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# ARE THE WTO TALKS IN TROUBLE? DON'T BET ON IT

By Walden Bello\*

## What is the actual “state of play” in Geneva?

Civil society groups that regard the coming WTO Ministerial in Hong Kong as condemned to producing a deal that can only be detrimental to the interests of developing countries were cheered by the failure of the recent World Trade Organization (WTO) General Council meeting in late July to arrive at substantive agreements in any of the critical areas of negotiations: agriculture, non-agricultural products, and services.

Indeed, most observers, including the media, have largely characterized the inability to produce the “July Approximations” as a significant setback to securing a successful ministerial in Hong Kong in December. The statements of key WTO players appear to lend weight to this. Outgoing Director General Supachai Panitchpakdi’s remark that the state of the talks was “disappointing but not disastrous” was taken by some to be, in fact, a rather euphemistic assessment to mask a really gloomy state of affairs. So was the statement of General Council Chairperson Ambassador Amina Mohamad of Kenya that “there is not a ‘crisis’ in the negotiations—we need not press the panic button.”

One has the strong suspicion, however, that these statements are less descriptions of the actual state of play of the negotiations than rhetorical exhortations to spur delegates to hurry up in what is, in fact, a process that has gone beyond stalemate.

It is certainly a relief that the July Approximations could not be put together. But how much of a setback was it? Are the delegations, in fact, really that far apart at this point?

Certainly, in the areas of interest to developing countries, such as special and differential treatment (SDT) and implementation, there has been hardly any movement. Special and differential treatment, for instance, can’t move because of the European Union’s (EU) intransigent position that any progress in the talks is contingent on agreement from the developing country bloc that the more advanced developing economies such as India and China must be graduated from the ranks of those qualified for SDT treatment. Most developing countries see this as mainly a feint to divide them against one another in order to eliminate SDT as an operative principle in the WTO.

## MODE 4: A DEALMAKER?

But there is worrisome movement in the other areas, those in which developed countries have a lot of interest. Take services. Much has been made recently about developing country resistance to the European Union’s proposal of “benchmarking”—that is, to create quantitative and qualitative criteria of genuine and significant market opening that services requests would have to meet to be valid offers. Yet the numbers seem to be telling a different story about developing country positions. There are now some 70 initial offers representing 95 member countries and around 30 revised offers on the table—certainly a big leap from the 47 countries that had made offers at the beginning of this year. Developed country governments have been dismissive, saying that a substantial number of these offers were not significant in terms of significant market openings, but that is largely a negotiating ploy. What is more likely is that some of the developing countries making offers are saying they want to deal, but they won’t really show their cards until the developed countries make serious gestures, such as on the so-called Mode 4 of the General Agreement on Trade in Services (GATS), which pertains to the movement of natural persons.

For instance, India, a significant exporter of labor to northern countries, apparently sees Mode 4 as the centerpiece of its overall negotiating strategy, and Mode 4 concessions by the EU and the United States in the form of more liberal entry and stay of skilled labor are likely to make the government more pliable in the negotiations in agriculture and industrial tariffs. As Focus on the Global South analyst Benny Kuruvilla notes, “India’s demands on Mode 4 are actually quite tame - it’s happy if the US binds its existing commitments in the H-1 B working visa category. There is a real danger that the US might hold on for a while, then give in, at which point India will only be too happy to compromise on other issues.”

But India is not the only country with an inordinate interest in Mode 4 liberalization. Other significant labor exporting countries such as the Philippines and Bangladesh see Mode 4 concessions by the US and EU as important and with likely implications on their positions on other issues.

The US official line at this point is that it does not have much flexibility when it comes to Mode 4, a statement that is partly meant for domestic consump-

tion owing to strong anti-immigrant sentiment in the country. But this is largely a negotiating position since, as services expert Tony Clarke of Polaris Institute puts it, “there’s no question that the US and EU want to operationalize Mode 4 because of the interest of their client corporations to maximize cheap labor opportunities. Indeed, the US Coalition of Service Industries is lobbying Washington hard to liberalize the entry of skilled labor. For all these reasons, warns Clarke, “Mode 4 could turn out to be either the ‘dealmaker’ or the ‘dealbreaker.’”

## **NO MOVEMENT IN NAMA?**

Is there really no movement in the area of Non-Agricultural Market Access (NAMA)? Again, as in services, on the surface the negotiations appear to have been marked by loud disagreements over formulas for tariff cuts, the issue of binding tariffs, and the application of the principles of less than full reciprocity and special and differential treatment. However, if we look more closely, there are disturbing signs of a convergence occurring:

- despite much initial grumbling after the 2004 July Framework deal, the developing countries have accepted the “Derbez text”, which they rejected in Cancun, as the basis of negotiations, as proposed by the Framework;

- there is now consensus on a non-linear Swiss or Swiss-like formula for tariff reduction, which would apply to all products and subject higher tariffs to greater proportional cuts than lower tariffs, thus disadvantaging many developing countries, which maintain relatively higher tariffs on many key industrial goods than developed countries. A Uruguay Round formula, which would stipulate an average tariff cut across industry but leave it up to national authorities to determine the rate for particular products, is not even in discussion, although developing countries, confronted with a choice, would see it as less objectionable than the Swiss formula.

The developed countries have been notably unsympathetic to developing country positions that would preserve a significant degree of industrial protection by appealing to the principles of “less than full reciprocity” and “special and differential treatment” owing to different stages of economic development. Thus the developing countries have been forced to increasingly narrow their defensive tactics mainly to proposing the best non-linear formula that would reduce, rather than substantially avoid, the impact of a comprehensive liberalization of industry. The latest formula to emerge is the so-called Pakistani “compromise” which would factor into the formula the average bound tariff rate, then

run a coefficient of six for developed countries and 30 for developing countries. This would, according to the Pakistani proponents, significantly bring down product tariffs for everybody (a developed country concern), harmonize tariffs within each grouping (a WTO objective), and still preserve at least some of the difference in average tariff levels between the developed and developing country groupings (a developing country concern).

Some developing countries, of course, continue to hold that, aside from the tariff cutting formula, the less than full reciprocity and SDT principles should also determine the rate of tariff liberalization for developing countries, but it seems that the momentum now is towards coming to a consensus on the coefficients of a formula. It is likely that the Pakistani proposal—which nobody rejected outright, though some industrialized countries like the US complained that the gap between the coefficients for developed and developing countries were too wide—or something like it will become the basis of the NAMA talks when they resume in September. As an analyst who has followed the NAMA negotiations closely reports, “According to some people in Geneva, the Pakistani proposal has made it more likely that the negotiations will now be only about different coefficients within a simple Swiss formula, not other types of formula or broader alternatives. This would bring everyone closer to an agreement, but still there would be much to negotiate, since developing countries would be calling for much greater difference between coefficients than the US and EU would like to allow.”

In any event, it was more than just spin when US Deputy Trade Representative Peter Allgeier issued the following upbeat statement on July 28: “The path ahead on NAMA is much clearer, given the work that has been done in the past several weeks...Several constructive ideas are on the table. There have been signals of flexibility from all sides about finding the right formula and the use of coefficients to realize real market access opportunities. We need quickly in September to turn these signals of convergence into compromises that work for all.”

## **AGRICULTURE: DISQUIETING DEVELOPMENTS**

Agriculture, however, is the key to either progress or unraveling. Without movement in the agricultural negotiations, movement in the other areas won’t translate into a successful liberalization package in Hong Kong.

On domestic subsidies – one of the Agreement of Agriculture’s three “pillars,” along with export

competition and market access - there is hardly any movement. Efforts to reform the “Blue Box” “and “Green Box,” which refer to categories of production subsidies exempted from cuts under the AoA, have failed owing to opposition from the EU and US. The US is, in fact, seeking to expand the “Blue Box” to accommodate a considerable portion of the \$190 billion in subsidies legislated under the US Farm Bill of 2002. This has given EU Trade Commissioner Peter Mandelson an opportunity to seize the high ground with his position that the US should take the initiative in cutting subsidies since although the level of farm support is currently higher in the EU, it is falling while that of the US is “unreformed” and “rising as a result of President Bush’s farm bill and of course unreformed.” But this is case of the pot calling the kettle black since the EU has no intention of reducing its own subsidies channeled through either the Blue Box or the Green Box.

Other troublesome issues remain unresolved, among them the Group of 33’s demand for a positive list of “Special Products” (SPs) or commodities that would be exempted from significant tariff reduction and its proposal for “Special Safeguard Mechanisms” (SSMs) that would allow developing countries to raise tariffs to protect themselves from dumping. (See article below for more details of the WTO “groups”).

Unfortunately, however, there is movement in the two other pillars of the negotiations: export competition and market access.

On the export competition “pillar” of the negotiations, the key outstanding issue for many countries is the date and schedule of the EU’s promised phase out of its export subsidies—an item with ominous possibilities, as we shall show below.

Moreover, at the WTO “mini-ministerial” meeting in Dalian, China, on July 12-13, the Group of 20 developing countries tabled a proposal that has struck some as providing the basis for a breakthrough in the market access area of agricultural liberalization. The G20 proposal would divide the countries of the world into five bands, with each band assigned different rates of tariff liberalization. All products in every band would be subjected to uniform rates of reduction, but products in the higher bands, meaning products with higher initial tariffs, would be subjected to higher rates than those in the lower bands. In addition, tariffs would be capped at 150 per cent for developing countries and at 100 per cent for developed countries.

a framework.” This was echoed by EU Agriculture Commissioner Mariann Fischer Boll who called the proposal a “good basis for further work,” though she added that the EU would favor only three bands. The framework is now likely to be adopted once the negotiations resume in early September, with the debate shifting from modalities to who belongs to which band and the rates of tariff reduction for each band.

In short, despite the stalemate on domestic subsidies, there is worrisome movement on two of the three pillars of the agricultural negotiations, and this could give momentum not only to the unresolved issues in the agriculture negotiations but it could also open up the path to agreement in the other negotiating areas of NAMA and services.

## THE “LAMY FACTOR”

What could make the difference in accelerating the negotiations is the “Lamy factor.” The incoming Director General is known as a consummate negotiator. He is also a very skilled politician who, on his way to the WTO’s top post, forged a North-South alliance that split the Southern camp and left his three rivals, all from the developing world, in the dust. Indeed, the sense is widespread in Geneva, even among developing country delegations, that Lamy, formerly the EU’s Trade Commissioner, is the rightful heir to the throne. His backers extend from Brussels to Washington to the Least Developed Countries (LDCs). He has good rapport with influential NGOs, with Oxfam GB’s Barbara Stocking praising him as the key person in the EU’s “Everything but Arms” (EBA) initiative, which accorded duty free entry to agricultural products from the LDCs.

For others, Lamy is really a skilled manipulator ultimately responding to the interests of the EU and the developed North while projecting sympathy for developing countries. The EBA illustrates this: it has a long phase-in period, up till 2009, for key exports such as rice, bananas, and sugar; it is subject to permanent review; it applies only to agricultural products, thereby limiting incentives and capacity for diversification/industrialisation. It is testimony to Lamy’s negotiating and public relations skills that he has been able to sell a dodgy deal to many LDC governments as a substantive victory and to get some northern NGO’s to blame the European farm lobbies instead of him for its restrictive elements.

In any case, Lamy knows the fissures among the developing country bloc, for instance among the G20, G33, and the LDCs, and he will not hesitate to exploit these to push through a comprehensive agreement. And he also knows the NGO world, and how to split what the WTO Secretariat has marked

off as the “reformists” from those it regards as the “radicals.” What’s more, he’s a man with a mission: Cancun for him was a failure and a humiliation: he will be seeking to reverse the outcome in HK.

## NIGHTMARE SCENARIO

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**W**hat could be the scenario leading up to a successful ministerial?

**H**ow about this: In the lead up to the October General Council meeting, EU Trade Commissioner Mandelson announces one day a schedule for the phase out of the EU’s export subsidies. The announcement is not unrelated to a notice by USTR Portman’s statement at a press conference that it is “open” to placing still unspecified disciplines on its food aid and export credits, two channels of export subsidization of great concern to the EU. This “October Surprise” is not at all farfetched in the view of some analysts. According to Geneva-based activist Jacques Chai Chomthongdi of Focus on the Global South, “I think they [the Europeans] already have a date, and it’s only a question of choosing the time when the statement has the biggest effect.”

**I**ndeed, the announcement—though it is a date far into the future like 2015 that is accompanied by some fine print conditions—has a dramatic impact, creating tremendous pressure on the developing countries to come to a compromise in the market access negotiations. It makes Brazil happy since its bottom line in the talks is the elimination of the EU’s export subsidies. Moreover, mired in a corruption scandal at home, the Lula government clutches at this development to trumpet what is really a concession to Brazilian agribusiness as a triumph for the people of Brazil. In any case, the impact of the announcement is to discourage Brazil from aggressively bargaining in other negotiating areas.

**H**ardly is the impact of this move absorbed, when Lamy announces that the EU and US have decided to make some slight concessions liberalizing entry and stay for skilled labor from the developing world. Desperate for a victory it can brandish at home, the Indian government convinces itself its central concern is met and this affects its posture in the other areas of negotiations.

**D**eprived of aggressive activity—though not rhetorical posturing—on the part of their two key leaders, developing countries retreat to a more acquiescent attitude in the negotiations. A critical mass of countries come up with “better quality” offers in the services negotiations, the NAMA negotiations speed up, based on the Pakistani proposal, and the agriculture market access discussions near completion.

**T**he US-EU wrangle on Blue Box and Green Box subsidies continues for some time, but the two sides are reminded by Lamy that they would not want a repeat of Seattle, where the EU-US divide on the same issue was one of the factors that unraveled the third ministerial in 1999. The two sides agree on a face-saving formula consisting of placing weak caps on some minor subsidy payments channeled through the Blue Box and Amber Box. In other words, there is no change in the status quo in the domestic subsidy pillar. This means massive dumping on developing country markets continues.

**A**t the General Council meeting on 19-20 October, Lamy announces that substantial agreement has been reached in agriculture, NAMA, and services. The General Council comes up with a consensus statement affirming the key points of agreement in these areas that would serve as the draft of the Ministerial Declaration for Hong Kong. Lamy says it’s only mopping up operations that remain—that is, sewing up agreements on the less controversial items, such as sensitive products, special products, special safeguard mechanism, state trading enterprises, food aid, special and differential treatment, and implementation.

**B**y early December, developing countries have been herded into unfair agreements on the so-called residual issues, with Lamy telling the G33 and NGOs that a toothless agreement on SPs and SSMs which also allows the EU and the US to maintain “sensitive products” exempt from significant tariff cuts is the best they can get given the circumstances, and the big trading powers orchestrating a campaign to paint developing country holdouts as obstructing efforts to achieve a prosperous world economy, like they did in the lead-up to the Doha Ministerial in November 2001.

**A** virtually unbracketed statement goes to the Hong Kong ministerial, and Lamy triumphantly announces that while a number of matters need to be tidied up, the Doha Round is practically concluded, and asserts that the world must embark on a new round of even deeper and more comprehensive liberalization.

## THE CHALLENGE TO CIVIL SOCIETY

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**T**his scenario or something similar to it is not far-fetched, in our view, since the pressures on everyone to come to deal are enormous and no one wants to be blamed for another Seattle or Cancun-type collapse. As the representative of a key Geneva-based NGO puts it: “My overall sense is...we are probably not so far away from a deal, but not necessar-

ily because all is solved yet, but because key countries want to make a deal, end the round as quickly as possible, knowing it will be very “low ambition”...No member, no group seems ready to go for a total opposition, a halting-the-round type of approach.”

As this statement implies, the only real block to a raw deal for developing countries is civil society. Instead of lamenting, as some international NGO’s have, the “lack of progress in the talks,” global civil society in the next few weeks should step up the pressure on developing country governments not to cave in to pressures or to sign up to processes that will drastically reduce their policy space.

## CITIZEN PRESSURE IS DECISIVE AT THIS POINT

The period beginning mid-August then must be a period of intense lobbying that continually hammers home the point that the negotiating frameworks set by the July 24 Framework Agreement are so narrow that they cannot but produce proposals such as the G20 Proposal on agricultural market access and the Pakistani proposal in NAMA, both of which essentially foreclose development under the guise of achieving compromises.

Developing country governments should be brought back to the basics: that the July Framework eliminated practically all developmental space in all the areas being negotiated. Government representatives must be constantly reminded that no deal is better than a bad deal, and that all that confronts them in all the negotiating areas are deals that range from bad to worst.

The G33 countries must be pushed to act more aggressively and demand that getting a fair deal on SPs and SSMs must be front and centre in the agriculture negotiations, not treated as a secondary concern, and that they must oppose all efforts to tie this demand to the EU’s counter-demand for some of its commodities to be listed as “sensitive products” exempt from significant tariff reduction.

Governments must be convinced that, at a minimum, they should seek the freezing of the talks on NAMA because any agreement at this point would have destructive deindustrialization impacts. It should be pointed out that they have a good basis to argue this: the current round’s agenda agreed upon in Doha did not put as a priority an agreement on NAMA.

and be made to realize that that liberalization of services in return for Mode 4 concessions is a very bad exchange indeed. They must be shorn of the illusion that Mode 4 promises some relief for their unemployment problems since the EU and US will likely liberalize entry only for the most highly skilled professional workers, and this will only worsen their brain drain.

They must already be warned that a strategically timed announcement of a schedule for the phase-out of export subsidies will be made by the EU, but this should not serve as a cause for them to stampede towards a bad consensus in agriculture and elsewhere.

The point is to preemptively reverse any momentum in the discussions in early September. The more pressure from below is brought to bear on governments, the more complex the negotiations become, the more difficult it is to achieve consensus, and the greater the possibility of derailing the process.

We are entering the most dangerous period of the negotiations, when a deal will either be struck or killed. The next four months will determine whether the WTO gets consolidated as the engine of global trade liberalization and we enter a Brave New World of even greater liberalization, or the process of reversing trade liberalization gains momentum and the WTO is crippled as a mechanism of globalization.

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# KEEPING THE SPOTLIGHT ON GENEVA

Jacques-chai Chomthongdi\*

Last year, we were less than fifteen, but at this year's WTO July General Council meeting more than 300 civil society representatives were present in Geneva. Public debates, workshops, meetings, street mobilizations and actions were organized and joined by various groups from different parts of the world.

Without doubt, what was happening at the counter event – known as the “General Council of People” – was a lot more exciting than the talk inside the WTO. More importantly, while inside the WTO, government negotiators and corporate lobbyists could not agree on the formulae to open up markets and carve-up trade profits, outside the WTO an unambiguous common position on the WTO has emerged among trade activists and social movements. This can be summed up as “no deal is better than bad deal”. For most people, it is now obvious that in the current context of negotiations the only possible deal that the WTO could produce at the end of this year in Hong Kong is a bad deal.

This convergence of analysis and understanding among activists is crucial for a strong campaign in the run up to Hong Kong. Still, there are a lot of challenges ahead of us.

Right after the WTO summer break, a very intense negotiation is anticipated and it seems that Geneva is going to be centre stage. During the last Trade Negotiation Committee (TNC) meeting, the chairperson called for all members to focus their energies on Geneva. This of course implies a central role for the WTO secretariat right at the moment when former EU trade commissioner Pascal Lamy takes over the helm. However, this in no way guarantees a more transparent and fairer negotiation process. Not only has the WTO secretariat never challenged the legitimacy of untransparent practices, such as the green rooms, mini-ministerials, and the use of the WTO facilities by corporations (to lobby governments), it often legitimizes, even facilitates, such processes. Undoubtedly, the green room process is going to be intense in the coming months and a mini-ministerial is reportedly scheduled in town before the October General Council.

## ALL EYES ON GENEVA IN OCTOBER

Northern governments are determined to squeeze developing countries for the most profit possible for their transnational corporations in this round. In order to achieve that, they need to estab-

lish a narrow framework for further negotiations as soon as possible, in which October will be a critical moment. On the part of the civil society, we also know that it is imperative to concentrate our efforts on Geneva this October. We were more than three hundred in July, but it will take much more than that to make a difference.

Clearly, a lot more people must be in Geneva this time around. This means much more work needs to be done to mobilise the Genevois and the Swiss, and activists and movements from nearby regions and countries. But numbers are not the only crucial factor. Also key to the success of the October people's event is the broad representation of people from various sectors and from different parts of the world, particularly from the South. One of the good aspects of July mobilisation was that we had an interesting representation from social movements and NGOs from the South, but we must, and can, do better than that. Of course, to make it possible, more financial support is needed, but it is also important for trade activists in the South to understand the importance of coming to Geneva, and realize that their contribution here is vital.

## LINKING TO THE LOCAL CAMPAIGNS

Apart from the public events and mobilisations, the interaction with key countries delegations in Geneva is strategically important and the possibility of having civil society representatives from the same country as the officials with whom we meet leads to a more meaningful interaction and creates a sense of accountability with the government delegates. While we had interesting meeting with a number of missions in July, some were not ready to spare the time.. This may be even more evident in October when many ministers are likely to be in town. That means we should be ready to employ new, innovative ways to get the messages through, in case a normal rendez-vous is ignored.

There is a real danger of Geneva-based NGOs becoming detached from the work at the grassroots and national levels if there is not enough exchange and interaction. The General Council of People at the end of July was partly an attempt to bridge and create more synergy between the work in Geneva and campaigns in different countries and regions. However, in order to achieve complementary and coherent work, an event in itself is far from sufficient. The involvement

of national campaigners and social movements in the preparation process for the mobilization and related activities in Geneva is vital. The inputs from national campaigns into the building up of arguments and debates in Geneva were lacking in July. This means there is much more that could be done in reaching-out and reaching-in between Geneva and beyond.

This does not mean that Geneva should become the centre of gravity in the people's campaign against trade liberalization. On the contrary; the aim of mobilising in Geneva is to make the WTO and its corporate-oriented trade agenda irrelevant to people's lives, and this can only be achieved by ensuring that our campaigns at different levels support and strengthen each other.

The Geneva People's Alliance ([www.omc-wto.org](http://www.omc-wto.org)) is committed to provide and facilitate a space for debates, strategy meetings, mobilization, and other activities in Geneva this October. Join us!

*\* Jacques Chai Chomthongdi works with Focus on the Global South. He is based in Geneva and is active in the Geneva Peoples Alliance. For more information on the Geneva mobilisations go to ([www.omc-wto.org](http://www.omc-wto.org)).*

## LAMY'S MISSION IMPOSSIBLE?

Nicola Bullard\*

In the personality-free world of trade negotiations, Pascal Lamy is instantly recognisable. His close-shaved hair and a lean-and-hungry look earned through long distance running and formidable work hours, carves him out from the rest. From the moment he put his hat in the ring for the job of WTO director general, there seemed little doubt that it was his for the taking.

Lamy is perfect for the post. He is a true believer in free trade and multilateralism, an experienced bureaucrat and an effective political operator. What he lacks in public charisma, he more than makes up for with his skill at working the inside game, finely tuned as "chef de cabinet" during Jacques Delors presidency of the EC, and perfected as an EU commissioner.

Fifty-eight year old Lamy is the quintessential product of France's elite educational system. As a graduate of the Ecole Nationale d'Administration (ENA) and with an MBA from the "hautes ecoles" of commerce and political science, Lamy was trained - probably from birth - for high public office. Although Lamy is a social democrat - in 1993 he stood, unsuccessfully, as a socialist party candidate - he is, like most of his "comrades" these days, economically (if not socially) neo-liberal.

In his six years as EU trade commissioner Lamy learned a reputation for relentless hard work and an exceptionally quick grasp of technicalities, and during his ten years in the inner sanctum of Delors' bureau, he learnt how to maximise behind-the-scenes influence in a bureaucracy. In short, his credentials as WTO director general are impeccable.

## PROSPECTS FOR THE NEXT SIX MONTHS

So what can we expect from Pascal Lamy when he takes up the post on 1 September?

At a personal level, Lamy will be aiming to overcome the "collapse" of the Cancun ministerial which was not only a blow to his worldview, but also a personal defeat. Paul Nicholson, who was in Cancun with the international peasant's movement Via Campesina, saw Lamy shortly after the talks failed and describes him as a "man with his head on the ground."

There is no doubt that much of the blame for the outcome of Cancun lies with the EU position on agriculture, and with Lamy who personally clung to

the Singapore issues long after the consensus had shifted in another direction. And when he did compromise, it was too little and too late. Eric Wesselius of Corporate Europe Observatory interprets this as Lamy carrying the corporate agenda too far and says that, in spite of his pro-developing country rhetoric, Lamy is very close to business. As EU trade commissioner, he continued the trajectory set by his Thatcherite predecessor, Leon Brittan, and maintained close links with the Trans Atlantic Business Council and the European Services Forum. According to Wesselius, “Lamy talked a lot about development and fair trade rules, but his policy focus was always agriculture and business.”

**A**griculture will continue to be a sticking point in the WTO and although Lamy talks with passion about removing export subsidies, he was not able to move that debate in Brussels. There is no reason to believe that he will have any more success from Geneva. Similarly, without any cards in his hand, he will have little influence over the US. Indeed, Lamy’s success or failure will ultimately depend on his working relations with his successor Peter Mandelson and the new United States Trade Representative (USTR) Rob Portman.

**B**ut the EU and the US have problems of their own. The expensive and extremely close CAFTA vote, underscored by ongoing nervousness about China, may have exhausted the appetite for further trade liberalisation in the US. In Europe, agriculture is still the key issue, and although there is budgetary pressure to reduce subsidies, it’s not likely that Mandelson is the right person to push France and Germany on this issue. Mandelson is an aggressive liberaliser without the tempering experience of the French social model. He is determined to cast off “old Europe” and to strengthen Europe’s global “economic leverage”. Given his pugnacious style and the complexities of the expanded EU membership, Mandelson will find it difficult to build consensus, even at the European level. This will make Lamy’s job all the more difficult.

## **CULTIVATING THE SOUTH**

**T**hroughout his term at the EU, and most recently in his campaign for director general, Lamy has carefully cultivated the support of developing countries. In his “application” speech to the WTO he appealed repeatedly to the interests of developing countries and asserted the centrality of “development” in the Doha Round. The priority, he said is to “rebalance the international trade system in favour of developing countries.” As EU trade commissioner he could buy the support of developing countries, especially the “least developed countries” with the sweeteners of the Cotonou Agreement, the “Every-

thing but Arms” deal giving duty free access on some agricultural products, and other trade and aid goodies. As WTO DG, he doesn’t have any carrots, except for the ones that he can persuade other countries to offer.

**L**amy is also known for his skilled use of “divide and rule” tactics. Speaking at a meeting with NGOs in Bangkok in early 2003, Lamy lamented that negotiations on implementation issues had not gone forward because developing countries “could not agree on the top two or five implementation issues to be discussed.” In the lead-up to the General Council meeting in July 2004, Lamy offered the G90 the “round for free” by promising that they would not have to make cuts in agricultural tariffs, a move clearly designed to split the G90 from the G20. He has also pushed the idea that middle-income developing countries should be “graduated” from special and differential treatment (S&D), a proposal which still haunts the S&D negotiations. Although Lamy cannot offer trade inducements as WTO DG, he is in a position to propose procedures and working definitions that would undermine the frail solidarity of the developing country members.

## **REFORMING THE WTO**

**F**amously, Lamy called the WTO a “mediaeval” institution in an emotional press conference following the fiasco in Cancun. Later, in a more temperate mood, he suggested that thoroughgoing reform was needed, including the possibility of a more efficient negotiation process based a “consultative group” of countries reflecting the diverse interests of the members. Reform of the negotiating and decision-making process will be high on his agenda, perhaps along the (very modest) lines of the Surtherland report on WTO reform, which Lamy mentioned favourably in his speech to the WTO members. However, there will be resistance from the members if “efficiency” is the principal objective of reform. Furthermore, given the membership’s weak adherence to the WTO, Lamy would be ill-advised to discard the principle of consensus.

**S**eattle was Lamy’s first WTO ministerial as commissioner and Cancun his last. No doubt both experiences left him with a desire to quell the noisy mobs. However, rather than listening to the critics, Lamy thinks that enabling the WTO to interact “in a structured manner with all those who today want a say in trade policy making” will solve the problem.

“Keeping the doors closed is self-defeating for the WTO,” he says. “It feeds the unfounded paranoia about the WTO that prevails among the anti-

globalists, the hard-core protectionists, and all the others in the world who oppose all that the Members of the WTO are trying to accomplish as the WTO.” (Bridges, Volume 8, Number 4, 2004) This approach will play well with the lobbyists and NGOs who like to work on the inside, but Lamy’s comments show that he has no time for those who disagree with his agenda.

It’s likely that Lamy will have more success in energising the WTO secretariat and lobbying for more resources and an expanded staff, not least to strengthen his own position and the “efficiency” of the WTO.

## **THE POWER OF PERSUASION**

But, there are some major difference between Lamy at the WTO and Lamy at the EU, so we should not overestimate his capacity to overcome the difficulties.

First, as director general, Lamy doesn’t have any markets to open or any tariffs to lower. All he can do is “bang some heads together” but with nothing in hand to soften the blows. Second, he doesn’t have any explicit or specific “position” to defend, other than his belief in free trade, multilateralism and keeping the WTO from further ignominy in Hong Kong. Although Lamy’s sympathies surely lie with the EU, his credibility as DG depends on being perceived as working for all the members – the G148, as he calls it. No doubt this is a lesson that he learnt well at the Commission, and it’s probably one of the most important experiences that he brings to the job. His predecessor Supachai Panitchpakdi was a lame duck, overcompensating for any perceived bias in favour of developing countries by almost total inaction, and Mike Moore before him was so completely identified with the US following their bullying to secure his nomination, that he was never really trusted by all the members.

Lamy comes on board with a relatively strong consensus, in spite of the vague selection rules and divisions in the South that Lamy was able to capitalise on. The US supports Lamy and, even though an EU trade official denied it, many observers see a close link between the US giving Lamy the nod and the EU backing Paul Wolfowitz to head up the World Bank. Despite their differences, the EU and the US agree that it’s safer to carve up the world between them – even if means accepting a French and one of the main architects of the Iraq invasion. Anyone, it seems, is better than someone from the South!

macy and technical fixes. His main weapon will be his powers of persuasion. The majority of developing countries are getting very tired of waiting for their share of the trade liberalisation windfall, and it will require some (apparent) movement on the part of the EU and the US to convince them that the game is still worth playing.

For Lamy the stakes are high, both personally and ideologically. If he can get the backing of Mandelson and Portman, he could pull something off in Hong Kong. But even if he does, it will be a victory only for Lamy and his friends. It will still be a bad deal for everyone else.

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# THE “G-GUIDE” TO GROUPINGS IN THE WTO AGRICULTURE NEGOTIATIONS

Jacques Chai Chomthongdi\*

*G20: Argentina, Bolivia, Brazil, Chile, China, Cuba, Egypt, India, Indonesia, Mexico, Nigeria, Pakistan, Paraguay, Philippines, South Africa, Tanzania, Thailand, Venezuela and Zimbabwe.*

The G20 currently comprises 19 developing country members of the WTO. Led by Brazil and India, the G20 has become one of the most important groupings in the WTO negotiation since the Cancun ministerial in 2003. The group has recently proposed a compromise formula for tariff reduction (middle ground between the Swiss and Uruguay round approach), which has been widely accepted as a basis for further negotiation. While arguing for the limited use of “sensitive products” (a mechanism which would mainly benefit developed countries), the group is more supportive to the “special products” (SPs) and “special safeguard mechanism” (SSM) favoured by the G33. The group has an offensive interest in reviewing domestic supports, especially on the use of the Blue Box where the group is the main driver of the review process to ensure that payments under this provision are less trade distorting than AMS\* measures, and on the Green Box where it wants to see new disciplines to avoid box shifting. On export competition, the group has proposed a five-year deadline for eliminating all subsidies. (\*Aggregate Measurement of Support: support measures that need to be reduced under the AoA, known as the Amber Box.)

*G33: Antigua and Barbuda, Barbados, Belize, Benin, Botswana, China, Congo, Cote d’Ivoire, Cuba, Dominican Republic, Grenada, Guyana, Haiti, Honduras, India, Indonesia, Jamaica, Kenya, Republic of Korea, Madagascar, Mauritius, Mongolia, Mozambique, Nicaragua, Nigeria, Pakistan, Panama, Peru, Philippines, Saint Kitts and Nevis, Saint Lucia, Saint Vincent and the Grenadines, Senegal, Sri Lanka, Suriname, Tanzania, Trinidad and Tobago, Turkey, Uganda, Venezuela, Zambia and Zimbabwe.*

The G33, or known as “friends of special products” is understood to comprise of 42 countries. On the tariff reduction formula, the group is opposing the harmonization of tariffs across countries, and insisting on taking into account the different tariff structures of developing countries. The G33 is the main proponent of SPs and SSM (see G20 above). On SPs, it insists on self-selection on the basis of the indicators developed. On SSM, it proposes that this mechanism should be open to all developing countries for all agricultural products. Moreover, the SSM should be automatically triggered by either import surges or prices falls. The group is also very vocal

on rejecting the developed countries’ proposal of cutting de minimis provision allowed for developing countries.

*Cairns Group: Argentina, Australia, Bolivia, Brazil, Canada, Chile, Colombia, Costa Rica, Fiji, Guatemala, Indonesia, Malaysia, New Zealand, Paraguay, Philippines, South Africa, Thailand and Uruguay.*

The group comprises of traditionally agriculture exporting countries. The Cairns Group has an obvious offensive interest in market access. It seeks harmonisation of import tariff across WTO members, and, like the US, views the G20 proposals as “lacking ambition”. The Cairns Group would like to limit as far as possible the sensitive products, but the group is divided on the SPs & SSM, which is also the case regarding the issue of trade distorting domestic support, where some members are significant users of the Amber Box. Concerning the Blue Box, Green Box, and export competition, it shares a similar offensive position as the G20. That means the group is seeking restrictions in subsidies predominantly used by developed countries.

*G10: Bulgaria, Chinese Taipei, Republic of Korea, Iceland, Israel, Japan, Liechtenstein, Mauritius, Norway and Switzerland.*

This is the group of ten countries with the most defensive interest in the agriculture negotiation. It opposes the G20 formula, particularly the tariff capping element. It argues for a free determination of products to be designated as sensitive. The G10 also has strong defensive position regarding domestic support. Like the EU, it is not interested in expanding criteria, but wants to maintain the status quo of the Blue Box. Also, it opposes the proposal to review and clarify criteria for the Green Box. As for export competition, the G10 wants a long time frame for the elimination of export subsidies. Moreover, very much like the EU, it links this particular issue to outcomes in other areas of negotiation such as NAMA and Services.

*African Union/Group, ACP, least-developed countries: Angola, Antigua and Barbuda, Bangladesh, Barbados, Belize, Benin, Botswana, Burkina Faso, Burundi, Cambodia, Cameroon, Central African Republic, Chad, Congo, Cote d’Ivoire, Cuba, Democratic Republic of the Congo, Djibouti, Dominica, Dominican Republic, Egypt, Fiji, Gabon, The Gambia, Ghana, Grenada, Guinea (Conakry), Guinea Bissau, Guyana, Haiti, Jamaica, Kenya, Lesotho, Madagascar, Malawi, Maldives, Mali, Mauritania, Mauritius, Morocco,*

*Mozambique, Myanmar, Namibia, Nepal, Niger, Nigeria, Papua New Guinea, Rwanda, Saint Kitts and Nevis, Saint Lucia, Saint Vincent and the Grenadines, Senegal, Sierra Leone, Solomon Islands, South Africa, Suriname, Swaziland, Tanzania, Togo, Trinidad and Tobago, Tunisia, Uganda, Zambia, Zimbabwe*

This grouping, also known as the G90, has 64 WTO member countries. Although members of the group do not share all positions in the negotiations, the most crucial and common concern of the group is the preference erosion, which is related to all three pillars of the agriculture negotiation. Many of the countries in the group are very dependant on certain Northern markets for their agriculture exports due to the existing preferential schemes. Countries in the G90 want to see specific and concrete solutions to the problems of preference erosion. Many suggest that preferences should be maintained until such time as all domestic and export subsidies are removed that affect their commodities.

#### *United States*

While having a very offensive position on market access, the US adopts almost an opposite approach on domestic support. It views the G20 formula proposal as not ambitious enough, and emphasizes the limited scope and flexibility of sensitive products. Plus, it strongly opposes SSM by arguing the duplication with SPs. At the same time, it does not want to see changes to the Green Box status quo. The US is the main proponent for the expansion of the Blue Box criteria, which would allow for its counter cyclical payments to continue and expand. The US is the main user of export credits and food aid schemes to deal with its over supply of agriculture products. Thus, it has adopted a defensive position in export competition in the aspects linked to these two elements.

#### *European Union*

The EU has been taking a rather defensive approach in the market access negotiations. Although accepting the G20 proposal as a starting point, it criticises the formula as too ambitious. However, unlike the G10, the EU also has offensive interest in accessing other countries' markets. At the same time as it argues for a flexible use of sensitive products, it exerts pressure on developing countries to restrict the flexibility regarding SPs & SSM. On domestic support, the EU wants to maintain the status quo in both the Blue Box and Green Box and opposes the review proposals. It has a very sensitive defensive interest in the export competition. It argues for a long time frame for the elimination of export subsidies, and hasn't so far given any end date for these subsidies. Plus, it has put forth several pre-conditions in order to achieve this elimination, including the ambitious liberalization in other areas such as non-agricultural

market access (NAMA) and services (GATS).

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# EMPIRE AND AFTER

Jayati Ghosh\*

(A review of *"Dilemmas of domination: The unmaking of the American empire"*, (Metropolitan Books, New York 2005) by Walden Bello. See <http://www.henryholt.com/metropolitanbooks.htm> for ordering details.)

Over the years, the scholar and activist Walden Bello has provided some of the most incisive, trenchant and powerful critiques of the global capitalist system and its various implications. He has also led the struggle against imperialism in its various manifestations, including neoliberal policies, and been part of the movement for developing genuine alternatives. All this of course in his native country the Philippines, but also internationally as a leading and influential citizen of the "Global South", which he sees as the base from where new and progressive social realities can be developed.

His latest book "Dilemmas of domination: The unmaking of the American empire", (Metropolitan Books, New York 2005) distils some of his most significant recent arguments into a cogently formulated yet passionate statement about the world today. The book is about what Bello describes as the current crisis of the American empire, resulting from the dilemmas and contradictions emerging from both imperial politics and imperial economics. In fact he sees three interrelated crises of imperialism: the crisis of overextension, the crisis of overproduction and the crisis of legitimacy.

The first crisis results from the US administration's open-ended drive for military superiority, which has had the perverse effect of severely compromising both the power and the effectiveness of the US military machine. There is no doubt that the particular nature of the George Bush regime has been critical to this process, but Bello shows how even the previous Clinton regime, which had a very different take on foreign policy in general, laid the seeds for some of what followed.

In particular, the Clinton presidency bequeathed a legacy of some dangerous practices, for example through its actions in Kosovo and Haiti. These included: an overly elastic definition of national interest that could be supported by armed force; identifying the national interest with the spread of what it claimed was US-style democracy abroad; unilaterally identifying the conditions under which state sovereignty could be overturned without international sanction; and the idea that precision bombing could deliver quick military victories with minimum casualties. The other historical point to note is that the

American way of warfare has always involved the targeting and killing of civilian populations, from the firebombing of Dresden and Tokyo to the nuclear bombs on Hiroshima and Nagasaki to Operation Phoenix in Vietnam.

Bello is clear that Iraq has reversed the fortunes of the US empire, dragging it into a quagmire that has weakened its position everywhere else. He shows how that invasion of Iraq was essentially over-determined, with various segments of the Bush regime seeking it for their own purposes. These reasons ranged from the general - a belief in the desirability of "regime change", to the juvenile - taking revenge on someone for the events of September 11, 2001, to the most obvious one of all - the centrality of oil. While the need to control oil resources was obviously crucial, there was also the intention of limiting the access of Europe and China to these oil resources. Yet Bello argues that with all these reasons, the strategic reason may have dominated, with the purpose of reshaping the international political environment into a desired form, through intimidation by the blatant application of American force.

But the attempts to make first Afghanistan and then Iraq into demonstrations of US military invincibility have ended up doing precisely the opposite, and has exposed the limits of this military strength. The imperial overstretch is therefore reflected in the very failure of its occupation even to cover most of the geographical area of Afghanistan despite years of fighting, and in the complete inability to provide the most minimal security of life in Iraq, or to defeat the Iraqi resistance despite the huge US resources still deployed in Iraq. As a result, two important lessons are available to the foes of this grand US design across the world. One, that it is possible to fight the US military to a stalemate, which is effectively a victory in guerrilla warfare. Two, that effective resistance in one part of the empire weakens the empire as a whole.

The "crisis of overproduction" is the term Bello uses to refer to the contradictions created in the capitalist system by the combination of concentration of capital and domination of finance, which have resulted in a widening gap between the growing productive potential of the system and the capacity of consumers to purchase its output. Bello argues that the world economy is nearing the end of a Kondratieff long wave of expansion and decline, driven by speculative finance which now powers economic activity and has replaced manufacturing

activity as the prima source of profitability. This has been associated with recession and jobless growth in the developed world and more frequent and intense financial crises in emerging markets.

The acute vulnerability of developing countries to the instabilities created by ascendant finance are exacerbated by the disruptive economic effects of free trade and structural adjustment policies, in what Bello calls the economic of anti-development. While these are commonly perceived as the accompaniment to “globalisation”, Bello notes that since 2001, the Bush administration has been retreating from globalisation, is increasingly sceptical of multilateralism, and has aggressively put the interests of some segments of US capital ahead of the concerns of the global capitalist class, even at the risk of severe disharmony within the core.

This explains some key concerns of recent US economy policy: achieving control over Middle East oil; being aggressively protectionist in trade and investment matters and focussing more on regional trade agreements than on multilateralism; incorporating strategic considerations into these trade agreements; using exchange rate movements to maintain competitiveness; making other economies adjust to the burden of the environmental crisis, and so on.

Ultimately, the most critical contradiction may result from the crisis of legitimacy. Since sustained domination cannot be continuously coercive, the US must seek legitimacy and support for (or at least acceptance of) its actions. Yet this is the source of the most profound ideological dilemma. The military overextension and the drive for economic expansion have been accompanied by the American promise of democracy, which is no longer believed in anywhere else in the world and is even less persuasive within the US as human rights are curtailed in the name of the war on terror.

Since in the end, the future will be determined by what people believe, this may be the real source of the unravelling of the American empire. So the multiple crises of empire can become the opportunity for liberating change.

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