

The WTO: From Doha to Hong Kong via Geneva (II)

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1. Background

- **In 1994**, the Marrakech Agreements were signed by the governments that had negotiated them. These agreements established the World Trade Organization (WTO) as a successor body to the General Agreement on Tariffs and Trade (GATT), vesting it with considerable powers which made it the most powerful international institution in the world. In a number of areas, such as agriculture, services and intellectual-property rights, the agreements contained provisions which related only indirectly to trade but which empowered the WTO to intervene in all acts of everyday life. As the Western governments had intended, this was the green light for neo-liberal globalisation.

- **In 1995**, the Marrakech Agreements entered into force after ratification by the national parliaments.

- **In 1996**, the industrialised countries called for the opening of a new round of negotiations with a view to liberalising practices relating to investment, public contracts, competition and trade facilitation. At the ministerial conference of the WTO in Singapore, the developing countries opposed this move.

- **In 1999**, the wealthy countries sought to launch an extremely ambitious round of negotiations, which was dubbed the Millennium Round. At the WTO ministerial conference in Seattle, the developing countries refused to back this proposal.

- **In 2001**, using methods contrary to the WTO rules and exploiting the situation in the aftermath of 11 September, the industrialised countries managed, at the WTO ministerial conference in Doha, to impose their desire to launch a round of negotiations which they christened the Doha Development

Agenda. The topics rejected in Singapore were high on this agenda.

- **From 2001 to 2003**, the negotiations on the Doha agenda stalled on every topic: those that interested the developing countries were blocked because the wealthy countries were unwilling to meet the expectations of the South, and those that interested rich countries were blocked because the developing countries objected to the protectionism of the North.

- **In 2003**, with none of the deadlocks broken, the ministerial conference in Cancún ended in failure.

- **In 2004**, having succeeded in dividing the developing countries, the wealthy nations obtained an agreement in July, at a meeting of the General Council of the WTO - a body comprising the Members' ambassadors and vested with powers equivalent to those of the ministerial conference (government ministers may also attend General Council meetings if they so wish) - on a framework for the relaunching of the negotiations. This 'July package' essentially focused on four areas: agriculture, non-agricultural market access (NAMA), services and development issues. The aim was to achieve 'approximation' in these four areas within one year, in other words to arrive at an agreement reflecting the closest possible convergence of positions.

2. Meeting of the General Council, 27-29 July 2005

One year after the deal on the 'July package', the meeting that was supposed to produce the 'approximation agreement' ended without a result in any of the four areas discussed in July 2004. This failure to reach even a minimal agreement came four and a half months before the Hong Kong ministerial conference, at which the industrialised countries hope to secure agreements leading to the completion of the Doha work programme at the end of 2006. Only twelve weeks of scheduled talks remain, however. The wealthy nations suffered this setback in spite of the presence of the US Secretary of Commerce, the European Commissioner, negotiating on behalf of all 25 EU Member States, and the trade ministers of Japan and Hong Kong.

This deadlock has occurred just as Pascal Lamy takes over from Supachai Panitchpakdi as Director-General of the WTO. The General Council has acknowledged the announcement by Mr Lamy of the four deputy directors-general he has chosen, namely Alejandro Jara (Chile), Valentine Ruwabiza (Rwanda), Harsha Vardhana Singh (India) and Rufus Yerxa (United States). The General Council has also designated those who will preside over the 6th Ministerial Conference. It will be chaired by the Hong Kong Secretary for Commerce, Industry and Technology, assisted by the Trade Ministers of Austria, Barbados and Nigeria. The United States and Israel have expressed reservations regarding the granting of observer status for the conference to the League of Arab States.

Ambassador Amina Chawahir Mohamed of Kenya, the incumbent chairperson of the General Council, while refusing to talk of a 'crisis', has said that success in Hong Kong depends on three conditions:

- better use of the available time, which, in her view, means reducing the other WTO activities to enable the Organization to focus on the negotiations and avoiding meetings at venues other than Geneva;
- improving transparency and the involvement of all parties, particularly small countries and the poorest countries;
- genuine political will.

In the opinion of Ambassador Mohamed, the objectives of the Hong Kong conference remain unchanged: an agreement on the terms of the agricultural and NAMA negotiations, a 'critical mass' of high-quality service provision and significant contributions to development in every area of the

negotiations. She also emphasised how important it was for the countries of Africa, the least-developed countries (LDCs) and the group of African, Caribbean and Pacific (ACP) countries to secure progress on the cotton issue. Dr Supachai, who is leaving his post as head of the WTO to become Secretary-General of Unctad, described the situation as 'disconcerting but not disastrous'!

3. State of play and Members' positions

3.1 Mini-glossary

To understand the jargon of the WTO negotiations, it is necessary to be familiar with certain expressions and abbreviations:

FIPS: 'five interested parties', namely the five parties with the greatest interest in the issue of trade in agricultural products: the group was the brainchild of the European Union, the United States and Australia and was designed to lure the other two members - India and Brazil - away from the coalitions to which they belonged.

G10: a group of ten countries that are net importers of agricultural products, comprising Bulgaria, Iceland, Israel, Japan, the Republic of Korea, Liechtenstein, Mauritius, Norway, Switzerland and Taiwan.

G20: a group of 20 countries created on the eve of the Cancún conference with a view to ensuring that an agreement previously concluded by the European Union and the United States, an agreement that disregarded the interests of those 20 countries, was not enshrined as a WTO rule and to preserve the scope for agricultural negotiations that would take due account of these countries' concerns; the G20 countries are Argentina, Bolivia, Brazil, Chile, China, Cuba, Egypt, Guatemala, India, Indonesia, Mexico, Nigeria, Pakistan, Paraguay, the Philippines, South Africa, Tanzania, Thailand, Venezuela and Zimbabwe.

G33: a group which now comprises some 40 developing countries and which is chiefly concerned with the impact of liberalisation on peasant farmers.

LDCs: these are the least-developed countries, those which are classified by the UN as the world's poorest countries.

ACP: the countries of Africa, the Caribbean and the Pacific.

The Cairns Group: countries exporting agricultural products whose governments grant neither domestic support nor export subsidies.

The Green Box: measures of support for agricultural production which are considered not to distort trade and are therefore authorised without restriction.

The Blue Box: support measures related to agricultural production which are authorised subject to observance of production limits and which therefore have only a minimal distortion effect on trade.

The Orange Box: support measures for agricultural production which are regarded as distorting trade and are therefore subject to reduction commitments.

3.2 Agriculture

This is the key issue. If an deal is struck on agriculture, this will mean that the countries of the South

have obtained enough concessions to induce them to reciprocate on other issues. The report presented in Geneva, which was universally accepted, provides an indication of the state of negotiations on each of the three 'pillars' (export subsidies, domestic support and market access).

- Export subsidies - progress and deadlocks.

- The EU has undertaken to name a credible date for the completion of its phase-out of export subsidies; further commitments are expected on export credits, but there is still deadlock on state trading companies and food aid.
- The United States continues to block progress with regard to the commercialisation of food aid.

- Domestic support - total deadlock

- Orange Box: The EU, the United States and Japan, each in its own way, are being obstructive on the percentage reduction of its support.
- Blue Box: The EU and the United States are stonewalling on the agreed broadening of the criteria for granting this type of support.
- Green Box: All parties are blocking progress; the idea of tightening the rules so as to prevent support that is inconsistent with the provisions governing this box provokes identical reactions, though for opposite reasons: the EU and the United States reject tighter rules because they wish to maintain the support they currently provide, while the developing countries want to preserve the option of supporting their various sectors of agricultural production.

- Market access - partial breakthrough

- The G20 presented a formula designed to lower the level of customs duties and quotas that limit the volume of imports; the formula was accepted at the mini-ministerial meeting in Dalian (see From Doha to Hong Kong via Geneva (I) at www.urfig.org > Hong Kong) as the basis of future discussions. This formula is a halfway house between the one supported by the EU and the G10 and the one proposed by the United States, Australia and New Zealand.
- The G33 tabled a list of special products and consumer goods that should be exempted from a significant reduction in customs tariffs; it also proposed a special safeguard mechanism that would allow the G33 countries to raise customs tariffs to protect themselves against dumping. The G33 was asked to provide criteria for the selection of special products with reference to food security and rural development.

3.3 NAMA

The negotiations on access to markets in non-agricultural products revolve around a tariff-reduction formula. An overwhelming majority of the developing countries which had expressed vehement opposition in Cancún to any negotiations on this issue have now felt compelled to subscribe to a consensus on the application of a reduction formula. In fact, the industrialised countries and some of the emerging countries have been engaging in discussions on this issue despite the absence of the consensus required by the WTO rules.

The formula that the industrialised nations want to impose would apply to all products and would cut the highest customs tariffs by larger percentages than the lowest tariffs. This formula would penalise the developing countries which have maintained higher tariffs than the industrialised countries and which derive significant resources from those tariffs. Other formulas have been proposed, with different coefficients from one case to another. The entire discussion now centres on

these coefficients, and some observers believe this makes an agreement likely within the next few weeks. Nevertheless, the negotiations have been complicated by the tabling of proposals designed to eliminate 'non-tariff barriers', in other words to prohibit particular national rules that obstruct access to markets.

3.4 Services

The wealthy nations believe that the mechanism of requests and offers which was introduced in Doha (see From Doha to Hong Kong via Geneva (I) at www.urfig.org > Hong Kong) for the implementation of the General Agreement on Trade in Services (GATS) is still producing unduly modest results. They want to ensure that every country presents a list of services to be liberalised that is adequate in terms of quantity (the number of sectors to be liberalised) and of quality (the degree of liberalisation). This is the gist of the European proposal that was presented in June of this year. It is encountering strong opposition, particularly from Africa.

The resistance offered by the developing countries to date has been weakened by a split between those that are still refusing to submit requests and offers and those, such as Bangladesh, India, Pakistan and the Philippines, that no longer put up this opposition because they have introduced supply mode 4 (movement of natural persons or, to use an expression popularised by the Bolkestein directive, the country-of-origin principle) into the global negotiations. In other words, if the European Union and the United States make significant offers on mode 4, these countries would be disposed to exercise greater flexibility on agriculture and NAMA.

The EU seems to be prepared to go quite far down this path, whereas the United States, officially at least, is displaying more caution. This caution, however, may be intended for domestic consumption, since anti-immigrant sentiments predominate among the American public. It is clear that both the European Union and the United States are pandering to the same desire of the business community for increased opportunities to use cheap labour.

The issue of mode 4 could thus get the whole negotiating process moving again.

4. What is the outlook for the Doha work programme?

4.1 Elements of a scenario

It would be a wise person who could say today whether the building blocks of success were in place or whether the stage was set for failure.

On each of the three issues we have examined, the elements of convergence are falling into place in the same way as the ingredients of chronic deadlock.

Nevertheless, two points should be made:

- (a) No country is prepared to bear the responsibility for another failure. This factor, which was one of the reasons for the Doha agreement two years after Seattle, may prove crucial.
- (b) The industrialised nations, especially the European countries, want to protect the WTO from another failure.

One scenario circulating in Geneva is that of a breakthrough on agriculture at the October meeting of the General Council by virtue of concessions, with staggered application, made by the Europeans on export subsidies and by the Americans on the commercialisation of food aid. The European Union

and the United States would also announce an immediate effort on mode 4 of the GATS. Such developments might generate the sort of momentum that would marginalise resistance to some extent. The way would then be clear for a minimal agreement in Hong Kong, keeping alive the prospect of completing the negotiation of the Doha work programme. The door would thus remain open for the possibility of eventual extensive liberalisation in all areas covered by the programme.

This disaster scenario certainly cannot be ruled out, because it would save the WTO and preserve the chances of completing the negotiation of the Doha work programme. If the price to be paid is a limited agreement at the Hong Kong conference, the European Union and the United States seem willing to pay that price.

Everything will ultimately depend once again on the extent to which the countries of the South are able and willing to put up resistance.

4.2 The Lamy factor

The appointment of Pascal Lamy as Director-General of the WTO with effect from 1 September could be a decisive factor in the future course of the negotiations. The question is whether he can succeed in overcoming the failures of Seattle and Cancún.

To his credit, he has experience and absolute command of the issues. For five years he has been the sole negotiator of the European Union at the WTO and in all the Union's bilateral and multilateral negotiations. He is a formidable negotiator and a skilful tactician. His election as head of the WTO illustrates this. He succeeded in forging a North-South alliance for his candidature by dividing the developing countries, the weakest of which he knows how to manipulate, as was spectacularly illustrated by his 'Everything but arms' initiative. He is perfectly well aware of the weak points of the three groups into which developing countries are gathered, namely the G20, the G33 and the LDCs. Accustomed to lengthy negotiations, he does not hesitate to resort to late-night meetings to achieve his aims. Resolutely supported by the wealthy countries, he is also familiar with the world of the NGOs, where he has managed to separate the 'reformists' from the 'radicals' by making himself accessible to those NGOs which harbour the illusion that they can engage in 'constructive dialogue' with a man who has never altered his point of view by one iota.

On the debit side are his conviction that he holds the absolute truth and his missionary zeal. These things sometimes cause him to underestimate the significance of obstacles and, in particular, to exhibit a great deal of arrogance and intransigence.

He can be relied upon to devote all the energy and resources at his disposal to avenge the defeat he suffered in Cancún.

5. Forthcoming events

- The G20 and G33 will meet in Pakistan from 8 to 10 September.
- A special negotiating session on agriculture will be held from 13 to 18 September.
- A special negotiating session on NAMA will take place from 19 to 23 September.
- Two special negotiating sessions on services (GATS) will be held from 19 to 23 and from 26 to 30 September.
- A mini-ministerial meeting (an informal meeting attended only by invited ministers) will take place in Geneva during the first fortnight of October.
- The General Council will meet on 19 and 20 October; if it reaches an agreement, the terms of the agreement will serve as the basis of the draft ministerial declaration for submission to the Hong

Kong conference.

- A mini-ministerial meeting is scheduled for November and will be held in Korea.
- The 6th Ministerial Conference will be held in Hong Kong from 13 to 18 December.

6. What is it all about?

What lies behind the agreed wording of WTO declarations? What aim is pursued by those who want to see the negotiations succeed? Who is supposed to benefit? There is only one aim, namely to open markets, and there is only one type of country that benefits, namely those that have something to export.

Opening the markets of the South to agricultural products from Europe, the United States and the countries of the Cairns Group, opening the markets of the South to industrial products from the countries of the North, and opening the markets of the South to the service enterprises of Europe and the United States: that is what they call free trade, and they claim that more free trade means greater distribution of wealth.

Contrary to this ideological hype from the business world and its lackeys in politics and the media, an increase in free trade is not universally beneficial. After ten years' implementation of the Marrakech Agreements, we can echo the view expressed by Carin Smaller, of the Institute for Agriculture and Trade Policy, that 'Those who need the most actually stand to lose the most'. The multilateral trade system was not conceived to improve the lot of humanity. It was established to turn the planet into a single market for the benefit of the most powerful, in other words the multinational companies that control the states of the North and have only one more hurdle to clear in their quest for absolute power, namely the elimination of the sovereignty with which decolonisation vested the peoples of the South.

This shows the WTO negotiations in their true light, which ought to concern every woman and every man on this planet. Their aim is global domination for the benefit of a small number of people.

What happens at the WTO is, in fact, the foremost political problem of this age. What happens in any country is merely the consequence of what our governments - all of them, whatever their leanings - have negotiated and are still negotiating within that forum.

Until now, whether in Seattle or Cancún, the countries of the South have been the only ones to offer resistance, but the pressure exerted on them, especially by the European Union, with the full and constant backing of all 25 member governments, is enormous. The end justifies the means, and every means is employed. They may yet overcome Southern opposition. The next four months could well be decisive.

This is an urgent matter. It is imperative that the general public take up these issues that most of the political parties and trade unions are ignoring or neglecting. Our future is at stake. It is up to us to fight, as we were able to do against the European Constitutional Treaty, together with those parties, trade unions and associations that are aware of the danger.

Otherwise, we shall have to be prepared for servitude in this 'Brave New World' which the WTO is trying to create and of which Aldous Huxley has given us a foretaste.

P.S.

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