

## Editorial: Truth about the Two-Track Approach

WTO's Director General Pascal Lamy's two-track approach may have sparked a little controversy among the membership; the truth is that it can easily be combined with other parts of the Doha negotiations. Members have already conducted a similar process in the sensitive products areas—the domestic consumption exercise—while discussions on other areas of the negotiations were still ongoing. The problem is: contrary to the TRQ expansion exercise, this time it's emerging developing countries that will be forced to show their cards. Therefore the real question becomes who, among China, Brazil, India and South Africa want to take part in this exercise (the reverse engineering) at this point in time since it means being under the spotlight.

India has always opposed providing clarity on which of its products it would consider special (subject to a lower cut) and super-special (subject to zero cut) before the scheduling phase. Thus, if emerging developing countries accept entering that process, they will be pretty much close to their bottom line because the end result would likely be considered final. Sure, Members may, in the end, find some sort of complicated compromise like they did in the sensitive products' discussion, but the question remains when? Will that be done in time to hold a successful Doha ministerial meeting this autumn or will things be delayed until early 2010, as suggested by the Indians?

## General Council

The May 26-27 General Council session confirmed two things:

- 1) that a Ministerial conference will indeed take place on November 30 to December 2 in Geneva
- 2) that Members are divided on the new proposed approach to get the DDA out of its current impasse

## Upcoming Ministerial Conference

Uruguay insisted on the need to have a WTO ministerial conference this year, as the organisation has not met its obligations set out in art. IV, para.1, of the WTO Agreement: to hold a ministerial conference once every two years. The WTO has not convened such conference since Hong Kong in 2005. Uruguay said the reason it had put this proposal forward was to demystify the Conference as it's of critical importance that ministers meet every once in a while in Geneva to deal with the WTO's regular business.

All Members agreed that a ministerial was needed this year, and accepted that the 7<sup>th</sup> session of the Ministerial Conference be held in Geneva from November 30<sup>th</sup> to December 2<sup>nd</sup>. The general theme for the discussion will be "The WTO, the Multilateral Trading System and the Current Global Economic environment". Members insisted that this remains a regular ministerial and is not intended to be a negotiation, i.e. the DDA won't be part of the discussion.

General Council chairman, Mario Matus, will now undertake all necessary action to prepare the ministerial conference in close collaboration with DG Lamy and the Swiss authorities. Members requested that the meeting be F.I.T. (Full Participation /Inclusiveness/ Transparency). There is a widely shared view that a formal ministerial declaration will not be needed, although members will brainstorm on what exactly will need to be communicated at the end of that meeting. Switzerland for its part agreed to host it, but reminded members of the need to ensure that this is indeed separated from the ongoing negotiations.

In essence, this will be a “scaled-down, no frills, low-key meeting” as described by Matus. No major decisions are expected to be taken, but Matus hopes “this could help establish a new model of ministerial-level meetings conducive to good governance and overall review of the WTO, and one that is not inextricably tied to any particular ongoing negotiations,” Matus declared. But sources close to the DG claimed that Lamy would not rule out a ministerial meeting dealing with the negotiations prior to the November conference. “We’ll have it before, the question is when?” It now seems more likely that the push will be done after the G-20, 3<sup>rd</sup> Summit in New York. However, as the source put it “it’s too early to say”.

## **Doha Negotiations**

Turning to the Doha negotiations, Lamy claimed that “while the economic crisis has worsened since the beginning of the year, the political atmosphere in the negotiations has improved”. This improvement came from Kirk’s recent visit to Geneva and Manmohan Singh’s Congress Party’s victory in the Indian elections. “(...) we are impatiently awaiting the nomination of the Commerce Minister” Lamy said.

The Indian government announced on May 28<sup>th</sup> that Kamal Nath will indeed be replaced by Anand Sharma as Commerce and Industry Minister. Nath will become minister for Road and Transportation in the new Indian administration. Sources said Sharma is unlikely to change India’s position on SSM but may show more flexibility in other areas of the negotiations.

On the negotiating groups, Lamy told the full membership that Ambassadors, David Walker and Luzius Wasescha, are continuing their consultations on a number of issues that remain open.

In Agriculture, he expects Walker to conduct consultations on outstanding technical issues over the coming weeks: i.e. the formulation of the special safeguard mechanism (SSM), sensitive products (SeP), special products (SPs), tropical products and preference erosion, cotton and tariff simplification.

In NAMA, the focus will be on textual proposals for Non Tariff Barriers (NTBs) and the July 14<sup>th</sup> scheduling workshop “designed to give participants the opportunity to prepare themselves in respect of the technical issues that will come up when the scheduling phase begins for real,” the DG said.

## **Two Simultaneous Tracks**

As Lamy put it, the key question remains “when will participants be ready to come back to the table at political level?” On that, he expects the series of mini-ministerial meetings taking place over the next two months (Cairns, OECD, G-8 and G-8+ and APEC) to help re-ignite the round and create the political conditions for moving toward an agreement on Ag and NAMA. To achieve that, he suggests following two simultaneous tracks: “one would see technical engagement in the negotiating groups move to a higher gear to cover a number of technical issues” (as outlined above). “Simultaneously, Members would start some sort of ‘outcome testing’, through bilateral or plurilateral discussions, where they would provide each other with greater clarity on the use of flexibilities and through it the value of the deal” the DG said.

Developing countries expressed concerns about this as it will somewhat weaken the multilateral process. They are concerned that they may not be able to fully participate in the process and lose the flexibilities currently spelled out in Ag and NAMA texts. Lamy said he is well aware that the modalities approach is sacrosanct for some, as it makes clear to all what is on the table. But, he added, that “while the modalities spell out the defensive elements of the agreement, through flexibilities, these flexibilities in themselves make it difficult to ascertain what new market access opportunities may emerge.”

“If government could indicate what products would be accorded more flexible treatment in the scheduling stage, whether on SeP, on SPs, on Duty Free Quota Free or on NAMA flexibilities, some countries believe it would lend greater clarity to the process,” the DG told Members.

All this comes down to what volume of market access developed countries and mostly the U.S. will get from emerging developing countries—China, India, Brazil and South Africa. This is simply an attempt to shift the debate to a larger crowd.

## Members Still Divided

Although some, like Brazil, said they are willing to look at new approaches, most—especially developing countries—continue to oppose skipping modalities. Egypt, on behalf of the African Group, said it doesn't see the need to change the process. China said it favoured the multilateral process based on modalities. Others, meanwhile, were more nuanced; this is the case of the Japanese Ambassador who finds the dual-track approach “interesting and useful” and the EU which is open to exploring new processes, but stressed the importance of concluding modalities.

## Upcoming Events

- General Council, May 26- 27, July 28-29, Oct. 13-14, Dec. 17-18, 2009
- EU Elections, June 7, 2009
- Cairns Group Ministerial Meeting, June 7-9, 2009 (Indonesia)
- OECD Ministerial Meeting, June 24-25, 2009 (Paris, France)
- G-8 Summit, July 8–10, 2009 (L'Aquila, Italy)
- NAMA Week, week of July 13, 2009
- APEC Meeting of Ministers Responsible for Trade, July 21-22, 2009 (Singapore)
- WTO Public Forum, Sept 28–30, 2009
- G-20 Summit, Date to be Confirmed, (New York, USA)

**Geneva Watch is published by Dairy Farmers of Canada, Chicken Farmers of Canada, Egg Farmers of Canada, Turkey Farmers of Canada and Canadian Hatching Egg Producers to report on the various events occurring in Geneva, particularly on the WTO negotiations on agriculture.**

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