

IN THIS ISSUE!

Editorial: General Council's Draft July Text: Doha-minus and Development-lite
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Pages 1-4

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For many who hold the majors responsible for the denouement in Cancun (because they were not able to sell the Harbinson text on agriculture to developing countries), the text issued last Friday by the Chairman of the General Council and the Director General of WTO comes as no surprise. Coming fast on the heels of the G-90 Ministers meeting in Mauritius last week, the July text pointedly ignores virtually all the proposals of the G-90 Ministers. For all practical purposes, the text resurrects the Cancun draft on agriculture and non-market agriculture market access. To be sure, the text pays the standard rhetorical lip service to issues of interest to developing countries such as S&D and implementation.

Concerning these latter issues, the language is entirely hortatory, leaving little doubt that the majors have no intention of moving towards a

fundamental reform of the Agreement on Agriculture, or meaningful, binding and operational commitments on S&D or implementation. For African Cotton producers, the text must come as a bitter reminder of their marginal weight in the WTO. Far from being treated as a stand-alone issue, cotton is now proposed to be part of the negotiations on agriculture, which itself is gratuitously highlighted in the July text as being part of "the Single Undertaking". In addition, part of the cotton issue is now to be dealt with as a development issue, which the text conflates with development assistance. Finally, the text purports to drop three of the four Singapore issues from the Doha work programme but not from the WTO. At the same time, it proposes the launch of negotiations in this area, which, according to Doha, warrants an explicit consensus. In as much as there is no explicit consensus on this issue, the draft text appears to override a carefully crafted Ministerial decision in Doha.

The text puts forward 'frameworks' in key areas such as non-agricultural market access and agriculture, tasks

that could not be accomplished in Cancun. A framework forms the first of three steps towards a final agreement. The second step would be to include completed formulas for tariff reduction, for capping and related commitments concerning reduction of domestic support and of export subsidies i.e. modalities. The final step would be to apply the relevant formulae, base periods and base variables, quantitative reduction commitments etc to the thousands of products affected as well as taking into account new and revised rules. The July text therefore is critical for launching the process of defining and sharpening the modalities for negotiations on which commitments will be made. If adequate attention is not given to the details and alternative proposals are not put forward for the framework on modalities, it would be impossible to reopen the issues once the framework is adopted. Given the importance of this phase of the negotiating process, it is of the utmost importance for developing countries to make proposals for amending the current draft. If this entails a delay in the negotiations, it would be fully justified.

It is clear from the text that agriculture remains the key issue for all WTO Members and a certain deal breaker (or maker): with this in mind, the authors of the text have carefully crafted a framework whose negotiating outcome is all but guaranteed to provide the majors with the necessary flexibility in terms of safeguards, exemptions and legal protection to ensure that the current regime remains in place for the foreseeable future. A first sign of their intentions to make agriculture the deal breaker is the pointed reference in the text to “the Single Undertaking”. Annex A on the Framework Establishing Modalities in

Agriculture, text states, “The final balance will be found only at the conclusion of these subsequent negotiations and within *the Single Undertaking*”(italics added). In as much the entire Doha Work Programme is supposed to be a single undertaking, singling out one issue, as part of a single undertaking approach is superfluous. On the other hand, it sends the clearest possible warning that nothing will be agreed until an agreement on agriculture satisfactory from the standpoint of the EU and the US is reached. The end-process for the Doha Round is likely to be a repeat of the Blair House agreement between the EU and US in 1992 and which created the iniquitous provisions of the Blue Box subsidies\ and legitimised all the distortions in this sector.

What are the likely contours of an agreement on agriculture? A first point of reference is the need among the majors to minimise the fall out from the expiry of the “Peace Clause” in December last year. Viewed from this perspective, the text fully reflects domestic compulsions in the US and the EU and accordingly provides them the maximum degree of flexibility in making reduction and reform commitments.

An examination of Annex A on agriculture shows clearly that the regime for domestic support remains largely untouched: whilst the text asserts that “each such (i.e. developed) member will make a substantial and effective reduction in the overall level of its trade distorting support” it simultaneously envisages an indefinite continuation of Blue Box subsidies: for example, on Para 14, it states that by the end of the implementation period (to be agreed) Blue Box support will not exceed an agreed percentage (to be

negotiated) of the value of agricultural production (the amount and the base period to be determined in the negotiations). In rewarding the country that has made the most use (or abuse) of the Blue Box subsidies, the text avers, "some flexibility will be provided to ensure that ...a Member concerned...is not called upon to make a wholly disproportionate cut." (the notion of 'disproportionate' also presumably to be interpreted and negotiated). The text further appears to freeze and sanctify the practice of Blue Box support by asserting, contrary to all evidence, "Blue Box payments remain less trade distorting than AMS measures." The counter-cyclical payments by the US that are projected to last many years as a result of the 2002 Farm Bill are difficult to reconcile with the rhetoric of reform. These measures, enacted soon after Doha, are now sought to be shifted to a new and apparently permanent category of permissible subsidies. Likewise, in the case of the EU, the recent agreement between France and Germany appears to freeze export subsidies at least until 2007 and most likely, beyond that. Internal tensions in the EU, now intensified in consequence of the enlargement of the Community, suggests that the room for manoeuvre by the EU is modest, if at all. It is clear that every effort will be made to retain its current level of subsidies, at least in nominal terms, by shifting them to the Green Box.

With respect to Green Box subsidies, the text makes the predictable suggestion that the criteria for coverage in the Green Box subsidies will be reviewed with a view to "ensuring that Green Box measures have little or no trade distorting effects or effects on production". The considerable evidence that exists about the trade and production distorting

effects of these subsidies is set aside to ensure that these subsidies survive into the future. In promising the review, the text is clear on the largely unreformed continuation of the Green Box. It states "Such a review will need to ensure that the *basic concepts, principles and effectiveness of the Green Box remain and take due account of non-trade concerns*" (Italics added).

In the area of market access, the modalities suggested by the text appear to provide developing countries merely with the prospect of lower percentages of reduction in tariffs and longer periods for reduction. The core challenge for developing countries over the next phase of the negotiations is not to be sidetracked by the rhetoric of special measures (such as those outlined in paras 39-45) but frontally tackle the in-built inequities in the AoA. In particular, they should seek to secure clear and unambiguous rights to impose quantitative restrictions on imports of agricultural products until such time when the distortions caused by domestic subsidies are eliminated. The objectives of rural development and employment and of achieving food security should be the core grounds for imposing quantitative import controls.

In view of the greater negotiating capacities (in terms of resources) of the majors, developing countries are usually at a serious disadvantage in negotiations on modalities, a fact borne out during the Uruguay Round negotiations. It is therefore critical, even at the risk of delaying a final agreement that the framework text sets out as clearly as possible issues of concern to developing countries.

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