



Bridges Daily Update

Issue 3

WTO Ministerial Conference, Geneva 2009

2 December

DAY 2: MEMBERS EXCHANGE VIEWS, BANANA DEAL TAKES SHAPE ON MARGINS

No single theme dominated the second day of discussions at the WTO Ministerial Conference in Geneva. The meeting's main scheduled event, a 'working session' to review WTO activities including the Doha Round, saw ministers largely repeat well-rehearsed views.

On the sidelines of the conference, however, prospects improved for a deal to end the trading system's long-running dispute over bananas. Sources report that after intensive talks between the concerned countries, an agreement may be possible by Friday.

Meanwhile, another source of tension in global trade relations may be headed to dispute settlement, as ministers from four West African cotton producing countries raised the possibility of launching a WTO case against the US if Washington fails to cut its lavish cotton subsidies.

The official plenary ran on in the background -- a succession of ministers making three-to-five minute statements to a mostly empty conference room.

Four topics for working session

WTO Director-General Pascal Lamy, who started his day with a 6am jog by the lake with some of the more intrepid visiting ministers, opened the working session by urging delegates to devote their attentions to four issues: the struggling Doha Round talks, regional trade agreements, aid for trade funding amidst the economic downturn, and accession.

In particular, he pointed to the need for coherence between what countries agree to in regional trade deals and what they negotiate at the multilateral level. The Frenchman also asked members to think about how they could speed up or otherwise facilitate the accession process. It now takes years -- in a few cases, decades -- for countries to negotiate their way into the WTO.

Of the dozens of members and observers that intervened, many called for guidance in the coming weeks about how the talks would unfold in early 2010. A meeting of senior officials scheduled for later in the month is likely to discuss how to proceed in the new year.

Some said that the pace of negotiations would have to pick up if the Doha Round is indeed to be concluded in 2010, a target now being bandied about by the majority of WTO members. Any serious attempt to finalise an accord by then will be complicated by US congressional elections in November, since Washington may be more reluctant to clinch potentially controversial trade deals when voters are headed to the polls.

One senior trade official told Bridges that for the talks to have a chance of concluding by the end of 2010, Members need to send some sort of "signal" by April that they are serious about doing so. The source said that Washington's failure to offer new concessions in the Doha Round talks was enabling other countries to "hide," and avoid pressure to offer new moves of their own.

During the working session, the African Group stressed that development should remain the main focus of the round, and that efforts should be directed at closing the gaps in the December 2008 negotiating texts.

Egypt, among others, called for reforms to the WTO's accession procedures, saying that whether a country is allowed to join the global trade body should be based on objective technical and economic criteria, rather than political considerations. WTO rules allow existing members a de facto veto on the admission of new countries. They also require acceding countries to negotiate bilateral market-opening agreements with any members who want them. The demands of these agreements have grown more stringent in the past decade, prompting complaints of unfairness and

criticism of the developmental impact of the accession process.

Divergence on deal on environmental goods

In his remarks to the working session, US Trade Representative Ron Kirk said "we fully support fast-tracking action in the WTO's work on liberalising trade in climate-friendly technologies."

The US is one of several countries that have also been exploring the possibility of striking an agreement to liberalise trade in 'green' goods and services outside the framework of the Doha Round talks. WTO members have struck stand-alone, sector-specific liberalisation deals in the past, notably on information technology goods.

Many countries -- Australia, Japan, New Zealand, Qatar and the United States among them -- say that removing or eliminating tariffs on environmental goods could help countries combat climate change, by lowering the cost of key technologies.

But some significant players, namely Brazil and India, are not particularly enthusiastic about the EGS deal that has been promoted by the US and the EU. Brazil has argued that it would discriminate unfairly in favour of certain rich-country exports. A truly climate-friendly liberalisation package should include ethanol, Brasilia says, which is heavily protected and subsidised in both the US and the EU.

Brazil, which produces its ethanol from sugarcane, is widely considered to have the most efficient and sustainable biofuels industry in the world. Most American ethanol -- it is the world's second largest producer, after Brazil -- is derived from corn, a far more resource-intensive source.

In a meeting with US Secretary of State Hillary Clinton last week, Brazilian foreign minister Celso Amorim laid out Brazil's requirements: any EGS deal would have to include goods, namely ethanol, that are of export interest to South America's largest economy.

Indonesia, for one, has already decided to lower its duties on clean technology products. Speaking at a parallel ICTSD symposium on Tuesday morning, Indonesia's trade minister, Mari Pangestu, stressed that tariff cuts should be accompanied by reductions in non-tariff barriers

and cumbersome import regulations, as well as more openness to foreign investment.

At the same symposium, a separate issue related to trade and climate change policy, namely 'border carbon adjustments' also figured prominently in the discussion. Jake Colvin of the US Foreign Trade Council stressed that such measures -- whether a tariff or an obligation for importers to purchase carbon credits -- were widely considered necessary to win congressional approval of the climate bill now under consideration in the US Senate.

But Indian Commerce Minister Anand Sharma warned of the potential dangers of such measures to the ministerial conference's opening plenary on Monday. "Protectionism is a global bad, and yet some persevere in working on ideas of 'green protectionism'," he said. "This is a dangerous trend and will only create fresh tensions in global trade."

Banana deal imminent?

On the sidelines of the conference, European and Latin American trade negotiators held intense negotiations on the EU's banana tariff, the subject of trading system's longest-running dispute.

The two sides are reportedly close to agreement on a deal whereby the EU would cut its current most-favoured-nation tariff from €176 per tonne to €148. Over the next seven years, the tariff would be further reduced to €114 per tonne. In exchange, Latin American producers are to drop all outstanding WTO litigation on the matter. The accord is broadly similar to the one the EU conditionally offered in July 2008, but withdrew when the wider talks collapsed.

Banana-producing countries in the African, Caribbean and Pacific (ACP) group of states, which have limitless duty-free access to the EU's banana market, are believed to be considering whether to accept the deal. However, details on EU financing for their restructuring and adjustment efforts were still pending at press time. Apparently, the EU has offered from €190 to €200 million, while ACP countries are still holding out for €250 million.

The banana agreement is part of a broader equation between the erosion of long-standing trade preferences and the Doha Round mandate

for the fullest liberalisation of tropical products. The problem is that many of the most traded tropical products are among those for which a number of developing countries have preferential market access. The discussions are centred on which products should be considered 'tropical' and therefore slated for faster and steeper liberalisation, and another list comprising products affected by preference erosion, on which tariffs will be cut more modestly and more gradually so as to give the recipient countries more time to adjust. The main products in question are rum, tobacco, cut flowers, arrowroot, palm oil, groundnut oil, coffee and melons. While delegates have reportedly agreed on the tariff cuts that products should undertake, negotiations continue on the implementation period of these cuts for four products -- sugar, rum, tobacco and cut flowers.

According to some sources, the classification of only four products -- sugar, rum, tobacco and cut flowers -- is still undecided.

The EU is hoping to conclude the banana deal by the end of the week so that a notification of its changed tariff schedule can be made to General Council ahead of its next scheduled meeting, on 17 December. That would open a 90-day period, during which trading partners are allowed to present objections to the proposed revision.

Tariff reductions will begin when the Lisbon Treaty enters into force, i.e. after it has been approved by the member states and the European Parliament. Brussels has agreed to reimburse all duties levied from the moment a bananas deal takes effect.

Guatemala is reportedly trying to obtain more market access for rum, while Colombia seeks further market access concessions on sugar. India is reportedly keen to get specific tariff lines for the following products included in an eventual tropical product deal: cut flowers, fresh chilled vegetable, rice, beef, cigars, tobacco, fruit and nuts, certain vegetable preparations, sugar, mangoes, other fruits.

On the other hand, ACP countries consider say that the EU went well beyond what was required on preference erosion. For the Caribbean, three products are particularly important: bananas, sugar and rum. As one commentator put it, the whole package is

changing at the margins, 'in search of a new equilibrium'.

Cotton Four Speaks Up

Since 2003, cotton subsidies have featured prominently in the Doha Round negotiations, with a group of four West African countries saying that their farm receipts and export revenues have been hit hard by the effects of the US's lavish payments to its politically influential cotton farmers. WTO members have agreed in principle to special subsidy and tariff cuts for cotton as part of a Doha Round agriculture agreement.

But a Doha agreement remains distant, and the US has not reformed its cotton subsidy practices, ministers from Burkina Faso, Mali, Benin, and Chad told journalists on Tuesday.

Mamadou Sanou, Burkina Faso's trade minister, raised the possibility of taking Washington to dispute settlement at the WTO if it did not change its policies. "We will not be able to wait eternally," he said, warning that the cotton sector was in danger of "disappearance."

It is not the first time that the 'Cotton Four' have threatened legal action. Brazil has already won a WTO dispute against US cotton subsidies.

Ahmadou Abdoulaye Diallo, Mali's trade and industry minister, stressed that they would prefer to avoid a dispute. "[WTO dispute settlement] is our nuclear button," he said. "We have it, but we don't want to use it."

www.ictsd.org

Visit ICTSD's website to access *Bridges Daily Updates* in multiple languages and subscribe for free to ICTSD's weekly and monthly publications.