazil or Thailand really going to benefit from market access in agriculture? Experience has shown this not to be so. Are the poor in India going to benefit from Mode 4 **–** in this case, some movement of professionals into the developed countries? Who pays in Brazil and India for the liberalisation in NAMA, agriculture and in the other services sectors?

Whose interest is the G20 representing? Truly representing the poor, rather than the corporate /elite interests in the G20, may bring the G20 closer to the G90's much more defensive interests across the negotiating areas.

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[1] Members of the G20 include Argentina, Bolivia, Brazil, Chile, China, Cuba, Egypt, Guatemala, India, Indonesia, Mexico, Nigeria, Pakistan, Paraguay, Philippines, South Africa, Tanzania, Thailand, Uruguay, Venezuela and Zimbabwe.

[2] The Blue Box category are subsidy payments provided to agricultural producers on condition that these payments are linked to programmes which are production limiting. The US wants this condition to be removed in the expanded Blue Box.

[3] The Green Box is one of the categories of subsidies members can notify government support payments under. No limits are set on the level of Green Box payments Members can provide, and much of the increased subsidies by the OECD countries, such as the US in the past 10 years, have been scheduled under the Green Box.

[4] Benchmarking refers to the request by the EC to convert the GATS request-offer approach to the negotiations (where offers are made voluntarily) to a formula based approach where there is a common baseline of commitments countries undertake eg. a certain target number of sectors and subsectors to be liberalized.

[5] Special products refers to a list of products developing countries may schedule for special defensive treatment in order to protect food security, rural livelihoods and rural development. Their exact treatment is still to be negotiated.

[6] The idea is that developing countries will be able to increase their tariffs when there is price depression or an import surge.

[7] The G90 comprises the Africa Group, the LDCs and the ACP (African Caribbean and Pacific Group of States) countries.

[8] The offensive market access agenda in agriculture is not in India’s interest, however, India has been attracted to the political solidity of the G20 grouping, having attained agreement with Brazil and others that the G20 will not promote the more aggressive Swiss tariff cutting formula. Yet the band approach to tariff cuts the G20 has devised is still a lot more aggressive than the Uruguay Round commitments in agriculture. Indian officials though seem to think that their current bound tariff rates in agriculture are high enough to take even rather aggressive linear cuts.