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US agriculture proposal criticised as inadequate and ignoring sdt for developing countries

By Tetteh Hormeku

The US proposals on agriculture unveiled on Monday 10 October in Zurich by US Trade Representative Robert Portman have come under criticism from several developing countries and NGOs for not doing enough to cut its domestic support.

The US proposal on market access has also been criticised as being insensitive to the needs of developing countries and totally lacking in consideration of special and differential treatment, as developing countries are being asked to make deeper cuts in their

agricultural tariffs than what they can do.

Some of the strongest criticisms came at a press conference of G20 Ministers held Tuesday (see third article in this Bulletin). They welcomed the US proposals for making a positive step towards movement in the talks, but called them insufficient.

Referring to the explicit linking contained in the US proposal of cuts in domestic subsidies with cuts in tariffs, Indian Commerce and Industry Minister Kamal Nath stated that "artificial prices (caused by continued subsidies) cannot seek real market access". He said the US proposal does not lead to real cuts, and without real cuts there can be no market access, adding: "We need not a step but a leap

which removes structural inequities in agriculture."

In a pointed rejection of the linkage, South Africa's Deputy Trade Minister, Rob Davies said that subsidies must be cut separately, and market access issues must be dealt with in the context of such other issues as NTBs, tariff peaks and others of interest to developing countries. Market access with unrealistic demands made on developing countries cannot be allowed, he said, adding: "Doha is a development round, not a market access round."

Argentina's senior official, Ambassador Alfredo Chiaradia, estimated that under the US proposal, it would in fact be allowed to increase its current total trade-distorting domestic support from \$21 billion to \$23 billion.

The following is a summary of details of the US proposal, and some of the specific comments made by the G20 Ministers on aspects. The US proposal has two main aspects: (a) a two stage process and a time frame for elimination of what it calls "trade-distorting policies in agriculture", and (b) specific proposals for cuts in domestic subsidies, linked with cuts in tariffs, and the elimination of export subsidies.

In relation to timing, the US proposes a first stage, comprising five years (2008-2013) of significant reductions in tariffs and trade distorting domestic support, and elimination of export subsidies, followed by an "interregnum", a five year (2013-2018) pause in carrying out any reductions in order to review the effects of the first stage of the reforms.

This is followed by the second stage, characterised as follows: "Unless members agree to change course, further tariff and trade distorting domestic support reductions would begin after the interregnum, culminating in the total elimination of remaining measures after a 5 year phase-in period, which include safeguard mechanisms to assist transitional adjustment". (The period is 2018-23).

Commenting on the two-stage process, Ambassador Chiaradia of Argentina said that the second stage was crafted in vague terms, pointing to the phrase "unless members agreed to change course". He also said that the excessive ambitions in relation to market access could have a polarising effect on members.

Amorim said that while the idea of zero subsidies may be attractive, this may be a pie in the sky, adding that it was best to concentrate on the figures being put forward for cuts in subsidies now.

The second aspect of the US proposal relates to suggestions for cuts in areas of domestic support, tariffs, and export competition.

The domestic support proposal has several elements. On aggregate measurement of support or AMS (amber box), based on the harmonisation principle (deeper cuts by the larger subsidisers), there would be three bands with different percentage cuts.

The top band (covering the EU and Japan) with bound AMS levels of US\$25 billion or more, would be cut by 83%. The second band (covering the US) with AMS levels of \$12-25 billion will be cut by 60%. The third

band (covering other countries like Switzerland and Norway) with AMS levels of \$0-12 billion, will be cut by 37%.

According to the US, this would reduce the disparity in the allowed AMS between the US and EU from a ratio of 4:1 to a ratio of 2:1.

On the blue box, the US proposes a cap of 2.5% of the total value of agricultural production, instead of the 5% as set in the July framework. The proposal is however silent on whether there would be additional disciplines on the new blue box, adopted in the July framework to accommodate US counter-cyclical payments.

At Geneva informal consultations last week, the US reportedly said it could no longer accept additional disciplines for the new blue box. A US background paper circulated at the Zurich mini-ministerial insists that the new blue box is less trade distorting than the traditional blue box because, unlike the latter, they are payments made that do not require production.

The proposal also includes a 50% cut on de minimis, and product-specific caps on the AMS on the 1999-2001 base.

For the overall trade-distorting domestic support, (total support allowed in amber and blue boxes and de minimis support), cuts would also be made according to three bands of subsidisers.

The highest band, covering support of US\$60 billion or more (occupied by the EU) would reduce by 75%. The second band, covering \$10-60 billion (occupied by the US), would reduce by 53%. The final band, covering \$0-10

billion (occupied by other developed countries) would cut by 31%.

On the "green box", the proposal envisages no "material changes specifically on expenditure caps". It agrees to a review of green box criteria to include "non-trade distorting development policies". But more controversially, it also proposes a 'peace clause', that is protection against litigation for "subsidy programs that stay under the new limits or conform to 'green box' criteria.

The proposal has a special and differential treatment component for domestic support, which is defined as "slightly lesser reduction commitments and longer phase-in periods for developing countries to be determined when the base parameters for developed country commitments [are] established".

On market access, the US proposes aggressive reductions in tariffs, and links this as a condition to its domestic support component. It states: "Balancing the new proposals on domestic support, substantial reductions will be made in tariffs, yielding deeper cuts on higher tariffs as established in the July 2004 framework".

The US proposes a four-tier approach to tariff cuts, for both developed and developing countries, with higher cuts to be made in the higher tiers. The tiers start from bound tariffs of 0-20% in the first tier; 20-40% in the second tier; 40-60% in the third tier; and 60% and above in final tier. For the developed countries the percentage reduction of tariff are, for the first tier, cuts in the range of 55% (at the beginning part of the tier) to 65% (at the end of the tier); the cuts for the second tier are 65-75%;

75-85% in the third tier; and 85-90% in the final tier.

In addition to the cuts, there is a proposed cap on the tariff, specified for developed countries at 75%.

The proposal does not specify the tariff cap for developing countries. Neither does it specify the percentages for cuts in tariff by developing countries, but simply says that developing countries will be subject to "slightly lesser reductions commitments and longer phase-in periods to be determined when the base parameters for developed country commitments are established". It adds that "developing countries must make meaningful commitments which reflect their importance as emerging markets".

The US proposal also states that less than 1% of tariff lines could be classified as "sensitive products", subject to lesser tariff reductions, but with full compensation via TRQ expansion.

It also calls for "meaningful market access provided for priority products in key markets by means of the agreed formula, sectoral initiatives and bilateral negotiations." Trade diplomats report that some of key products mentioned in this regard include beef, pork and dairy.

The proposal mentions the establishment of special safeguard mechanism (SSM) and special products (SP) for developing countries, but qualifies that these are "to provide transitional protection from import surges, while still providing meaningful improvements in market access."

Judging from the remarks of the G20 Ministers, the US market access

proposals are even less acceptable than those on domestic support. Kamal Nath said that the US has to give full recognition to the requirements of para 28 of July framework to take into consideration the different tariff structures of different countries, in line with the spirit not only of the July framework but also of the Doha Declaration.

He stated that this was a development round and thus negotiations need to address the structural imbalances in agriculture. Market access on artificial prices is not the bed rock of the WTO. He added: "I don't think this can fly in any way".

Amorim stated that while the G20 wanted real market access, this is balanced by another equally important element of S&D, as integral to its approach.

Rob Davies of South Africa stated that unrealistic demands in market access and other areas cannot be a trade off for cuts in domestic support. The latter has been the greatest cause for imbalance in agriculture where a correction has to be made.

He added that the Doha round was a development round, and not a market access round, and that while market access was important, it had to be linked to questions like tariff escalation and NTBs. It must also be based on proportionality between developed and developing countries, with asymmetry in favour of developing countries.

On export competition, the US proposal called for the rapid elimination of export subsidies no later than 2010 for all products, and accelerated elimination for "specific products" (without specifying which). On state trading enterprises, it called

for the elimination of monopoly export rights, termination of special privileges, and greater transparency.

On food aid, the proposal is for a broad discretion for donors to meet needs in emergency situations and low-income countries tighter disciplines to deal with other situations, but no requirement for 'cash-only'.

On export credit, the proposal is for bringing government programs in line with commercial terms to prevent export subsidy. Finally there is a proposal, in relation to differential export taxes, to end discriminatory tax levels across export products.

Meanwhile, Oxfam has also criticised the US proposal, saying the US would have to make only negligible cuts to the subsidies it pays to farmers. It estimated that the US would have to cut its spending on agriculture by only 2%, from \$74.7bn to \$73.1bn at the end of the Doha round implementation period. This estimate relates to total domestic support, i. e. trade distorting as well as Green Box support.

Although the US said it would reduce the ceiling on trade distorting support to its farmers by 60%, this would leave overall spending almost untouched and poor farmers in developing countries would not benefit, said Oxfam.

It criticized the US for also demanding that developing countries cut their tariffs more than rich countries, in direct violation of the principle of special and differential treatment.

"It's a case of smoke and mirrors. If this offer goes ahead, trade distorting domestic subsidies will remain almost completely unchanged and dumping will continue. Meanwhile harsh concessions on market access will be

wrung from developing country members in exchange for illusory progress," said Celine Charveriat, Head of Oxfam International's Make Trade Fair Campaign.

There would hardly be any difference for the millions of poor farmers suffering from unfair US competition in sectors such as corn, rice or cotton, she added.

On export subsidies, the US is essentially shooting with somebody else's bullet: committing to eliminate payments it doesn't have and failing to make meaningful commitments on the instruments it does use: export credits and food aid, added Oxfam.

"What looks on the surface like a genuine attempt to move the talks forward is in fact a very clever piece of manoeuvring by the US. This proposal would allow them to get away with doing next to nothing in return for some very painful concessions from developing countries."

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EU seeks aggressive opening of South in exchange for agriculture

By Goh Chien Yen

The European Union in the negotiations of the past few days has reiterated that concessions that it gives in agriculture will have to be linked to real market access openings in developing countries in industrial goods and services.

This was made clear by EC Trade Commissioner, Peter Mandelson, during the mini-Ministerial in Zurich

on Monday as well as a press conference in Geneva on Wednesday.

At the Wednesday meeting with media, Mandelson was asked about the EC's "benchmarking" proposal in services, in which developing countries would have to commit to liberalise in a certain number of sectors.

He replied that targets for members as a whole are needed to intensify efforts towards better offers. He wanted the services negotiations to operate on a similar basis as that on agriculture and industrial products.

In his statement at Zurich, Mandelson insisted that modalities for making commitments in the services sectors and industrial tariff negotiations must result in real market access in the developing countries.

However, when it came to the issue of farm tariffs, he was decidedly less forward or ambitious. He tied the rate of tariff cuts the EU could make with the number of sensitive products it would be allowed to designate.

In relation to choosing the sensitive products, "this will be done by the WTO members themselves," he said.

His statement is also noticeably silent on the need to review the Green box subsidies to ensure that they are indeed non-trade distorting, as demanded by the G20 countries and stipulated in the July Framework. The EU is in the process of shifting increasing amounts of its domestic support to the Green Box.

In the area of NAMA (non agricultural market access), Mandelson made clear the EU position that "modalities for tariff reduction must cut into the applied rates of most WTO members,

and that the level of binding should be substantially increased where tariffs are not bound."

He said that the EU is willing to offer to cap their industrial tariffs at 10% using a Swiss formula, provided that other developed countries are willing to do the same. For developing countries, they should be given only a maximum tariff level of 15%, after applying the Swiss formula.

On the issue of Special and Differential Treatment (SDT) in the area of NAMA, Mandelson emphasized the EU position that this should be limited as narrowly as possible and tied to the level of tariff reduction that would be made by the developing country members.

As pointed out repeatedly by many developing country members over the last few months of negotiations, a Swiss formula approach without adequately differentiated coefficients for developed and developing countries would entail far deeper cuts for the latter.

This is due to the fact that developed and developing country members have widely different tariff structures. Many developing country members have pointed out in the past that this outcome would contravene the principle of "less than full reciprocity" in tariff reduction commitments contained in paragraph 16 of the Doha Ministerial declaration.

Furthermore, many developing countries had also pointed out that the Doha mandate provides for SDT, and that it should not be linked to the level of tariff cuts they would have to make under the formula.

In the area of services, "the aim of the EU is to agree at Hong Kong to modalities that will impose a clear level of ambition for these negotiations, and for new market access to be delivered", said Mandelson.

In this respect, the modalities to be agreed at HK should include at least four elements, according to the EU.

First, a multilateral formula for commitments based on a mandatory target for the number of services sectors in which each member would be required to make offers.

Second, a plurilateral approach where a critical mass of members would establish benchmarks "to guide the level of commitments in sectors of interest" to them. "These benchmarks could take the form of model schedules," Mandelson noted.

Third, clear and firm dates should be fixed during the first four months of 2006 for the presentation of revised services offers reflecting both multilateral targets set and, where relevant, the sectoral model schedules.

And finally, a discussion to ascertain realistic targets for negotiations for "rules", since it would not be possible to set more concrete objectives for the Hong Kong Ministerial.

Most developing country members at the last session of the Council on Trade in Services a fortnight ago had rejected the setting of obligatory qualitative and quantitative benchmarks in the services negotiations for all members.

The African Group, the LDC group, Brazil, Argentina, the Philippines, Indonesia, Jamaica, Barbados, Trinidad and Tobago and other developing

countries have argued that this is contrary to the GATS structure of progressive liberalization and the accepted mandate on how the services negotiations are to be conducted.

The EU statement also covers the issue of "development", which by and large repeats a few of its previous positions, or positions already agreed to, such as offering duty and quota free market access to LDCs exports and exempting LDCs from tariff commitments.

Its summary statement says: "A round for free for LDCs - no obligatory tariff cuts. Some flexibility for other developing countries, but the expectation of ambition from advanced developing countries."

This is a clear attempt to introduce or establish the notion of differentiation among developing countries. According to a senior trade diplomat, the EU hopes that the differentiation it is proposing will enable it to make more aggressive demands in the markets of developing countries it is interested in, without having to face the resistance of other developing countries.

On its better publicized agriculture proposals, the EU is offering or proposing the following:

* In domestic support, a 70% reduction in its AMS (or amber box), and at least a 65% cut in maximum levels of de minimis support, and possible reductions in maximum Blue Box payments.

* In the tariff reduction formula, there should be four bands with higher cuts for higher tariffs and some limited flexibility around a linear cut in some bands. In the highest band with tariffs

over 90%, the cut would be at least 50%.

* Developed countries would have a "maximum agricultural tariff", as proposed by the G20. (The G20 has suggested tariff caps of 100% for developed countries and 150% for developing countries. The EU statement says the EU is willing to accept this).

* Minimum recourse to sensitive products, and willingness to provide higher tariff rate quotas for sensitive products whose tariff cuts fall below the average cut for their band.

* On export competition, the EU reiterates an end to all export subsidies with an end date and front-loaded timetable to be agreed at Hong Kong. It does not specify the date.

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G20 response to US, EU proposals

By Kanaga Raja

The Group of 20 (G20) developing countries will be presenting this week its own concrete numbers on all three pillars of the agriculture negotiations (domestic support, export competition and market access), the Foreign Minister of Brazil Celso Amorim said on 12 October.

This announcement by the G20 follows proposals put forward this week by the US and the European Union, the two major players in the agriculture negotiations.

Speaking at a G20 media conference, Amorim said that the discussions had so far been focused on the structures, which have been accepted by the major

partners as a good basis for negotiations.

"But now we will move from that stage to present concrete numbers in all three pillars of agriculture (domestic support, export competition and market access)," he said.

At the G20 press conference, Amorim was joined by Kamal Nath, Commerce and Industry Minister of India, and representatives of South Africa, Pakistan, Argentina and Mexico.

Several of the G20 officials expressed disappointment with the US proposals on agriculture, saying that they would not in fact reduce the US' trade-distorting domestic support.

Amorim, who coordinates the G20 with Kamal Nath, referred to a meeting of the G20 that was held Tuesday, saying that an important conclusion of that meeting has been that if things are moving today, it was largely due to the G20, which after Cancun kept pushing and coming up with proposals and new ideas to move the negotiations forward.

The G20 has an ambitious goal on the three pillars of the agriculture negotiations and it was also very conscious of the importance of special and differential treatment (SDT) specifically in agriculture, he added.

These two aspects have to be seen together - that is, ambition and SDT, taking into account the distortions in trade and the levels of development.

Amorim provided some highlights of what the G20 was looking for in the agriculture negotiations.

On the issue of domestic support, the G20 would be looking for measures

that should result in real cuts in applied levels of support.

On market access, the G20 would be looking for real market access opportunities, which would imply higher cuts in tariffs than those that were used in the Uruguay Round. "We will be sticking to a system of bands," Amorim said.

Special and Differential Treatment will be of importance as well in recognizing special products and to have different thresholds for developed and developing countries.

"We will be insisting on the date of 2010 as the date for the elimination of all forms of export subsidies," Amorim added.

As regards to the recent US proposal on agriculture, Amorim said that while this was a positive step, it was however an insufficient one, for it does not lead to real cuts in budgetary expenditures in relation to domestic support.

It also does not have clear disciplines in the area of the new Blue Box. The US proposal has to be improved in terms of the numbers for Amber Box support, and especially in the overall trade-distorting support.

"The man or woman in the street will look at these numbers, (and) they want to see whether the overall distorting support actually diminished," Amorim said, adding that this is an essential part of the mandate, but at the moment this is not clear.

He elaborated that on the overall trade-distorting support, the place where the US has more 'water' is on the de minimis support. Thus, if the US were to accept further disciplines in this

area, it would partly address the problem.

On the peace clause, which was mentioned in the US proposal, Amorim said that the G20 is not contemplating any kind of peace clause.

Kamal Nath said that the G20 since its formation has been recognized as a credible voice in negotiations. The composition of the G20 is not a composition of single interests but one of diverse interests. These diverse interests have come together with unity of purpose which gives it that credibility.

The G20 proposals have not been extreme proposals and much of the starting point of the agriculture negotiations began with the G20 formulations. The G20 has been a major catalyst in the movement forward, he added.

Nath welcomed the step that the US has taken with its proposal but said that what is needed is not merely a step but a leap that removes the great structural inequities in agriculture.

The G20 was looking for real reductions in US budgetary support, disciplines in the Blue Box and product-specific caps at reasonable levels. That, he said, would be the measurement of real progress.

With respect to the tariff reduction formula, Nath said that the US would need to give full respect to paragraph 28 of the framework that says that the formula will take into consideration the different tariff structures of developing countries.

This is a development round and such a round must address areas that have

the most inequities. The most important evaluation of the development round will have to be in agriculture, which has the most structural inequities.

Argentina's senior official, Ambassador Alfredo Chiaradia recalled that the G20 was set up (in July 2003) as a response to the US and EU supporting each other in their respective areas of weakness. The US had supported the EU in market access and the EU supported the US on domestic support.

After two years, he said, the situation in real terms is the same, despite the current proposals.

The recent US proposal implies that overall (trade distorting) US domestic support, which is at \$21 billion, will be able to be raised to \$23 billion.

He said that it is very confusing for the public to see figures being juggled about in the media, such as a 50% or 70% reduction. The public does not really know what these mean. The real hard fact is that according to the US proposal on domestic support, it is actually proposing to allow for an increase of support to its products.

He said that under the market access proposal of the EU, it would be able to still keep 150 or 200 tariff lines as sensitive products.

He added that the task of the G20 is to move the two major partners (the US and the EU) to go beyond their bottom lines.

In agriculture, members have moved from the position of a stand-off without yet reaching a trade-off, but some progress has been made.

He welcomed the US proposals on export competition, saying that this pillar of the negotiations is looking better than it did. The US reforms, if implemented, will start to catch up with what the EU began with its CAP reform years ago.

There are now clear proposals on market access, with members beginning to talk numbers, but these would have to go significantly beyond what was achieved during the Uruguay Round. On export competition, Mandelson said that this pillar can only be complete when others move on food aid, export credits and reforming state trading enterprises.

On services, members need to intensify efforts and add to the negotiating methods, as that part of the negotiations is seriously lacking. Members need to move forward on services and there are several proposals on the table at present.

In response to a question as to whether the so-called 'benchmarking' proposals put forward by several developed countries and was opposed by many developing countries was still a viable way forward in the services negotiations, Mandelson said that these proposals alone were not an adequate basis for taking the services negotiations forward.

Targets for the membership as a whole was needed, so that individual countries can know how far they need to intensify their efforts in order to bring forward revised and better offers.

There was a need to look at different sections of services activities in order to provide a better definition and guide to members in order to make those offers and rise to the level of ambition

that members think they need to be challenged with.

In that sense, Mandelson wanted the services negotiations to operate on a similar basis with that on agriculture and industrial products.

Kanaga Raja is with the South North Development Monitor (SUNS) and this report first appeared in the SUNS of 13 October and is hereby reproduced with their kind permission.

Editorial: Doha Round turned into Market Access Round

By Rangarirai Machedmedze

The US and the EU are at it again. Just two months prior to the 5th Ministerial conference in Cancun, Mexico 2003, the EU and the US came together and produced a joint paper on agriculture they wanted to become the basis for negotiations. Some developing countries led by Brazil and India quickly organised themselves (G20) and came up with a counter paper to safeguard their interests at the same time proposing some alternatives to a number of structural inequities in the Agreement on Agriculture.

Now it is exactly two years down the line and we are in the same kind of a situation. The EU and the US this time have produced separate documents but each with a common message to developing countries: *“liberalise your agricultural sectors.”* And it is the G20 again which has indicated its intentions to respond to the proposals at the same time providing some alternatives to the negotiations on agriculture. And it is exactly two months before the WTO 6th Ministerial conference to be held in Hong Kong in December that we have started to see these political manoeuvres in order to

force negotiations to go in a different direction.

Africa and other developing countries must draw proper lessons from the behaviour of the big powers. They, the superpowers, may talk in the language of high principles and morality. But their actions are based on utter cynicism. When it comes to protecting their own narrowly and politically defined interests, the principles are sacrificed at the altar of real politik.

We have been arguing in SEATINI over the past two years that developed countries are in crises. And it is a crisis of profitability caused mainly by overproduction. As they are overproducing goods and services they now find it difficult to sell them since their markets are saturated. Where are the markets now? Of course, in Africa, Latin America and Asia. They want to make profits even if it means using immoral and unorthodox means of penetrating developing countries markets. So the argument still stands and is being confirmed now more openly by the powers themselves, the EU and the US.

All WTO members want to see trade talks move but more importantly developing countries want to see a more positive approach, particularly a development approach being taken in the negotiations. For developing countries to be able trade they need to produce and there is no way they can produce if they have capacity constraints. If negotiations are not going to address these capacity constraints then there is no way that developing countries should accept a bad deal.

The first article in this Bulletin looks at the proposals put forward by the US on agriculture at the recently concluded

Zurich Mini-ministerial meeting in Switzerland. It is unfortunate that the US now wants to give some meaningless concessions on their domestic support provided that developing countries further open up their markets to the US agricultural products, mainly grown by large commercial farmers and agro-corporations.

There are fundamental problems with the US submissions. First, the proposal does not include any plan to address the needs of African farmers, particularly cotton producers, despite earlier promises. The subsidy reduction proposals themselves contain loopholes that undermine the proposed possible benefits to developing countries.

The Doha Declaration on Agriculture talks of phasing out with the view of eliminating subsidies. Now instead of addressing reduction in actual subsidies, the US talks of reductions in upper limits or ceilings which are already much above actual subsidies.

A new kind of approach has developed to reclassify subsidies from those regarded as trade-distorting ("amber box") into non-trade-distorting ("green box") or an intermediate category known as the "blue box."

Secondly, the linking of domestic subsidies cuts to much deeper tariff reductions under the market access pillar smacks of political pressure on developing countries to trade "a cow for a bag of beans". If this proposition by the US is going to stand until the Hong Kong Ministerial in December then there is no need to continue with the negotiations. In fact developing countries (particularly the G20) must go back to Cancun and revisit some of the discussions they had with the then

US Trade Representative, Robert Zoellick and I quote one of the articles I did during the Cancun ministerial Conference in 2003:

"When the Group of 22 countries led by Brazil met the United States Trade Representative (USTR) Robert Zoellick, they were expecting a softening stance on the reduction of subsidies to US farmers but were greeted with uncompromising words.

"If you want me to cut on domestic support, what are you offering? If you want me to cut on my export subsidies, what are you offering for that? I need something in return," said Zoellick in apparent reference to his long standing interest in developing country markets.

The US has been proposing discussing lowering its subsidies to US farmers if other countries, particularly developing countries, further open up their markets to US goods. Developing countries are currently occupied with ensuring the protection of their agricultural sectors from further destruction by the US cheap goods dumped on their markets.

Opening of markets mean substantial reduction of tariffs on goods allowing the US to dump their subsidized products.

Responding to the demands by the USTR, Brazil said if the US was expecting the developing countries to compensate them (US) through tariff reductions for the losses they are going to incur when they cut on their domestic and export subsidies then he should forget."

Indeed he should forget. It is not surprising that the interests of the big powers have well been defined before and they will never move on cutting

their subsidies until developing countries completely open their markets and become dependent on imports.

The EU has come in with the same language and same approach to the negotiations. There is a big and sustained fight between these two powers for developing countries markets. The EU in their proposals has linked progress in agriculture (on their part) to substantial movement on market access in other areas including services and non agricultural market access (NAMA).

At the previous ministerial conference developing countries rejected the linking of negotiations on agriculture to accepting negotiations on the four Singapore issues. But it is back again now more pronounced.

Alexandra Strickner and Carin Smaller of IATP in Geneva have observed that some developing countries see services liberalization as a negotiating chip and may well agree to open up their services sectors in return for concessions from developed countries in agriculture.

Yet most of the services sectors in which developed countries wish to see serious liberalization proposals are infrastructural services such as the provision of energy, water, transport, and telecommunications, together with retailing and tourism. All these sectors are intrinsically linked to and vital for agriculture and industrial production. Although many developing countries have already undertaken a liberalization process, often pushed on them by the World Bank and IMF in return for debt rescheduling and aid, binding these commitments and offering even deeper deregulation under the proposals for GATS will

mean a tremendous loss of policy space.

With three Singapore Issues now off the Doha Agenda (Investment, Government Procurement and Competition), GATS represents an alternative way for the European Commission and many other developed countries to get some new rules on investment within the services framework. The core interest of developed countries in the services negotiations are substantial commitments in Mode 3, which deals with the right to establish a commercial presence in another country (either by setting up a new business or buying an existing one).

The same goes for NAMA. It is all about the EC asking developing countries to further liberalise the industrial sector for the transnational companies to come and do business.

It remains to be seen how the G20 and other developing countries are going to come up with as a counter to the proposals put forward by the two big powers. As Kanaga Raja reports in the third article of this Bulletin, the G20 has to come up with concrete responses and proposals that take into account the concerns of developing countries. But the G20 have got their interests, mostly rooted in the third pillar of the agreement on agriculture, market access. It remains to be seen how other developing countries, particularly the G33 are going to propose. It is only fair and just for this defensive group of countries to unite and put their feet to the ground and propose a pro-development outcome in the negotiations.

As noted by Smaller and Strickner, it has become clear that the negotiations are about market access. The

development dimension is severely lacking in all three areas. Yet, developing countries continue to engage, despite the abundant analysis available showing that aggressive market opening in NAMA will lead to de-industrialisation in the South, that services liberalization in many cases has failed to deliver better services for people and that low tariffs in agriculture are anything but helpful to

get small-scale farmers out of poverty. The agenda continues to be about the export interests of developed countries. And the Doha Round has indeed become a Market Access Round.

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