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EDITORIAL

July Package: A Death Knell for Third World Economy

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WTO's 'July Package' talks, held in Geneva, were destined to be unsatisfactory. Being held under the shadow of Cancun rebellion, the Geneva talks were held in haste. And the haste was generated out of the fear of failure: the developed countries fearing that the talks might remain inconclusive *a la* Cancun, while the developing countries' fear centred around the feeling that if they objected to any part of the package the blame for the collapse of the talks and for striking a blow to the multilateral trading system will be squarly put on their shoulders. Apart from this "fear of blame" factor, many developing countries perhaps found solace in getting at least a minimum, even as they had to concede ground in several other areas. What worked against developing countries taking a stand was the short duration of time provided to them to seriously consider the drafts and the final text. But this was a consequence less due to paucity of time or the overburden of ministerial work but more of a well thought out strategy on the part of the developed world.

In fact, the trade superpowers had learnt their lessons well from the debacle in Cancun. That's why they made a change in their strategy this time. In place of confrontational strategy, they applied the strategy of co-optation and subtle divide-and-rule. The strategy was to bring in leaders of G20 - India and Brazil - into the centre of the negotiations and play to their specific interests. And it did work. India and Brazil fell into the trap, thus ripping apart the superficial "Third World Unity" that came out of Cancun.

The closer scrutiny of the 'July Package' again highlights the fact that the WTO has always acted in the interests of the developed nations. By adopting a framework on Non-Agricultural Market Access (NAMA), the 'July Package' has virtually killed two birds with single stone. The Derbez text of NAMA framework could prove a death knell for the industries of the developing countries as it will facilitate the cheap industrial imports undermining the local goods. That's why the African, Carribean and Pacific countries had criticised, in their G90 ministerial meeting on July 12, the Derbez text on NAMA for its potential of causing deindustrialisation, unemployment and poverty in their countries. They also protested against the plan to include this text, unchanged, into the July Package. Irrespective of the criticism, the developed world succeeded in forcing the developing nations to sign their death warrant through tariff cuts. On the other, the developed countries did agree to eleminate the export subsidies but it is a known fact that EU and US replace their export subsidies with indirect export subsidies by way of direct payments to farmers under the Green Box. And it is not without reason that the framework leaves untouched the Green Box which houses upto 70 per cent of US total susbsidies. Moreover, the new framework allows the developed countries to shift a large chunk of agricultural subsidies to the Blue Box, which is known for distorting the trade. It further enables rich countries to protect their markets in 'sensitive' products from the import competition coming from developing countries.

Thus, 'July Package' is a double-edged weapon hurting the developing world both ways. While providing easier accessability to the industrial goods of the developed world into the markets of developing countries through NAMA it poses great threat to the domestic industires, on the other hand through the provision of higher and wider scale of agriculture subsidies to the developed world under the 'Blue Box' and forcing the developing countries to open up their agricultural markets in the name of removing the quantitative restrictions or lowering the tariffs, it creates great danger for the agriculture goods of the developing nations.

In This Issue

appeal Action Programme for People's Economics and Allied Literacy

Preliminary Comments on the WTO's Geneva July Decision

By Martin Khor

A. Introduction

Agreement was reached on 1 August night at the World Trade Organisation in Geneva on the "July package" after a week of intense meetings. The WTO adopted frameworks for how to move ahead on trade in agriculture and non-agriculture market access (NAMA, involving mainly industrial goods), and on the so-called Singapore issues, services, and the "development issues".

They will be the basis for the next stage of negotiations. In agriculture and NAMA, the next phase will focus on finalizing "modalities" (principles and figures, for example on how much to reduce tariffs). The negotiations are under the work programme agreed to at the WTO's Ministerial meeting at Doha in 2001.

A first reading of the results shows a few significant gains for the developing countries, but this is more than offset in other areas where they have also lost ground.

Also, the meeting and its outcome again showed up how the WTO's decision-making process is generally controlled by the big countries and how developing countries' positions are generally not properly reflected.

At a press conference, the WTO's Director General Supachai Panitchpakdi said the WTO had now achieved what it failed to do in Cancun last September (when the Ministerial conference ended without any decision). "Multilateralism has made a minor triumph," he said, adding that some people had predicted that the Geneva meeting would be another Cancun. "This agreement has strengthened belief in the multilateral trading system."

The fear of being blamed for another Cancun-like collapse caused many developing countries to be extra cautious and to eventually accept a deal of which they had been critical. When the first draft came out on 16 July, it was severely criticized by many developing countries. The second draft on 30 July was also criticized. Some, but only some, of the concerns were dealt with, and some of the countries decided to compromise and "live with the text" for fear they would be blamed if another WTO meeting failed, and the system were to suffer another blow.

Besides the "fear of blame" factor, different groups of developing countries also felt they were getting at least a minimum of what they were seeking, even as they had to give up ground in other areas. There was also a serious lack of time for the developing countries to seriously consider the drafts and the final text, and the absence of Ministers of most developing countries also meant that immediate political decisions were difficult to take. In contrast, the Ministers of most of the developed countries were present at the WTO or in Geneva. "Although this was meant to be a General Council meeting, it took on the atmosphere of a mini-Ministerial with decision-making powers, and most of our Ministers were not present" said a leading developing-country diplomat.

B. A Few Significant Gains

There were two significant gains from the Geneva meeting for developing countries in general: a commitment to eliminate export subsidies, and the placing of three "Singapore issues" outside the negotiating agenda of the Doha work programme.

B1. Commitment to eliminate export subsidies

The developed countries agreed in principle to eliminate agricultural export subsidies. Export credits, export credit guarantees or insurance programmes with repayment periods beyond 180 days will also be eliminated and those of 180 days and below will be disciplined. Thus, for the first time, elimination of export subsidies has been committed. When it takes place, this will get rid of some of the most trade distorting of the rich countries' subsidies that have enabled the dumping of rich-country agriculture exports (including to the South) and unfairly kept out the developing countries' farm products. However, the July package has not fixed an end date or a road-map for this elimination, so what will really happen here (and when) remains to be seen.

However, there were also some unsatisfactory results in other parts of the agriculture decision (See Section C2)..

B2. Three Singapore issues put on the back burner

Secondly, three of the unpopular "Singapore issues" (investment, competition, and transparency in government procurement) have now been dropped from the WTO's negotiating agenda, at least during the period of the Doha programme. Developing countries had opposed these issues which they believed would interfere with their national policies and hinder their economic development. The attempts by the rich countries to set up new agreements on these issues had generated heated controversy for years and was a major factor in derailing the Cancun meeting.

The decision says "no work towards negotiations on any of these issues will take place within the WTO during the Doha Round." It has thus left it vague as to

whether discussions (as contrasted to negotiations) would continue even now at the WTO, through a revival of a study process in the working groups. It has also left open the possibility of their making a comeback as negotiating topics after the Doha programme is finished.

However, doing away with negotiations on these issues for the time being is a big relief for developing countries, and also a significant gain, since it had seemed that the battle was almost lost at the Doha Ministerial of 2001 which mandated the launching of negotiations on four Singapore issues, on the basis of explicit consensus on the modalities of negotiations. Although the three issues have been put on the back burner, the developing countries had to make the concession of agreeing to launch negotiations on the remaining Singapore issue, i.e. trade facilitation (see below).

C. Major Losses, and Some Negative Outcomes

Against these positive developments were some major setbacks and other negative outcomes for the developing countries

C1. Unfair adoption of a damaging NAMA framework

By far the worst decision was the adoption of a framework on NAMA (trade mainly in industrial goods), which could worsen the threat in many developing countries of cheap industrial imports overwhelming local goods and industries.

There are at least three elements of the NAMA framework (contained in Annex B) that will have serious negative effects on development. First, it advocates a "non-linear" formula which is aggressive for its sharply reducing tariffs, and with steeper cuts for higher tariffs. For example, under a variation of this formula, a 40% tariff on a product would have to be reduced to 7%. **Many developing countries have relatively high bound industrial tariffs to protect their local industries, and thus they will be much harder hit.**

In the history of GATT and WTO, the developing countries have never had to come under a "formula approach", let alone an aggressive non-linear formula, not even during the Uruguay Round. Given the above, it will be crucial when the negotiations continue that the developing countries prepare their case on the type of approach or formula and the parameters that are more appropriate for them, in order to avoid the more damaging situation.

Second, it calls developing countries to give up the WTO's present flexibilities for countries to choose how many of their industrial products' tariffs they would like to bind and at what rate. **The July decision advocates at least 95% of their tariff lines will have to be bound, many at very low rates.** The reason is that to calculate the new bound rates, the applied tariff rates of the presently unbound products will be taken and multiplied by two (this figure is mentioned within brackets) and then subjected to the harsh non-linear formula. The new bound rates could end up significantly lower than the present applied rates. There would also, in these cases, no longer be a gap (as now exists) between applied and bound rates, and thus the developing countries would lose having a "safety zone" where they can choose to raise the applied rates towards the bound rate in the event of serious difficulties arising from import competition. As many developing countries have low applied rates for many products (as a result of structural adjustment loan conditionalities), the result of the NAMA exercise may be to depress the industrial tariffs (both bound and applied) of developing countries to unbearably low levels.

Third, there is a "sectoral tariff component" in which many sectors (an earlier draft mentioned seven) would be slated for fast-track total elimination of tariffs. The text says participation by all will be important, implying the sectoral component could be compulsory. If sectors are selected that are important in a developing country's domestic production, then the risks to its domestic industries will be heightened.

If the negotiations that follow are not handled properly, and these measures are accepted, they could threaten the share and the very survival of many local firms and industries in developing countries. They may not be able to compete with imports if tariffs are brought to zero or to low levels. Many developing countries (in Africa, Latin America and the Carribean) have already suffered from a de-industrialisation process as cheap imports overwhelmed the local firms as a result of rapid liberalization under structural adjustment.

Most developing countries (especially from Africa and the Carribean) had opposed the Annex for many months, as it had been recycled from the same NAMA draft (known as the Derbez text) presented at the Cancun Ministerial of September 2003. It had been criticized at Cancun and in the post-Cancun period. Many developing countries had submitted their own proposals for a NAMA framework, which were radically different from the Derbez text. The African, Carribean and Pacific (ACP) countries and the LDC Group (in their G90 Ministerial meeting on 12 July) had criticized the Derbez text on NAMA for its potential of causing deindustrialization, unemployment and poverty in their countries. They protested against the plan to include this text, unchanged, into the July package.

Many developing countries were thus outraged that the Derbez text popped up again unmodified in the first July package draft of 16 July. The African Group proposed amendments to Annex B. But any amendment to the text was said to be unacceptable to the developed

countries. At one stage, it looked as if the Geneva meeting would collapse on the NAMA issue. Negotiations then focused on a "vehicle" or explanatory paragraph that would state that more negotiations would be needed on some elements of Annex B. The location and thus legal status of this "vehicle" became a subject of controversy. In the end, the developing countries agreed to accept the disputed Annex with no modification, except that it be prefaced with a first paragraph explaining that the Annex contains "the initial elements" for future work, and that "additional negotiations are required to reach agreement on the specifics of some of these elements." These relate to the formula, treatment of unbound tariffs, flexibilities for developing countries, participation in the sectoral component, and preferences.

This paragraph has given the developing countries a space from where to continue to battle for a better framework. But since the Derbez text forms the rest of Annex B, and will be the basis for negotiations, it will be an uphill task for the developing countries to put forward their own versions of modalities that are suited to their industrial development. The unjust process of placing an unagreed and contentious text as the framework, and then asking countries to work with it as the basis, has placed the developing countries at a grave and unfair disadvantage. It will be an uphill battle for them to limit the damage, and a more than Herculean task to succeed in putting in place an alternative set of modalities.

Thus, the July decision on NAMA is extremely damaging to development and poses a grave danger to the survival of industries in many developing countries. Much work has to be done to at least limit the more damaging aspects of the framework in the post-July negotiations. [Also see comments on the NAMA decision-making process in Section D].

C2. Agriculture

As pointed out in Section B, a positive point in the agriculture framework (in Annex A) is the commitment to end export subsidies and to tighten disciplines on other forms of export subsidization. However, the all-important end date will be fixed later. And the positive effects in this area could be offset if subsidies in the other pillar, domestic support, is not adequately curbed or is allowed to increase. And small farmers in developing countries could be further hurt if the parameters in the market access pillar mandates further tariff reductions for imports competing with their products. In this context, the outcome in the domestic support and market access pillars was unsatisfactory and potentially damaging.

A loud complaint from developing countries during the week's negotiations was the double standards that emerged in the texts. The developed countries had their way when relatively new concepts or issues (an expanded blue box, and sensitive products) important to their interests were fast-tracked into the text, whereas the developing countries' long-standing problems (cheap imports overwhelming their farmers) and their demands for instruments to deal with these (special products or SP and special safeguard mechanism or SSM) made relatively little or no headway.

Domestic Support: The developed countries, especially the US, pushed for a change in WTO rules to allow them to use new kinds of domestic farm subsidies categorized under the "Blue Box" (in WTO jargon). Subsidies under the Green Box do not have to be reduced, unlike those in the Amber Box, and up to now there is also no reduction required of the Blue Box. The US has some types of subsidies, particularly counter-cyclical direct payment to farms under its Farm Bill, which it would like to transfer to the Blue Box, so that they can be maintained at the scheduled levels. The attempt to "expand" the Blue Box to incorporate these types of subsidies (which otherwise would have to be disciplined) lay behind the proposals. The developing countries were generally against the expansion of the Blue Box which they believed would be a loophole, allowing subsidies to shift from box to box, and thus enabling the developed countries to maintain their high domestic subsidies or even increase their overall level (as happened after the Uruguay Round), thus making a mockery of the often-stated WTO aim of domestic support reduction. This issue split the meeting and also threatened to derail it.

To break the impasse, it was agreed that Article 6.5 on the blue box would be reviewed so that members may have recourse to direct payments, with indications that these will include new criteria that would allow for new kinds of subsidies within it. The text does say that the criteria "will be negotiated" and will have to be less trade-distorting than the Amber Box. But the text seems to pave the way for the kind of counter-cyclical payments of the US to be eventually accommodated. The Blue Box support will also not exceed 5% of agricultural production value of a period to be established. Since the US has presently no blue box subsidies, it can increase up to the 5% level. The EU makes significant use of the blue box subsidies, above the proposed 5% limit, but has already planned to transfer a large part of these to the Green Box, and therefore should be able, without pain, to reduce to meet the target.

The Green Box is already the category in which the US puts most of its domestic support, and the EU is in the process of transferring much of its domestic support to the Green Box as well. Although this Green Box is said to be not (or minimally) trade distorting, it is increasingly realized that Green Box subsidies can also

distort by boosting farm revenues and assisting farms to remain in business, which would otherwise not be in business. The Geneva package does not place a cap on these subsidies, nor include a reduction commitment. It only says the Green Box criteria will be reviewed and clarified to ensure they have no or minimal trade distorting effects. In fact, such a review should lead to action to discipline and reduce Green Box subsidies, but there is no mention in the text for such action to be taken or contemplated. The Geneva decision thus allows a big loophole, for domestic subsidies to be expanded under the Green Box, even if other subsidies are reduced. Overall, the domestic support can thus still increase.

The decision also obliges members to reduce their de minimis domestic support. At present, 5% (for developed countries) and 10% (for developing countries) of the value of production is exempted from reduction of domestic support, under the de minimis provision. A battle was fought by developing countries to have exemption from this reduction in the Geneva decision. They rightly argue that they do not have huge subsidies (unlike the developed countries) and yet they are bound not to increase their presently low levels of domestic subsidies; for many of these countries, they can only increase their Amber Box subsidies in future through the use of the de minimis up to the permitted level. If the permitted level were to be reduced, that would limit their possible use of domestic subsidies further. Thus, it is only fair that they should not have to reduce their de minimis support. But some of the developed countries were adamant in not giving the developing countries such blanket exemption from reduction. In the end, only developing countries that allocate "almost all de minimis support for subsistence and resource-poor farmers will be exempt." This restrictive language may mean that several developing countries that do allocate a lot but not "almost all" their subsidies to poor farmers would have to reduce the level of their permitted de minimis support.

The Geneva decision also calls for substantial reduction in the overall level of trade-distorting domestic support from bound levels. The final bound total AMS and permitted de minimis levels will be substantially reduced; and the Blue Box will be capped (i.e. will not exceed 5% of agricultural production). [The AMS or aggregate measurement of support is the amount of domestic support considered trade-distorting and subject to reduction commitment; usually termed the Amber Box]. The overall base level of all trade-distorting domestic support will be reduced according to a tiered formula, in which members with higher support will make greater overall reduction. As a first installment of overall cut, in the first year (and throughout), the sum of all trade-distorting support will not exceed 80% of the sum of final bound total AMS plus permitted de minimis plus Blue Box (at the para 15 level, i.e. 5% level).

This, on the surface, may appear to be moving in the direction of the Doha principle of "substantial reductions in trade-distorting domestic support." However, as some commentators have pointed out, the devil is in the details of this complex decision on domestic support. The overall base level of all trade-distorting support, on which calculations for reduction will be based, is to be measured by a combination of bound/permitted and existing levels of support. Whether or not the exercise will result in actual substantial reductions in each item and overall will depend on many factors, such as the difference between the bound or permitted level and the existing level, the choice of using bound/permitted or existing levels as the base level from where required reductions are calculated; the choice of base period; etc. The result may also be different for different countries.

Given these factors, some commentators doubt that there will be genuine reductions (or significant reductions) in existing levels beyond what exists or what is already planned by some of the developed countries. Moreover, many developed countries (eg the EU) are already in the process of shifting a lot or much of their domestic support to the Green Box, and thus are prepared to reduce their support in other boxes.

A key follow-up question would thus be whether there will be adequate disciplines in the Green Box as well as action (such as capping and reduction). **The Geneva decision does not require capping or reduction of the Green Box.** The Green Box subsidies could thus be increased thus offsetting the decrease in other categories of domestic subsidies, and resulting in little or no overall reduction in domestic support (or possibly even a net increase). The Geneva decision therefore is no guarantee that the eventual result is a substantial decline in domestic support overall and actually allows continued flexibility, especially through the undisciplined Green Box.

The loophole of the Green Box was left in the WTO Agreement in Marrakesh perhaps because the implications were not clear to the developing countries at that time. Now, however, the serious implications are more clear. Even then this potentially wide loophole has not been closed, and that is a matter for worry in future. The task in future negotiations therefore is to make the criteria so clear and enforceable that the loophole is blocked.

Market Access: The developed countries succeeded to have "an appropriate" number of their heavily protected farm goods categorized as "sensitive products" which would enjoy special treatment in relation to the standard tariff-cutting formula. This concept of "sensitive products" made a sudden

appearance in the text just a fortnight before, without its having been extensively discussed. Thus, developed countries are given some significant protection for their high-tariff products. [Although the "sensitive products" category can be used by all members and thus by developing countries as well, it is understood that this category was devised for the developed countries which are unable to make use of the special products category, which falls under special and differential treatment for developing countries]. There is concern that the "sensitive products" concept would continue to prevent or limit market access of developing-country agricultural exports and potential exports to the developed-country markets.

In contrast, the developing countries have been pushing for years for a decision that farm products on which their food security, farmers' livelihoods or rural development depend should be exempted from further tariff reduction. The Geneva decision states that developing countries will have the flexibility to designate an appropriate number of products as Special Products, based on criteria of food security, livelihood security and rural development needs, and these products are eligible for "more flexible treatment." The criteria and treatment will be specified during the negotiations. In the Green Room, Indonesia (the coordinator of the G33) had a hard time insisting on removing the words "under conditions to be agreed in the negotiations" which had been placed after "flexibility to designate". This was opposed especially by the US; but Indonesia finally succeeded. Although these "special products" received slightly better recognition after the Geneva meeting, the exemption from tariff reduction that the G33 asked for is still not provided. Moreover, in a major step backwards, the statement in the first Geneva draft of 16 July, that "there will be no requirement to expand tariff rate quotas on SP products", has been removed, implying that SPs will also be subjected to TRQ expansion. The paragraph on Special Products is thus weak, but from here the battle will have to continue for protection of small farmers in developing countries. There will be tough talks ahead on how to define these products, what special treatment they will get, etc.

The decision also states that a special safeguard mechanism will be established for use by developing countries. A good development is that the qualifying phrase in the 16 July text, "under conditions to be agreed", has been removed.

The Geneva decision has agreed to a "single approach" for developed and developing countries of a "tiered formula" for tariff reductions, with "deeper cuts in higher tariffs, with flexibilities for sensitive products." There will be special and differential treatment for developing countries, but they (other than LDCs which are exempted) will be subjected to the tiered formula. The number of bands, thresholds for defining the bands and type of tariff reduction in each band, will be negotiated. Though not mentioned in the Geneva decision, it is understood that the tiered approach will have a number of bands, with each band specifying the tariff range (e.g. 1-10%, 11-30%, 31-50% etc), and presumably the bands with higher tariffs will be subjected to deeper cuts. What kind of formula to use within each band is to be discussed.

It is clear that with this kind of "tiered approach", there will be much less flexibility for developing countries than in the Uruguay Round approach (which had a guideline for developing countries of an overall average reduction of 24% and a minimum reduction of 10% in each tariff line). For developing countries, generally, tariffs will have to be reduced and probably by more than during the Uruguay Round; and especially affected would be the products with higher tariffs. **The grave and growing concerns that import liberalization has led to a significant increase in import surges, displacement of local farm products and great difficulties for small farmers in developing countries, has not been addressed in the Geneva decision on market access, which through its "tiered formula" instead increases the level of these concerns.** It remains to be seen, in the negotiations, whether the worsening of the situation can be partially offset through the special products and SSM mechanisms, and to what extent.

C3. Cotton

Another negative development was the poor outcome on the cotton issue at the meeting. Cotton-producing West African countries, backed by the Africa Group and ACP Group, have highlighted their plight, on how billions of dollars of cotton subsidies (mainly in the US) have hampered their own cotton production and trade, affecting the incomes and lives of many thousands of African farmers.

The countries had been persuaded to give up their original demand that cotton be treated as a stand-alone issue and agreed that it could be treated within the agriculture negotiations. However they had maintained their key positions, that within the agriculture negotiations, cotton be given a special status, with its own measures and time-table so that it would not merely be subjected to what happens generally in agriculture. The Africa Group put forward its proposal at the heads-of-delegation meeting of 19 July, that included the following measures: all forms of cotton export subsidies are eliminated by date of implementation of the Doha results; more than average reductions in domestic support on cotton, and complete elimination of all forms of trade distorting support on cotton by a specific year; a cotton agreement shall be implemented on an early harvest basis starting in 2005, and a date for total

elimination of cotton subsidies shall be determined by the next Ministerial irrespective of progress in the rest of agriculture negotiations; technical and financial assistance to meet the needs of cotton developing-country producers; a working group on cotton to be established.

During the Geneva week, USTR Bob Zoellick held a marathon all-night 12-hour meeting with some of the West African countries on the cotton issue..

Eventually, the specific proposals for special treatment for cotton, aimed at eliminating cotton subsidies on a fast-track basis, were not included in the text. In the main text, there is only a general reaffirmation of the importance of the cotton initiative, the importance of the development aspects and the complementarity between the trade and development aspects. In Annex A on agriculture, a paragraph on cotton states it will be addressed "ambitiously, expeditiously and specifically, within the agriculture negotiations" and that the agriculture special session will ensure "appropriate "prioritization" of the cotton issue independently from other sectoral initiatives. A subcommittee on cotton will meet periodically and report to the agriculture special session to review progress, and work will encompass trade-distorting policies affecting the sector in all three pillars as specified in the Doha text and this Framework text.

From this, it would appear that the cotton issue is meant to be dealt with within the framework and parameters of the Doha mandate and the Geneva decision. Although there is mention of "prioritization" of the cotton issue from other sectoral initiatives, it should be noted that there are no other sectoral initiatives (at least at present) and there is no specific mention that there will be prioritization as against other aspects of the agriculture negotiations, or prioritization in terms of higher commitments to eliminate cotton subsidies at a faster rate and speed than generally, or that there be a separate time table than the general one. Thus there does not appear to be a commitment to any effective special or specific treatment for cotton in the text. However, the text does provide special mention of the cotton issue, and thus give a handle to the proponents of the "cotton initiative" to continue to pursue their cause. It remains to be seen to what extent the issue will be kept alive through the cotton subcommittee, and by the efforts that the developing-country cotton producing countries may continue to exert.

C4. Trade facilitation

There was a decision to launch negotiations on "trade facilitation", one of the four Singapore issues. Such a launch had been opposed by most of the developing countries at the Cancun Ministerial meeting, and for a long period after Cancun many of them had maintained their reluctance for launching negotiations, preferring to continue to clarify the issues and work on the modalities. Among the points raised by developing countries (including the African and ACP Ministers at their meetings) were the fear that there would be high costs of implementation, the need for assurance that such costs would be met by financial assistance from developed countries, and the issue of whether it is appropriate to involve the WTO dispute settlement system (as non-binding guidelines may be more suitable).

The developing countries that had such strong reservations made a concession at the Geneva meeting to agree to the launch of negotiations, after they came to agreement on modalities (in Annex D) which incorporated several of their main points. Para 4 states that members shall address the concerns of developing countries and LDCs related to the cost implications of proposed measures. Para 6 says that support and assistance should be provided to help developing countries implement the commitments. The text recognizes that commitments may also involve infrastructure development, and developed countries will make every effort to provide assistance; where the required assistance is not forthcoming, implementation will not be required. LDCs are required to undertake commitments to the extent consistent with their individual needs and capabilities.

C4. Services

Services is dealt with by a separate sentence in the main text and an Annex. The main text, besides adopting the Annex, states that revised offers should be tabled by May 2005. It was reported that this deadline was proposed at the end of the Green Room meetings by the US and EU when participants were leaving or about to leave, and there was no adequate opportunity to discuss it. During the final heads-of-delegation session, some developing countries, which were concerned about the extra pressure generated by the deadline, reportedly expressed reservation on this deadline, questioning how it was set and its appropriateness..

Annex C contains the recommendations of the Services Council, which among other things states that members who have not yet submitted their initial offers must do so as soon as possible; a date for submitting revised offers should be established (it now has been); that members shall strive to ensure a high quality of offers, especially in sectors and modes of supply of export interest to developing countries; and that members shall aim to achieve progressively higher levels of liberalisation with no a priori exclusion of any service sector or mode of supply and shall give special attention to sectors and modes of supply of export interest to developing countries, noting mode 4.

The decision on the deadline for revised offers places heavy pressure on developing countries to submit

commitments on opening up their services markets, which many are reluctant to. The deadline is also very stringent, given that many countries have yet to submit even their initial offers, and also given that the original deadlines for resolving the development issues (SDT and implementation) were set for far earlier than the services deadlines. Yet the deadlines for development have passed without results and new deadlines on development issues have now been set for the same months or later than the revised offers for services. Thus the pressures for meeting commitments for services have become even far heavier than those for development issues.

C5. " Development issues"

On the "development issues" (special and differential treatment for developing countries and issues relating to implementation of WTO agreements), the Geneva meeting again failed to agree on concrete measures to strengthen existing SDT measures or to provide new measures; or to take decisions on resolving specific problems of implementation of the existing WTO rules. The Geneva decision only sets new deadlines (since the old deadlines have long past) for the issues to be considered and for reports on these issues to be submitted.

On SDT, the Committee on Trade and Development is asked to complete its review of all outstanding agreement-specific proposals and report by July 2005; all other outstanding work will be reported "as appropriate"; and all WTO bodies dealing with Category II proposals are to report to the Council by July 2005. On implementation, the Director General is requested to continue with his consultative process and report to the Trade Negotiating Committee and General Council by May 2005 for a Council decision by July 2005.

In fact the Geneva meeting marked another sad step in the steady decline in status and action on these "development issues". There has been hardly any concrete results on them. The Doha Declaration had accorded priority status for these issues, and deadlines for results on them were also given priority status. But now there are far behind the deadlines, whilst progress in other areas has been faster. When the Doha negotiations were launched in 2001, it was with a lot of rhetoric on the need to put developing countries' interests at the center. The resolution of the SDT and implementation issues was in turn at the centre of development issues, and was to be the test of the seriousness with which development is pursued in the Doha work programme. Sadly, the negative aspects far outweighed the positive developments at the Geneva meeting last week. And thus development remains rhetoric, whilst some of the new decisions (especially on industrial tariffs) are potentially threatening to development prospects.

D. Decision-Making Process

The Geneva process again showed up the WTO's unsatisfactory and flawed decision-making process.

The draft texts were issued very late, giving little or no time for delegations to study them, send them back to capitals for instructions, and to respond adequately to them. The first draft came out only on 16 July, giving little time for the process of response, consultations within the country delegation and within groupings. The meeting started on 27 July and was supposed to end on 29 or 30 July. The first revised appeared only on 30 July morning, and a heads of delegation informal meeting was held at 10am the same day to discuss it, giving delegations hardly any time to study it properly or to consult their capitals, or to propose changes. The final draft of 31 July came out in the afternoon and a meeting to adopt it was held that night itself. The extremely rushed circumstances placed the developing countries at great disadvantage, especially those with few personnel and with no access to the Green Rooms and informal consultations. The lack of time for the developing countries to seriously consider the drafts and the final text, and the absence of Ministers of most developing countries also meant that immediate political decisions were difficult for them to take.

Key decisions were made by a few countries. In particular, the "five interested parties" or the FIP (comprising US, EU, Brazil, India, Australia) spent time among themselves for a long period during the week, and every other delegation was left waiting for news and for the results. There were bitter complaints from developing countries and even from developed countries like Switzerland and Canada for being left out of the main agriculture talks, and thus of being put in a position where they were pressurized (including by time if not anything else) to accept the main decisions of the FIP meeting, with only some minor changes possible.

Developing countries in general came under pressure to accept a package, even if it was not to their liking, under the fear that if they objected to any part of it, they would most likely carry the blame for the collapse of the talks and for striking a blow to the multilateral trading system. An atmosphere had been generated for weeks, including through some articles in major mainstream Western media, that the position of some groups of developing countries could threaten the Geneva talks and that a collapse would hurt the poorer developing countries more than any others.

Besides the "fear of blame" factor, different groups of developing countries also felt they were getting at least a minimum of what they were seeking, which made

the final text more acceptable. Most developing countries were, however, very dissatisfied with the outcome on NAMA.

The most obvious form of pressure and unfair process was over the text on NAMA. The NAMA Annex, much liked by the developed countries, had been rejected by many developing countries in its earlier form before Cancun, and then when it became the Derbez text it had been opposed in Cancun and after Cancun. Many developing countries insisted that at best it could be one of the main documents used as a reference point in the negotiations, whilst other proposals (especially those from the developing countries) should also be referred to in the negotiations. Yet the Derbez text was included unchanged as the NAMA Annex. The Africa Group protested against the decision to do so when the Chairman of the NAMA negotiations indicated his intention in early July and the African, ACP and G90 Ministers proclaimed themselves against it in May and July in their various conference declarations. And yet a decision was made by the NAMA chair, the General Council chair and the Director General to incorporate this disputed text in the overall July package as the Annex on NAMA.

The only concession the developed countries were willing to make was to create a "vehicle" to indicate that further negotiations are required on some aspects of the Annex, and after another big battle it was agreed to place the "vehicle" in the body of the Annex. It is incredible how such an important text as a Framework for modalities on such an important subject as NAMA could be adopted without any changes whatsoever, even though its most important elements had been opposed by so many members; and that many members who object to it find themselves in a situation where they had to agree to adopting it, with only an inadequate "chapeaux" or paragraph 1 to indicate that they can re-open some aspects of it, and with no guarantee that the re-opening can be to an adequate extent. It is improbable that the NAMA Annex would have been adopted if there had been a fairer decision-making process.

The manner in which the Chairman of the NAMA negotiations put the annex in the text (thus placing the developing countries in an extremely vulnerable position during the negotiations) shows in a stark way how unfairly the WTO negotiating process functions at present. Also, the fact that the developing countries did not reject the NAMA text outright shows their weakness in the WTO system.

The Green Room meetings again brought up renewed charges of lack of transparency and questions about representativeness. It was never announced to the members that there would be exclusionary Green Room meetings to go through the draft and decide the final text. It was not made known who were invited, and on what basis.

There was an additional complication in that this was a General Council meeting, where the main players were supposed to be Ambassadors, and the WTO leadership made known that it was not necessary or advisable for delegations to ask their Ministers to come. Yet Ministers from almost all the developed countries came (either to the WTO or at least to Geneva). In the end, the USTR and the European Trade Commissioner played the most active roles in the outcome. In contrast, Ministers from only a few developing countries came. Prominent among them were the Brazil and India Ministers who played important roles in the agriculture negotiations. But the absence of Ministers of most developing countries meant that immediate political decisions were difficult for these countries to take. "Although this was meant to be a General Council meeting, it took on the atmosphere of a Mini-Ministerial with decision-making powers, and most of our Ministers were not present" said a leading developing-country diplomat.

As almost all of the meetings conducted during the week were "informal", there will be no records of what "informal consultations" or Green Room meetings were held, and who took part or said what there, or what delegations said even at the heads of delegation meetings to which all delegations were invited. The General Council suspended its meeting on 27 July when it came to the agenda item on these Doha negotiations, and it convened again officially only on the night of 30 August to adopt the decision and hear concluding speeches.

Finally, the already inadequate access that civil society groups have to WTO meetings was reduced even further during the week of the Geneva process. The limitation was even stricter than during Ministerial conferences, during which many hundreds of civil society groups were accredited to be within the conference premises, attended the formal opening and closing plenary sessions (although not the closing plenary at Cancun) and were able to conduct activities. Access, attendance of meetings and conduct of activities were not available in the Geneva process, which was thus shrouded away from the public.

(Courtesy: Thirld World Network)

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By Walden Bello and Aileen Kwa

The July Framework Document is a major triumph for the big trade superpowers, particularly the United States. As for the developing world, the situation is more complex, with most countries losing but some claiming that they have made gains. Among the few claiming to be in the win column are Brazil and India, which are acknowledged as the leaders of the G 20 and two of the Five Interested Parties (FIPS) that played the leading role in drafting the Agriculture text.

Attention needs to be paid to the dynamics of the July framework negotiations since they were a departure from traditional North-South negotiations in trade and may set patterns for things to come.

General Council Supplants the Ministerial

Institutionally, among the innovations is that the General Council has now become de facto the supreme institution for WTO decisionmaking. What the July meeting came up with was effectively a ministerial declaration without a ministerial meeting. **Two ministerial collapses--Seattle and Cancun--underlined to the WTO secretariat and the trade superpowers the unwieldiness of the ministerial as an arena for decisionmaking. It attracted NGO's and popular protests. It drew ministers, many of whom were not professional negotiators but political people determined to stand up for their country's interests. It brought the press in large numbers, thus making decisionmaking more transparent despite the wishes of negotiators accustomed to exclusive "Green Rooms.**

Only some 40 trade ministers were present in Geneva for the July GC meeting, with many representatives of countries that played a key role at the Cancun ministerial, like Kenya and Nigeria, absent. Obviously, with some 100 ministers of WTO member countries absent, a great many governments failed to fully grasp the significance of the meeting.

As for global civil society, which had played such a critical role in the outcome in Cancun, it was, for the most part, complacent, failing to appreciate how quickly the trading powers could rebound from their state of disarray. Very few NGOs had people in Geneva during the critical days in July.

Dealing with the G20

Yet, this was not simply the old-style manipulative behaviour of the trade superpowers and the WTO secretariat of the pre-Cancun period. The post-Cancun situation made this impossible. Cancun marked the emergence of the G-20 as a key player in trade negotiations. As Ambassador Clodualdo Huguenuy of Brazil put it during the debate at the World Social Forum in Mumbai last January, "The G 20 broke the monopoly over trade negotiations by the EU and the US."

The US, however, failed to appreciate the changed situation immediately. Coming out of the Cancun summit, US Trade Representative Robert Zoellick signalled a more aggressive, more unilateralist approach in trade negotiations when he said that the US would thereafter put its emphasis on concluding bilateral agreements with "can do" countries, implying that it would expend less effort in negotiations within the WTO. Washington also launched a frontal assault on the G 20, successfully detaching El Salvador, Colombia, Peru, Costa Rica, and Guatemala from the body in a few weeks' time.

As for other developing countries, the G 20 was a phenomenon that was received positively. Yet there were apprehensions among them that the most influential members of the G 20 were agro-exporters like Brazil and that the main focus of the group was ending the EU and US' massive subsidy systems and bringing down tariff barriers to market access in these prosperous markets. Many countries, including Indonesia, were worried that the G 20 governments were much less concerned with protecting developing country markets and smallholder agriculture from low-priced imports. Hence, the G 33 continued to put forward proposals for protected "special products" and "special safeguard mechanisms."

Other countries felt the G 20 focus on agriculture was inadequate as a strategy for defending developing country interests. This led to the formation of the G 90 (composed of the Africa Group, ACP [African Caribbean and Pacific countries]and the Least Developed Countries) , which united around the effort to block the "New Issues" of investment, government procurement and trade facilitation from coming under the jurisdiction of the WTO.

Nevertheless, the G 20's formation did electrify the ranks of developing countries, and many governments were inspired by Brazilian Foreign Minister Celso Amorim's promise in his Cancun speech that the aim of the G 20 was to"bring it [the world trading system] closer to the needs and aspirations of those who have been at its margins--indeed the vast majority--those who have not had the chance to reap the fruit of their toils. It is high time to change this reality."

By the spring of 2004, however, Washington's dual strategy—pursuing bilateral agreements and destroying the G 20--was running into trouble. The Free Trade Area of the Americas (FTAA) that it wanted failed to materialize in the ministerial summit in Miami in November 2003, and it also began to realize that bilateral agreements could complement but never substitute for

a comprehensive, multilateral free trade framework to promote corporate trade interests. At the same time, the G 20, despite the initial defections, held firm.

Shifting Gears

To get the WTO restarted, Washington, working closely with Brussels, shifted gears. Instead of trying to destroy or undermine the G 20, they moved to make its leaders, Brazil and India, a central part of the negotiations in agriculture, which was the key obstacle to any further moves at liberalization. Thus was formed in early April the informal grouping called the Five Interested Parties (FIPS), composed of the US, EU, Australia, Brazil, and India. It was in close consultation with this grouping that WTO Agriculture Committee Chairman Tim Groser produced the proposed agriculture text of the July Framework.

A shift in strategy was also evident towards other countries and formations. In the spring, USTR Zoellick began visiting a number of strategic developing countries. Instead of spurning invitations to the G 90 meeting in Mauritus in mid-July, the EU and the US sent high level delegates, including Zoellick. There, confrontational language gave way to rhetorical efforts to get the developing countries not only to come to a compromise on agriculture but also to get talks moving on bringing down non-agricultural tariffs, starting talks on trade facilitation, and getting the negotiations on services underway. But perhaps the strongest message that the developing countries heard from the trade superpowers was this was the last chance to get the multilateral system moving—the implication being that they would be held responsible if the late July General Council talks did not get off the ground.

The US-EU drive to restart the WTO succeeded brilliantly. The US and the EU were the main beneficiaries of the agreement to cut non-agricultural tariffs, with the highest tariff rates being subjected to the deepest cuts; indeed, Zoellick went back to the US trumpeting the claim that the accord on NAMA (Non-agricultural Market Access) was a massive victory for US corporations since it was but the beginning of a process that would reduce industrial and manufacturing tariffs to zero. Both the EU and the US scored a victory by getting the developing countries to agree to begin talks on trade facilitation, one of the "new issues" that the developing countries rejected in Cancun. But it was the US that scored the biggest gain, getting as it did, in addition to the foregoing, an expanded "Blue Box" in which to house a considerable portion of the subsidies to its farmers legislated under the US Farm Bill of 2002.

Part of Washington's success stemmed from a wily negotiating strategy. For instance, to get its new expanded Blue Box, Washington distracted the developing countries attention by putting forward its demand that they reduce their de minimis domestic supports, that is, the allowable rate of subsidization of their production. Thrown on the defensive, these countries spent much energy justifying their subsidies, so that they were only too relieved when the US stepped back to compromise on the issue in return for their agreeing to the expansion of the Blue Box. Similarly, just before the General Council meeting, the EU suddenly brought in the category of "Sensitive Products" to protect some 20-40 per cent of its products from significant tariff cuts. Worried that the EU might put blocks to their demand for protected Special Products essential to their food security, the developing country negotiators acquiesced.

Neutralizing Brazil and India

But the key to the victorious US strategy was bringing in Brazil and India to be part of the core group of the negotiations, then acceding to these countries' core demands in order to detach them from the rest of the developing countries. India's key concern was to avoid the so-called "Swiss Formula" for cutting tariffs that would require it to bring down its agricultural tariffs substantially, something on which it saw eye to eye with the European Union. According to one developing country negotiator, coming into the GC, protecting its tariffs was India's main focus, and it was not going to push hard on the issue of eliminating agricultural subsidies so as not to endanger the EU's support for its position on tariffs. (The Indian government's position on subsidies had been watered down by its informal alliance with the EU on the tariff issue after the Doha Ministerial before the EU abandoned the Indians to align themselves to a common position with the US]in the period leading up to Cancun.. Both the EU and India were comfortable with a "Uruguay Round" approach to tariff cuts as they regarded their average tariff level as high enough for them to stomach another Round of this type of cuts. There were developing countries, however, with much lower tariff averages, for which even a Uruguay Round approach would be too drastic [eg. Honduras, Sri Lanka, Indonesia].)

On the other hand, removing agricultural subsidies was Brazil's concern, and here it got its way. The final text affirmed the phase-out of export subsidies as well as certain categories of export credits. The big gainer with the phase-out of subsidies is said to be Brazil, with some estimates placing its gains as some $10 billion. According to Amorim, the July decision marked the "beginning of the end" of export subsidies. Yet the Brazilian "gains" are not secure unless locked in by the modalities of the negotiations. A specific end-date for the elimination of export subsidies will only be clinched in the next phase of discussions. Moreover, even when elimination has supposedly taken place, the EU has after all been known to replace export subsidies with indirect export subsidies by way of direct payments to farmers

under the Green Box. This is also the intention of the current Common Agricultural Policy (CAP) reform. Furthermore, the framework leaves untouched the Green Box, which houses up to 70 per cent of US' total subsidies. Even the most optimistic analysts cannot say for certain that overall levels of support from the two agricultural giants will be brought down. In fact, it is predicted that subsidy levels will be maintained if not increased.

Nevertheless, for now, Brazilian agribusiness is very happy. Indeed, it was the pressure of Brazilian agribusiness that allegedly forced Celso Amorim to clutch hard on the subsidy issue at the expense of a strong defense of developing country interests in other areas. Having gained nothing from failed negotiations on the FTAA and an EU-Mercosur trade pact, Brazilian agro-exporters were hungry for a successful WTO agreement that would enable them to hike their exports to the EU and US.

Among those that were left disadvantaged from India and Brazil placing their specific interests in command were:

- **the majority of developing countries which will find that their markets will continue to be flooded by dumped products from the US and EU. For the South as a whole, the opportunity to correct the distortions in agriculture trade legitimized in the Uruguay Round has been lost;**
- the African cotton-producing countries which failed to get negotiations on US cotton subsidies to be put on a fast-track independent of the agriculture negotiations, or even a commitment that all cotton subsidies will be eliminated;
- the Group of 33, which were left with nothing more than a vague commitment that their demand for "Special Products" and the "Special Safeguard Mechanism" and in particular, the coverage of products under such a mechanism, would be a subject of negotiations;
- most developing countries, which had rightfully opposed the text on market access of non-agricultural products as a prescription for their deindustrialization. Indeed, the US scored a big win on NAMA for the text is a detailed agenda for the radical liberalization that transnational corporations have long wanted. As the US National Association of Manufacturers saw it, "This is a huge accomplishment, and a big win for the WTO, the United States, and the world economy. The really big accomplishment for industrial negotiations is that all countries have accepted the principle of big tariff cuts and sectoral tariff elimination."
- most developing countries, which have now agreed to speed up their offers of services for liberalization.

Dilemma

It was not that India and Brazil were not sensitive to the demands of other developing countries. In fact, they were given high marks for consulting the different developing country groupings. It was simply that by becoming central actors in the elaboration of the proposed framework,they had painted themselves into an impossible situation. And the more meeting interests began to diverge from a strategy of promoting the interests of the bulk of the developing countries, the more they trumpeted the claim that the July Framework Document was a victory for the South. It is testimony to the prestige of India and Brazil among other countries in the South that up till today, many developing countries do not realize how badly they lost in Geneva.

The trade superpowers learned from the debacle in Cancun. The shift from a confrontational strategy to one of cooptation and subtle divide-and-rule was able to rip apart the superficial "Third World unity" that came out of Cancun. The centerpiece of the strategy was to bring in the leaders of the G 20, India and Brazil, into the center of the negotiations and play to their specific interests. They fell for the trap. Moreover, having become central players as members of the exclusive Five Interested Parties, their ability to repudiate large parts of a text that they had been consulted on prior to its release to the General Council was limited. That would have invited the onus of being responsible for the "collapse" of the Doha Round and the multilateral trading system.

During and after Cancun, the G 20 was seen in some circles as representing a major power shift in the global trading order. Some even saw the G 20 as the dynamo for a reinvigorated "New International Economic Order." The reality is that the G 20, and in particular Brazil and India, have been accommodated into the ranks of the key global trading powers, but it is increasingly becoming clear that the price for this has been their diluting the strength of the negotiating position of the South.

More than ever, the South needs leadership, one that is willing to take risks for the whole and rejects the temptation to settle for small and may be illusory gains for one's country. Many had expected the leaders of the G 20 to fill this role. In the first decisive post-Cancun encounter, the latter have not lived up to expectations.

(Walden Bello and Aileen Kwa are Executive Director and Research Associate, respectively, of the Bangkok-based Focus on the Global South)

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By Devinder Sharma

Let us first understand the political ramifications. Agricultural subsidies have been (and will remain) the bone of contention in the ongoing trade negotiations. It is because of the unwillingness of rich countries to reduce their agricultural subsidies (now to the tune of US $ 320 billion) that the developed countries had refused to budge, even allowing the collapse of the WTO Cancun Ministerial in September 2003. The question therefore is: what made them change their stand, and that too within a year and with the US going in for elections?

It is accepted that any move to significantly cut agricultural subsidies will be politically suicidal for the rich countries. US President George Bush would never have stepped into the election fray after agreeing to chop subsidies for his farmers. European nations, especially France, Germany, and the Nordic countries would have been faced with a political turmoil within a day or two of the July framework being agreed if it had meant any drastic cut in subsidies. The absence of political reaction in any of the developed countries is more than enough indication that the rich countries have managed to protect their subsidies.

All the efforts made by developing countries to see that trade-distorting Blue Box is removed have been nullified. The new framework allows the developed countries to shift a large chunk of agricultural subsidies (now under the Green Box and Amber Box) to the Blue Box.

The devil is in the details. Paragraph 7 of the Framework for Establishing Modalities in Agriculture (July 31st final draft) says: "As the first instalment of the overall cut, in the first year and throughout the implementation period, the sum of all trade-distorting support will not exceed 80 per cent of the sum of Final Bound Total AMS (Aggregate Measurement of Support) plus permitted de minimis plus the Blue Box at the level determined in paragraph 15. And in para 15, it adds: "In cases where a Member has placed an exceptionally large percentage of its trade-distorting support in the Blue Box, some flexibility will be provided on a basis to be agreed to ensure that such a Member is not called upon to make a wholly disproportionate cut."

Translation: Reading this together means that first all the efforts made by developing countries to see that trade-distorting Blue Box is removed have been nullified. The new framework allows the developed countries to shift a large chunk of agricultural subsidies (now under the Green Box and Amber Box) to the Blue Box. In other words, the advantage that the developing countries had gained with the termination of the Peace Clause on Dec 31, 2003 (under which the developing countries could not challenge agricultural subsidies in the rich countries) has been negated. They will now be confronted by an equally detrimental Blue Box.

The framework actually provides a cushion to the US and EU to raise farm subsidies from the existing level. If you read the draft carefully, it becomes obvious that the first instalment of a cut in subsidies by 20 per cent is not based on the present level of subsidies but on a much higher level that has been now authorized based on the three components -- the final bound total AMS, plus permitted de minimis, plus the Blue Box. For the EU, this should come to Euro 95.76 billion and after applying the first cut, the subsidies that can be retained will be Euro 76.63 billion.

If we were to add all the components as specified in the WTO framework, the EU subsidies at present will total around (including the under-notified coupled support) Euro 55.8 billion, which is far less than what it is supposed to reduce. In other words, EU gets enough leverage to increase its subsidies. No wonder the so-called phase out of agriculture subsidies has not snowballed into a political crisis in any of the European countries. Furthermore, the EU has Blue Box subsidies to the tune of Euro 14.31 billion. This is a huge amount, and therefore the framework states: "In cases where a Member has placed an exceptionally large percentage of its trade-distorting support in the Blue Box, some flexibility will be provided on a basis to be agreed to ensure that such a Member is not called upon to make a wholly disproportionate cut." The EU therefore has nothing to worry about cutting the Blue Box subsidies.

The United States on the other hand is wanting to shift the US $180 billion for ten years that it has provided to farmers under the notorious Farm Bill 2002 (70 per cent of this amount is to be spent in the first three years, before George Bush goes to elections) to the Blue Box. Since the WTO will now specify the historical period from which the Blue Box implementation will begin, it means that the US can now protect the yearly installment of its counter-cyclic payments to farmers. In the case of cotton subsidies where the US provides a daily support if US $10.7

million to its 25,000 cotton growers, and where the ruling of the WTO Dispute panel has gone against the US cotton subsidies, the WTO has refused to act. All that the WTO general council has done is to "instruct the Director General to consult with the relevant international organizations, including the Bretton Woods Institutions, the Food and Agriculture Organization and the International Trade Centre to direct effectively existing programmes and any additional resources towards development of the economies where cotton has vital importance."

Special and Differential Treatment was a measure that was originally carved out for the developing countries given the varying levels of development and therefore these countries needed to be given some concessions in implementation. However, in reality these S & D measures were actually used only by the developed countries. Instead of dispensing with these measures, the framework legitimizes its application for the rich countries. The only redeeming feature being that the developing countries have been promised that a special safeguard mechanism will be established. This is where the developing countries need to exert pressure, and see that they have the right to re-impose tariffs to block cheaper imports.

As if the massive subsidies are not enough, developed countries have used high tariffs to successfully block imports from developing countries. They have used special safeguards measures (SSG), used only by 38 rich countries so far, to restrict imports from developing countries. Developed countries took advantage of this flexibility by reserving the right to use the SSG for a large number of products: Canada reserves the right to use SSG for 150 tariff lines, the EU for 539 tariff lines, Japan for 121 tariff lines, the US for 189 tariff lines, and Switzerland for 961 tariff lines. On the other hand, only 22 developing countries can use SSG. These SSG measures remain under negotiations, which means, these will continue for quite some time.

The question of market access assumes importance in the light of the special and differential treatment, special safeguard measures and the domestic support (including Green Box subsidies) remaining intact in the developed countries. Using a tiered formula, the developed countries have managed to seek an overall tariff reductions from bound rates and aims at "substantial improvements in market access will be achieved for all products." The only defense that the developing countries have been allowed is to brand some of their important agricultural products as 'sensitive' and bring some others under 'special product' category. But the fact is that the developing countries have already opened up their markets by phasing out or removing the quantitative restrictions or lowering the tariffs. It is the developed world which has failed to reduce subsidies as per the rules of the game.

This 'benevolence' is no justification for the developing countries to rejoice. The fact is that the developed countries have also been allowed the same provisions, which means that they can term some crucial commodities as sensitive and thereby deny market access. For instance, the US, EU, Japan and Canada maintain tariff peaks of 350 to 900 per cent on food products such as sugar, rice, dairy products, meat, fruits, vegetables and fish, which can be easily brought under the category of 'sensitive' and some 25-40 of the sensitive tariff lines under the tariff rate quota can be easily protected under this category.

Also, let us not forget that a country like India cultivates some 250 different crops a year whereas Europe does not grow more than 25. For India, therefore to say that areca nut is not a sensitive product would mean destroying the livelihood of thousands of farmers cultivating areca nut, from cheaper imports. For Europe getting a score of crops protected under 'sensitive' and 'special products' will be justified. But to expect the WTO to accord 'special product' status to over 200 crops from India would be asking for the impossible.

If you are wondering why the developing countries still agreed to reach this agreement and that too within five days of negotiations, let us take a peep at what transpired behind the scenes through arm-twisting, coercion and allurement (read bribery). The leader of the G-20 group of developing countries, Brazil, was among a number of developing countries that were thrown a sugar-coated bait just a week before the negotiations entered the decisive phase. On 23 July, US announced its sugar quota allocation for 40 countries. This system allows these countries to export a fixed quota to the US at a lower tariff rate. The largest recipients were the Dominican Republic (185,335 metric tons) followed by Brazil (152,691 metric tons), Philippines (142,160), Australia (87,402), Guatemala (50,546), and Argentina (45,281).

International NGOs have said that the EU had withdrawn aid to Kenya, the most vocal of the African countries. It may be recalled that Kenya was the country that had staged a walkout at Cancun thereby leading to the collapse of the WTO Ministerial. This

time EU withdrew US $60.2 million aid to Kenya on July 21 under the pretext of 'bad governance'. UK Trade Minister Patricia Hewitt has already gone on record stating that Britain was using its influence to persuade developing countries. Moreover if 'bad governance' is the EU 's legitimate concern there seems to be no justification in joining hands with the United States at such international negotiations after the US's illegal war in Iraq. The terror of trade however does not operate on ethics and morality.

While the negotiations and the debate over the outcome of the ongoing parleys continue unabated, agricultural exports from the OECD countries (the richest trading block) continue to rise. Between 1970 and 2000, EU share in agricultural exports increased from 28.1 per cent to 42.7 per cent. France increased its share from 5.7 per cent to 8.1 per cent, Germany from 2.6 per cent to 5.9 per cent and United Kingdom from 2.7 per cent to 4.1 per cent. **In India, agricultural imports have multiplied four times, and more than 63 per cent of edible oils worth US $3.2 billion a year are now imported. Ten years back, India was almost self-sufficient in oilseeds production.**

Despite the World Bank repeatedly painting a faulty picture of the gains that would result from the implementation of the WTO trade agenda, the fact remains that surging food imports have hit farm incomes and had severe employment effects in many developing countries. Unable to compete with cheap food imports, and in the absence of any adequate protection measures, income and livelihood losses have hurt women and poor farmers the most. The resulting loss in livelihood security and the accelerated march towards hunger and destitution will only lead to large scale displacement of farming populations all over the developing world.

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World Social Fourm 2005

The World Social Forum 2005 will be held in Porto Alegre, Brazil between January 26 -31. The World Social Forum has emerged as an important space for dialogue between civil society actors dedicated to alternative globalisation and the idea that "another world is possible". The last Forum in Mumbai, India in January 2004 was attended by 80,000 people from over 130 countries and 2,660 organisations.

On the home stretch towards Porto Alegre

The city that will hold next World Social Forum (WSF), from January 26 to 31, 2005, has already had a small sample of the event in mid-November. From November 13 to 15, in Porto Alegre, the Forum's International Council Methodology and Contents Commissions had gathered. Brazilian Organizing Committee (BOC) members, as well as from other IC commissions and the International Secretariat – which has Brazilian and Indian organizations – also took part.

In the agenda, an overview of over 1.800 registered events for WSF 2005 was on till the second week. It was the first time that IC analyzed the event's programme previously. Over 80 people that took part in the meeting looked closely at registered events. Work has been divided in 11 groups, each one analyzing one of the WSF 2005 11 Thematic Terrains. Through this analysis, some themes, countries, or kinds of organization that still have not been registered for WSF 2005 were identified.

100% Self-organized

The meeting's main decision was to intensify WSF participative character: for the first time in its five editions the meeting will be completely self-organized. This means that Brazilian Organizing Committee (BOC) won´t hold any round table. All discussions are to be proposed and organized by entities that register for WSF. Until this year, the greatest self-organization experience had happened in India – where the Indian Organizing Committee (IOC) held only 13 out of the 1.182 events.

Concentrated Territory

An IC indication to WSF Brazilian organizers is that of concentrating to the most the area where the Forum is to be held. The current map of World Social Territory – as WSF area has been called – included some parts of Porto Alegre's downtown. IC has suggested that the Territory sticks to Guaíba's outskirts.

New Transversal Axle

Another significant decision was the creation of a new transversal axle – which is to deal with gender issues. The new axle will be added to the three existent ones: "Social emancipation and the political dimension of struggles", "Fight against capitalism and patriarchy" and "Struggle against racism". Transversal axles are themes that are to be present at all WSF debates. ***22.11.2004***

Scandalous Negotiation Process Fails All Countries

- Institute for Agriculture and Trade Policy; July 30, 2004

The World Trade Organization (WTO) framework text released today continues to be unbalanced to the detriment of developing countries because it would continue widespread dumping of agricultural commodities at below their cost of production, said the Institute for Agriculture and Trade Policy (IATP). The text does not live up to the promises of the Doha Development Round and would demand more concessions of developing countries at this stage of the negotiations.

"This text fails to make any progress towards a fair and market-oriented agricultural trading system because it doesn't tackle the structural causes of market distortions by agricultural dumping," said Alexandra Strickner, of IATP's Trade Information Project in Geneva. "While developing countries have been thrown a few carrots, the framework sets up wrong parameters for negotiations to lead towards a fair trade system."

Despite language in the framework to reduce agricultural subsidies, it is more sleight of hand than meaningful reform. Changes within the Blue Box of allowable areas of domestic support, pushed by the U.S., point more toward a shift in allowable subsidies, rather than a reduction. In addition, the text leaves room for developed countries to protect sensitive products while not providing enough options for developing countries to protect sectors of their agriculture system essential for food security.

"By expanding the Blue Box and insisting on increased market access for most products without sufficient protection for crops necessary for food security, this framework only enhances the system of dumping which has caused significant damage to farmers around the world," said Steve Suppan, IATP's Director of Research. IATP issued a report earlier this year on widespread agricultural dumping of major commodities from U.S. based companies.

Poor Countries Cut Out of Trade Deal

- ActionAid, 30 July 2004

ActionAid says today's long-awaited release of the WTO's new draft negotiation framework at the General Council meeting in Geneva proves rich countries are unwilling to bring about real change in world trade rules. Rich nations, such as the EU, US and Japan, have forced concessions from developing countries, yet only made vague promises of trade reform themselves. The text sends a clear message that these talks, meant to deliver benefits for poor countries, are nothing more than a front for the rich to push through their own self-interests.

The framework that will form the basis of international trade agreements covers key issues for developing countries, such as agricultural subsidies and industrial tariffs. With talks due to finish this evening, most countries are left with only half a day to analyse the document, which could have a massive impact on their economies.

Moussa Faye, from ActionAid Senegal, said: "The new framework is a sham. We have been told that these trade talks are all about give and take, but so far developing countries have done all the giving and rich countries the taking. The EU and US have been able to protect their markets, while denying protection to the poorest countries. If these talks do not take a dramatic turn, rich nations will be able to share out the benefits of world trade between themselves, leaving millions of the world's poorest people with nothing."

"Development Round" Betrays the World's Poor

-Focus on the Global South; July 30, 2004

Geneva, 30 July 2004: The trade liberalization framework presented to the WTO General Council today is a betrayal of the world's poor, according to the Asian trade policy research NGO, Focus on the Global South.

Speaking in Geneva today, their senior trade analyst Aileen Kwa said that the current negotiations are being used by the rich industrialized countries – especially the US and the EU – to force open developing country markets and to hide their own massive agricultural subsidies.

"If the proposed framework is implemented, the inevitable result will be deindustrialization of the developing world and the end of small-scale farming," said Kwa. "Millions of workers will lose their jobs and millions of farmers will lose their livelihoods."

Agriculture is the key to sustainable development for many developing countries, yet this is where the rich countries are refusing to make any concessions. The proposed framework includes an intricate mechanism to accommodate the US' and the EU's very high levels of agricultural subsidies while putting in place a new tariff formula to open developing countries' agricultural markets.

"Under these new rules on agriculture, dumping will continue and even increase," said Kwa, who has been monitoring WTO since it was established in 1995.

At the same time, under the guise of "special and differential treatment" developing countries are being told to reduce support to their farmers. "This is terribly unfair. The EU and the US provide hundreds of billions of dollars in subsidies to their farmers, yet they are asking countries such as India – which gives just $6 billion in domestic support to 670 million farmers -- to reduce this even further," said Kwa.

Industrial tariffs is also a key area for developing countries yet the draft framework pays scant attention to their demands and simply regurgitates the so-called Derbez text which was roundly rejected by them in Cancun last year. The assessment of most developing countries is that the proposals are a fast-track to deindustrialization because they "lock-in" their already low industrial tariffs thus limiting the options for future industrial policy.

Kwa says that the demands and concerns of the developing countries have been virtually ignored.

"The text is anti-development and is a betrayal to the world's poor. Under the guise of fair rules, the WTO – yet again – is putting in place rules protecting the interests of the strong. We call on governments to drop the text. If they don't the consequences will be catastrophic for the poor, "said Kwa.

The executive director of Focus on the Global South, Dr Walden Bello, added from Manila "The developing countries have waited nearly 10 years for the trade superpowers that dominate the WTO to show sensitivity to their efforts to change global trade from being an instrument of their domination to serving as a mechanism to advance their economic development. For their patience, they have been rewarded with a succession of anti-development proposals. It is time developing countries actively explore and create other trade mechanisms to make development and trade complementary.

"Development is a goal that can no longer be pursued within the WTO," he said.

WTO July Package Fails the Poor

-Edwin Thursday, Aug. 05, 2004

The World Trade Organization's (WTO) General Council reached an agreement on July 31 in Geneva on a number of controversial trade issues. The corporate media were quick to hail the 'July Package of Framework Agreements' as a breakthrough for the World Trade Organization's Doha Round of negotiations but NGOs monitoring the negotiations and some delegates of poor countries criticized the agreement for betraying the poor.

The World Trade Organization's (WTO) General Council reached an agreement on July 31 in Geneva on a number of controversial trade issues. The corporate media were quick to hail the 'July Package of Framework Agreements' as a breakthrough for the World Trade Organization's Doha Round of negotiations that had been stalled after the failed ministerial meeting in Cancun, Mexico last year.

In Cancun, the poor countries were able to stand their ground knowing that no deal was better than a bad deal. During the negotiations in Geneva, they agreed to a deal in order to avert more harm and to stall the forceful moves of the EU and US to impose more disadvantageous deals upon them.

NGOs monitoring the negotiations and some delegates of poor countries criticized the agreement for betraying the poor and stressed that the rich countries were able to get what they wanted through bullying and intimidation of the delegations from the south.

Purportedly, the US and Europe promised to reduce their huge agricultural export subsidies but in reality the text is very vague and does not even impose a timeframe. The agreement actually only enhances the dumping of farm products which has already caused significant harm to poor farmers in Asia, Africa and Latin America.

The poor countries, on the other hand, made concessions on trade in services, industrial tariff protection (or Non-Agricultural Market Access) and other issues. More importantly, the deal puts the so-called "development round" of trade negotiations back on track and might pave the way for more unfavorable trade agreements.

In the Philippines, activists already warned that the country's food sovereignty will be undermined further by the agreement. To add insult to injury, the Philippines' special treatment for rice, through quantitative restrictions on imports, will expire on June 30, 2005. The lifting of these restrictions will allow the unlimited entry of cheaper rice from WTO rice-exporting countries, to the detriment of poor Filipino rice farmers.

Public Citizen Condemns Process, Outcome of Geneva WTO Framework Talks

- August 2, 2004

Washington, D.C. – Future talks under the framework issued this weekend by the World Trade Organization (WTO) will be extremely difficult because the text was hammered out in secret without the participation of many WTO countries, Public Citizen said.

The framework was issued at a General Council meeting of the WTO after being rubberstamped at midnight by beleaguered developing countries.

"Thanks to their own hype, WTO officials came to a

point where they had to produce some text, any text—even if it did not provide a feasible way forward or exposed once again the underlying deadlock over the future of WTO," said Lori Wallach, director of Public Citizen's Global Trade Watch. "WTO staff and negotiators from the United States and European Union had said that the WTO would be dead if they didn't get this text."

The process that produced the text was secretive and unworkable, with many WTO nations excluded from critical talks.

"To produce this text, outrageous procedural tactics—including the exclusion of key players and arm-twisting—were employed against many developing countries. The result is similar to what happened in 2001 at the Doha Ministerial, which purported to start this ill-fated round of talks: a paper but no path forward most countries can accept," Wallach said.

"We saw what happened with such a text outside of the pressure-cooker moments of Doha and even through the Cancun Summit, in which every country's trade ministers participated, rather than just a select few: a forced text proved to be the roadblock," Wallach added.

Wallach urged reporters and policymakers to remain skeptical of claims that this text is a "breakthrough." The text issued is a framework, which is more vague than the formal modality documents that were to have been adopted by early 2003. From this framework document, modalities—the actual formulas for tariffs cuts and other particulars—must still be forged and agreed to before actual negotiations on specific products or sectors can begin.

The agricultural portion of the agreement does little to address the problem of export dumping, which is undermining food security and food sovereignty worldwide to the benefit of multinational agribusiness companies. Moreover, the text is very uneven, delivering detail on a few issues but presenting enormous ambiguity on others—including the non-agricultural market access talks that are considered the second key issue in addition to agriculture.

Perhaps the most interesting element of the text is what is not included. After years of developing country and civil society opposition to a proposed broad expansion of WTO scope and powers, the contentious issues of investment, competition and procurement were omitted, and the text on the remaining expansion issue leaves out the degree to which its terms will be binding on WTO nations.

Given that these new issues were at the heart of the U.S., EU and other most powerful WTO member nations' agenda for this round of talks, the scope of the framework agreement itself is a signal of the changing power relations at the WTO—a development that is certain to determine what happens in the coming weeks when a framework text unacceptable to many nations must be put into practical use.

"You can imagine the curse that is cast on future WTO talks by having days of closed door negotiations and then having a handful of mainly rich countries put the majority of WTO member countries into a trap of either having to take a text strongly against their interests or be blamed for causing a disaster," said Wallach. "This was tried in Doha, and the WTO's current negotiating morass is the result."

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2nd National Convention of CNDP Held on November 26-28, 2004 in Jaipur

With the wholehearted participation of 600 people of different walks of life, Coalition for Nuclear Disarmament and Peace (CNDP) held its 2nd National Convention in Jaipur (Rajasthan) on November 26-28, 2004 at Indira Gandhi Panchayati Raj Sansthan. During the convention, several programmes were organised including workshops on burning issues related with nuclear disarmament and peace processes at national and global levels. There were other parallel programmes for school children educating them about the burgeoning threats of nuclear weapons to human life. Nearby the main venue, dozens of documentary films were screened at Jawahar Kala Kendra, where hundreds of children were present and interacted with the noted directors and peace activists like Anand Patwardhan, Admiral L. Ramdas and Qamar Agha.

The 3-day National Convention of CNDP attracted many participants from different states raising their voice on different vital issues around role of nuclear powers and peace on the Earth. There were students, activists, academicians, leaders, journalists, and delegates from countries like Japan, Australia and USA. Participants and delegates discussed issues like Military Dimension of American Imperialism, Perspective of South Asain Nuclear Disarmament, Trade and War and Landmines etc. The participation of distinguished persons like Syeda Hameed, Aijaz Ahmad and Prabhas Joshi, and Karamat Ali from Pakistan put an edge to the function.

On the last day, the Nuclear Free Future Awards 2004 ceremony was held with full fervor of traditional music of Rajasthan. Veteran Freedom Fighter Siddharaj Dhadha distributed the awards to four awardees including JOAR of Jharkhand, which is working against the hazards of Uranium Mining in India. The Convention also discussed and released the Jaipur Declaration and constituted the new NCC i.e. National Coordination Committee of CNDP.

Indian Farmers Fear New WTO Deal

By Ranjit Devraj

Agriculture and trade experts in India - a country with 650 million farmers - are not sharing the euphoria of the government at having supposedly pulled off a favourable farm deal at the World Trade Organization (WTO) framework negotiations in Geneva.

An official statement released by the Indian delegation at Geneva headed by Minister for Commerce and Industry Kamal Nath claimed that the revised framework for negotiations adopted by the WTO general council in Geneva had met key Indian demands. "We got what we wanted. We have been able to protect our defensive as well as offensive interests in agriculture," Nath was quoted as saying by Indian media reports.

But the powerful National Farmers Coalition (NFC), which represents 75% of India's farmers thinks otherwise. "India and other developing countries should understand that they have been mislead by the complex technical language which now actually allows the United States and the European Union to increase their domestic support [of agricultural products]," said Devinder Sharma, a spokesman for the NFC. "The exports of these countries can actually be dumped on others."

The WTO's 147-member general council adopted over the weekend, in Geneva, an agreement that aims to cut subsidies to farmers in wealthy countries and bring down barriers to the multibillion-dollar agricultural trade. Two weeks of talks ended with a pact pledging "substantial reductions" in the tariffs and subsidies by which Europe, the US and Japan have distorted markets for agricultural-exporting nations. At the same time, the agreement allows countries to protect certain "sensitive products", leaving the details to be negotiated.

While Nath claimed that Indian farmers have been "completely protected as no significant product that would adversely affect our agriculture sector has been allowed access", NFC said that in practice India, like other member countries, would be compelled to make "substantial improvements in market access for all products".

Close readings of the framework by members of the National Farmers Coalition reveal a sleight of hand made possible by playing on the distinction between authorized levels of support and actual applied support. "These distinctions are commonly misunderstood by non-specialists at trade talks and seem to have happened once again," said NFC spokesman.

There has also been box shifting from amber to blue and then the green box with misleading interpretations of words like "subsidy" and "support". The EU has substantially reduced its administered prices ("intervention prices") since 2002 and compensated for these reductions by blue and green subsidies.

In WTO terminology, subsidies in general are identified by "boxes" that are given the colors of traffic lights: green (permitted), amber (slow down - ie be reduced), red (forbidden).

In agriculture, things are, as usual, more complicated. The Agriculture Agreement has no red box, although domestic support exceeding the reduction commitment levels in the amber box is prohibited; and there is a blue box for subsidies that are tied to programs that limit production.

Indeed, the defeat of the right-wing Bharatiya Janata Party government in elections between April and May was attributed largely to widespread resentment among farmers in rural areas that they had been left out of the benefits of economic restructuring.

In states such as Andhra Pradesh - which took a lead in economic restructuring with direct support from the World Bank - many farmers have committed suicide as a result of their inability to repay rising debts and costs of farming inputs including electricity.

Farm experts have attributed the suicides to the emphasis laid on unsound crop-diversification programs promoted by the World Bank as part of structural adjustment, which also resulted in a shift away from staple foods needed for food security to cash crops that meet luxury requirements.

India's new Prime Minister Manmohan Singh, soon after taking office, toured Andhra Pradesh, where he announced release of cash payments to farming families deprived of breadwinners by the suicides.

As with other developing countries that have gone in for structural adjustment programs, India has been steadily dismantling state support for food procurement, withdrawing support to farmers and relaxing land ceilings to enable corporations to move into agriculture.

In contrast with farmers' bodies, India's trade and industry chambers have welcomed the WTO framework. "It is satisfying to see that a number of our concerns have been addressed and reflected in the deal," said a statement from the Federation of Indian Chambers of Commerce and Industry.

The Confederation of Indian Industries said it particularly welcomed increased market access in non-agricultural items and according to its president, S K Munjal, the framework provided a "good basis for further negotiations".

(Courtesy: Inter Press Service)

George W. Bush is the first U.S. president since Herbert Hoover to preside over a nation that has fewer jobs at the end of his first term than when he took office. During the Bush administration, 1.6 million private sector jobs have been lost nationwide.

However, an important distinction can be made between Bush's and Hoover's tenures: During the Depressio n, the U.S. economy collapsed and jobs disappeared completely; during the Bush years, the U.S. economy has continued to grow, and many jobs that disappeared from within our borders "reappeared" in far-off locations – places where labor costs are significantly lower. This practice is widely referred to as offshoring.

The first wave of U.S. corporate offshoring occurred in the 1980s and accelerated in the mid- 1990s after the launch of the North American Free Trade Agreement (NAFTA) and World Trade Organization (WTO). During this period, hundreds of plants closed across the United States. This first wave primarily affected the manufacturing sector and blue-collar jobs. One rationale given by the proponents of NAFTA and the WTO for the initial export of jobs was that lowskilled and low-paying manufacturing jobs would be replaced with "better paying and cleaner jobs" in the high-tech and professional service sectors.

In the aftermath of the blue-collar jobs meltdown, offshoring now has gained major momentum among service sector companies seeking lower employment costs and higher profit margins. This job migration began with lower-wage, "back office" operations, such as telemarketing, reservations and data processing. However, service sector offshoring has moved up the skills ladder, so that millions of high-paying, high-skilled jobs are now at risk. In other words, corporations increasingly are shipping out the very kinds of white-collar jobs in which the United States theoretically should have a competitive advantage and that were supposed to replace offshored manufacturing jobs.

The newest wave of offshoring is primarily occurring in three industry sectors: financial services, computer products and services, and telecommunications services – the subjects of this report.

This report's major findings include:

At least 53,000 white-collar finance, computer and telecommunications services jobs have been offshored by 29 companies since 2000.

Public Citizen estimates that more than 11,000 financial services jobs, nearly 25,000 computer products and services jobs and at least 17,000 telecommunications services jobs have gone abroad. Job losses are almost certainly much higher, considering the fact that companies resist disclosing such information and no federal or state reporting requirements exist for jobs sent offshore.

The Bush administration has taken numerous actions to promote the offshoring of jobs or failed to take actions to stem the flow of jobs abroad.

It opposes proposals to include anti-offshoring provisions into government procurement contracts.

Twice in the past 18 months, measures have been considered in Congress that would restrict the federal government from giving contracts to companies that send work offshore. In both instances, the Bush administration opposed the proposals.

It encourages companies to create jobs overseas by deferring the taxation of overseas profits.

President Bush, who has eagerly revised the tax code to benefit wealthy corporate CEOs, supports continuing a key incentive for companies to ship jobs overseas. It allows the profits of U.S.-based multinationals to be subject to taxation only when their foreign earnings are repatriated. Two years ago, the Treasury Department promised to issue new regulations to address some of the loopholes that permit this activity, but even draft changes have not been forthcoming.

It has been inactive on the threat offshoring poses to consumer privacy protections for medical and financial information.

Increased offshoring by U.S. companies means that an unprecedented amount of sensitive personal data is being shipped overseas. Strong privacy protections, however, effectively end at our borders. Rep. Edward Markey (D-Mass.) has asked nine federal agencies how the Bush administration is addressing this threat to consumer information privacy – but the responses, while providing even more proof that new legislation is needed, failed to address the regulatory holes that exist.

It has made efforts to expand the World Trade Organization (WTO) into more service sectors and undermine anti-offshoring policies in procurement chapters of trade agreements.

The White House is trying to expand the scope of the WTO's "services" agreement, the General

Agreement on Trade in Services (GATS), by bringing more service sectors under its scope, thereby limiting the ability of governments to independently regulate service sectors. The administration is passionately pushing service-sector privatization and deregulation through new regional and bilateral free trade agreeme nts, such as the Central American Free Trade Agreement (CAFTA) and the proposed Free Trade Area of the Americas (FTAA), a 31-nation NAFTA expansion. The administration also has sought to undermine state laws by lobbying state governors to get them to bind their states to new procurement rules in a dozen proposed bilateral free trade agreements. These rules would threaten state bans on the public purchase of goods produced in sweatshops or state laws requiring recycled content in paper products and similar goods. They would

also outlaw measures that have been introduced in more than 30 state legislatures to prohibit the use of state funds for contracts that employ overseas workers.

The 29 companies that are leading offshorers have contributed substantially to Bush presidential campaigns.

The 29 companies and their employees have given a total of at least $19.1 million – an average of $657,000 per company– in campaign contributions to President Bush and the Republican National Committee (RNC) since 2000.

These donations include company political action committee and employee contributions; soft money contributed to the RNC, which is banned in the 2004 election cycle; and corporate contributions to the Bush-Cheney Inaugural fund. Eleven offshoring companies in the financial services sector have given a total of $9.3 million to Bush, the RNC and the inaugural fund since 2000. Twelve offshoring companies in the computer products and services sector have given a total of $4.6 million to Bush, the RNC and the inaugural fund since 2000. Six offshoring companies in the telecommunications sector have given a total of $5.2 million to Bush, the RNC and the inaugural fund since 2000.

Twenty-three Rangers and Pioneers from the 29 companies bundled together a minimum of $3.5 million to assist President Bush in the 2000 and 2004 campaigns.

Rangers and Pioneers are the honorary titles given by the Bush campaign to fundraisers who bundle at least $200,000 or $100,000, respectively, in maximum $2,000 contributions. They are typically corporate executives who often round up much more than the minimum required to receive the campaign's special designation.

The amount raised by the 23 Rangers and Pioneers from these 29 companies increased 10 times from 2000 to 2004.

In 2000, just five individuals from the 29 companies pledged to become Bush Pioneers. Three of them raised at least $100,000, but the campaign did not confirm whether two others reached their goal or exactly how much money either of them raised. In 2004, the number of bundlers from the 29 companies had swollen to 19 (10 Rangers and 9 Pioneers), who raised at least $3.2 million. This is a tenfold increase in money raised.

These 23 Rangers and Pioneers came from just 11 leading offshoring companies.

Seven companies in the financial services sector provided 15 Bush bundlers, including four from Morgan Stanley and three from Goldman Sachs. The leading offshoring companies in the computer products and services industry had a total of four bundlers – two each from Microsoft and Texas Instruments. The leading offshoring companies in the telecommunications industry had a total of four bundlers, two each from SBC Communications and Verizon Communications.

Offshoring of American Jobs Has Accelerated Under President Bush

There are no reliable data on the total number of U.S. jobs that have already been sent abroad in recent years.3 Measurement issues and other methodological problems have generated a confusing array of estimates. The key problem for many analysts has been defining and systematically linking domestic job losses with positions created overseas by American companies. No matter what the estimates, most analysts see the current situation as the beginning of what is expected to be a rapidly escalating trend.

Under President Bush, the offshoring of jobs has gained considerable momentum. Job losses are in a wide range of sectors but are concentrated in financial services, computer products and services, and telecommunications services.

Public Citizen examined 29 companies in these three sectors. The chosen companies were compiled by identifying the top offshoring corporations in each of the three sectors and then including each of these companies' top competitors that also offshore jobs. The list is based on news accounts and a Web site that maintains comprehensive data on jobs offshored– TechsUnite.org.

Public Citizen estimates that these 29 companies have

offshored at least 53,000 U.S. jobs since 2000. More than 11,000 of these jobs were from 11 financial services sector companies, nearly 25,000 jobs were from 12 computer products and services companies, and at least 17,000 jobs were from six telecommunications services companies.

The job losses at these 29 companies are almost certainly much higher. Corporate America's fears over a backlash have placed great limits on how much information it is willing to reveal – making it difficult to acquire and verify data on jobs going abroad. Moreover, there are no federal or state reporting requirements for jobs sent offshore.

Large swaths of the U.S. labor force – from factory workers to Ph.D. engineers to computer scientists – must now compete with developing country wages. The result is a hollowing out of the middle class. Even government contract work is not immune to the offshoring trend – although the number of jobs lost is even harder to determine. State and federal governments usually do not track where the work is done by a private contractor after the contract has been awarded. In many cases, contracts are awarded to a U.S. firm that then subcontracts with an overseas affiliate or third-party service provider. Thus, while there are many well-known anecdotal examples of state government work being sent offshore, no data ha ve been collected on the extent of the practice. Whatever the exact numbers, most analysts agree that this new wave of overseas outsourcing is gaining steam, as the following data show.

Skilled, white-collar employees are as vulnerable to offshoring as manufacturing workers.

Researchers at the University of California, Berkeley, have calculated that more than 14 million highly skilled, white-collar jobs paying an annual average salary of $40,000 are vulnerable to being offshored.4 A widely cited projection by Forrester Research, a technology research firm, estimates that 3.4 million white-collar jobs will move offshore by 2015, including 830,000 by 2005, up from their original projection of 588,000.5 A Goldman Sachs study estimates that as many as 6 million U.S. service jobs could move overseas in the next decade.

Offshoring is sweeping through industries employing highly educated workers in technology, financial services, information and professional services.

Specialized industry projections include the Gartner Group's estimate that 10 percent of U.S. technology jobs will have moved offshore by 2005.7 Despite the brewing political backlash, Gartner found that up to 25 percent of traditional information technology jobs will be relocated from developed to developing countries by 2010.8 Mark Zandi, an economist at

Economy.com, estimates that between 750,000 and 1.2 million U.S. jobs have gone offshore since early 2001, and that 19 percent of these were in information, financial and business services.

A.T. Kearney predicts 500,000 financial services jobs (8 percent of all U.S. jobs in banking, brokerage and insurance) will be shipped overseas by May 2008.10 Almost 5 percent of U.S. human resources jobs had been sent offshore by mid-2003, a figure that is expected to rise to at least 15 percent by 2007, according to a national human resources publication.

While information technology, back-office accounting and telemarketing jobs have been going offshore since the mid 1990s,12 professional positions in law, investment research, taxpreparation, technical writing, and medical transcription are now at risk of being sent offshore.

Low-paying positions have replaced information technology jobs in the government's projections for most rapid employment growth.

The U.S. Bureau of Labor Statistics (BLS) projects that over the next decade six of the 10 occupations expected to gain the most ground are low-wage occupations that do not require a college degree.14 This represents a major shift from earlier government estimates. Just two years ago, the BLS projected nearly the opposite: that the seven most rapidly growing occupations would be in information technology from 2000 to 2010.

Many workers' wages are dramatically reduced by offshoring.

Besides domestic job loss, a major effect of globalization is the suppression of wages in affluent countries. A recent worker displacement survey conducted by the U.S. government found that 56.9 percent of those who said they were re-employed were earning less in their new jobs than in the jobs they had lost. Thirty- four percent of those displaced workers who were re-employed reported earnings losses of 20 percent or more.16 A Brookings Institution study estimates that, for every dollar of U.S. services activity offshored, "re-employed" workers recover less than half – 47 cents.

While American workers face job losses, companies that offshore the most service-sector jobs enhance executive pay.

A recent report by the Institute for Policy Studies (IPS) titled Executive Excess, highlights tha t the offshoring trend may in fact be contributing to the country's income disparity. IPS found that executive

pay at the 50 companies outsourcing the most service-sector jobs increased 46 percent in 2003. While the average CEO got a 9 percent raise in 2003, regular workers saw just a 2 percent pay increase. For the first time in two years, the CEO-to-worker wage gap rose. The CEO-to-worker pay ratio reached 301:1 in 2003, up from 282:1 in 2002. For call center workers the gap is even wider. Currently, the pay gap between U.S. CEOs and American call center workers is 400:1.

For instance, the response from Health and Human Services Secretary Tommy Thompson neglected to communicate a commitment to improving privacy regulations. At the same time, his response further validated Markey's concerns. Thompson reported that under the Health Insurance Portability and Accountability Act (HIPAA), consumers whose private medical information has been offshored to an entity that then compromised its confidentiality, have no right to sue either the U.S. company that transferred the data, or the offshore company that released it.

Markey since has introduced the "Personal Data Offshoring Protection Act," which would prohibit companies from transferring personal information to countries that do not provide privacy protections equivalent to U.S. standards and would require notice and consent. The bill also provides for civil remedies for violations.

Bush trade policies have undermined domestic anti offshoring policies in the services and procurement chapters of international trade agreements.

Provisions in the services and procurement chapters of the WTO, as well as NAFTA-modeled trade agreements, severely restrain governments from regulating service sectors, including financial services, telecommunications and energy. These provisions are negotiated by the U.S. Trade Representative. Such provisions place significant limitations on anti-offshoring legislation at the federal level and in the 37 states also bound to the WTO procurement agreement. Unfortunately, the White House is trying to expand the scope of the WTO's

"services" agreement, the General Agreement on Trade in Services (GATS), by bringing more service sectors under its scope, further limiting the ability of governments to regulate service sectors.

Although the WTO and NAFTA took effect under the Clinton administration, the Bush White House is taking the agreements a step further by passionately pushing the same kind of service-sector privatization and deregulation agenda in regional and bilateral free trade agreements, including the Central American Free Trade Agreement (CAFTA) and the proposed Free Trade Area of the Americas (FTAA), a 31-nation NAFTA expansion.

The Bush administration also has sought to undermine state laws by lobbying state governors to get them to bind their states to new procurement rules in a dozen proposed bilateral free trade agreements.36 These rules would threaten state bans on the public purchase of goods produced in sweatshops or state laws requiring recycled content in paper products and similar goods. They would also outlaw measures that have been introduced in more than 30 state legislatures to prohibit the use of state funds for contracts that employ overseas workers.

Contributions to the Bush Campaign from Major Companies that Offshore U.S. Jobs

It would be an oversimplification to suggest that the Bush administration wholeheartedly supports policies that facilitate the offshoring of American jobs because of sizable campaign contributions from the companies that benefit from those policies. The role of money in politics sometimes works in more subtle ways than such a blatant quid pro quo.

As an unabashedly free-market, free-trade politician, it is no surprise that President Bush supports policies that result in the export of jobs to the lowest-cost countries – thereby enabling American companies to maximize their profits.

But what sizable campaign contributions from industry help ensure is that candidates who support unfettered offshoring policies are elected to office. Such financial support also guarantees a high level of access to decision- makers in the executive branch and Congress.

Public Citizen examined the campaign contributions to President Bush from the 29 leading companies in the three industry sectors that have emerged as active offshorers of white-collar jobs – financial services (11 companies), computer products and services (12 companies), and telecommunications (6 companies). These 29 companies have provided substantial support to Bush campaign efforts since the 2000 election cycle.

Twenty-three Rangers and Pioneers from the 29 companies bundled together a minimum of $3.5 million to assist President Bush in the 2000 and 2004 campaigns.

Rangers and Pioneers are the honorary titles given by the Bush campaign to fundraisers who bundle at least $200,000 or $100,000, respectively, in maximum $2,000 contributions. They are typically corporate executives who often round up much more than the

minimum required to receive the campaign's special designation. There has been remarkable growth in the number of Bush bundlers from leading offshoring companies from 2000 to 2004.

- In 2000, just five individuals from the 29 companies pledged to become Bush Pioneers. Three of them raised at least $100,000, but the campaign would not confirm whether two others reached their goal or exactly how much money any of them raised.
- In 2004, the number of bundlers from the 29 companies had swollen to 19 (10 Rangers and 9 Pioneers), who raised at least $3.2 million. This represents more than a tenfold increase.One rainmaker, Peter Coneway of Goldman Sachs, the only individual to qualify in both 2000 and 2004, also was crowned a "Super Ranger" in 2004 after raising at least $200,000 for President Bus h and at least another $300,000 for the Republican National Committee (RNC).
- These 23 Rangers and Pioneers 37 came from just 11 companies. Seven of the leading offshoring companies in the financial services sector provided 15 Bush bundlers, including four from Morgan Stanley and three from Goldman Sachs. The leading offshoring companies in the computer products and services industry had a total of four bundlers – two each from Microsoft and Texas Instruments. The leading offshoring companies in the telecommunications industry had a total of four bundlers, two each from SBC Communications and Verizon Communications.

Twenty-nine leading offshoring companies and their employees have given a total of at least $19.1 million in campaign contributions to President Bush and the RNC since the 2000 election cycle.

These campaign donations include company political action committee and employee contributions; soft money contributed to the RNC, which was banned in the 2004 election cycle because of the McCain-Feingold law; and corporate contributions to the Bush-Cheney Inaugural fund.

- The companies contributed an average of $657,000 each since 2000 to benefit Bush.
- Eleven offshoring companies in the financial services sector have given a total of $9.3 million to Bush, the RNC and the inaugural fund since 2000.
- Twelve offshoring companies in the computer products and services sector have given a total of $4.6 million to Bush, the RNC and the inaugural fund since 2000.
- Six offshoring companies in the telecommunications sector have given a total of $5.2 million to Bush, the RNC and the inaugural fund since 2000.

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Anti-War Assembly Condemns US 'Interference'

The three-day Anti War Assembly organised in Hyderabad, India from 17 to 19 December 2004 was a great success. It was attended by activists from Iraq, Palestine, Egypt, U.K., U.S., Japan, Philippines, France and Italy, apart from India. The Assembly expressed solidarity with the people of Iraq and support for their 'resistance' to U.S. occupation. It also expressed solidarity with the struggle of the Palestinian people to end Israeli Occupation of their homeland.

An Iraqi delegate, Khudur al-Azawi, said the whole world was opposed to the U.S.-led war in Iraq. "From Iraq to India the entire world is against their war-mongering", he said. Thanking Indian people for their support to the Iraqi people, he said: "The day is not far when the mighty American military will have to leave Iraq having been defeated by our resistance."

Activists from the U.S., the U.K. and Japan also addressed the public meeting. Chris Nineham from the U.K., said the U.S. had lost the global battle for the "hearts and minds" of the people and was now losing the military battle on the ground in Iraq. Representatives from various political parties, social movements activists, trade unionists and eminent individuals addressed the meeting.

The Assembly decided to organise massive rallies in different cities of the country on March 19 and 20 in 2005 to observe the second anniversary of the U.S. attack on Iraq.

The Anti War Assembly ended with an impressive rally that culminated in the symbolic burning of an effigy of a nuclear weapon. Delegates from Iraq, Palestine, Japan and other countries also marched in the procession. The rally started from Sundarayya Park and made its way through the RTC Cross Roads to Indira Park, where prominent leaders addressed the gathering.

Slogans against the United States and President George W. Bush rent the air. Innovative posters and banners caught the eye of the public, especially those designed by the Students' Federation of India and the Democratic Youth Federation of India. An all-red banner conveyed revolutionary greetings from the CPI (ML), New Democracy and its affiliate organisations, the Progressive Democratic Students Union, the Progressive Organisation for Women, the Progressive Youth League and the All-India Kisan Mazdoor Sangh.

The Politics of Oil

By Syed Rashid Husain

Oil and politics are virtually inseparable. Oil riches have been responsible, analysts strongly feel, for many a war and tragedies of today's world. Not all the nations have succeeded, like Saudi Arabia and other countries of the Gulf, to utilize the riches for transforming their societies and countries. To many, it also carries a curse!

While the world is faced with growing concerns about security of supplies from this major energy producing part of the world, for scores of reasons, there seems to be rush to secure and diversify energy resources. Oil is thus sucking global powers into this "great game of the 21st century."

Recently, Darfur, and Sudan have been very much in news. Sudan faced with a civil war and currently is the focus of attention of the US and the rest of the world. Outgoing US Secretary of State Colin Powell has expressed the determination of the administration to resolve the crisis. And some say this also has an oil connection.

The Sudanese President Omar Hassan Al-Bashir accused the Western nations of interfering in its troubled Darfur region so as to exploit Sudan's gold and oil resources, to their benefit.

Sudan's neighbour Chad has emerged as a big oil producer in the past decade. Sudanese officials believe that the troubled Sudanese region of Darfur is "floating in oil". The country already has one of the fastest growing oil sectors in the world. Production grew four fold between 1999 and 2003, and official figures estimate recoverable oil reserves at over 2,000 mm barrels and proven reserves at 700 mm barrels.

The completion of a 1,540 km pipeline to the Red Sea port of Bashair, about 25 km south of Port Sudan, in August 1999 transformed the country from a net importer of hydrocarbons into a substantial exporter.

According to UK's Wood Mackenzie, production rose to 250,000 bpd from just 12,000 bpd in 1997. Wood Mackenzie forecasts an average production of 310,000 bpd in 2004 and 418,000 bpd the next year. However, some Sudanese sources project the 2005 average crude production to be around half a million bpd.

In the absence of some major well known Western oil majors in Sudan, companies from China, Malaysia, Britain, Italy, India, New Zealand, Malaysia, Pakistan, and Qatar are active in exploration activities in the country.

And this is not peculiar to Sudan. Not long ago Indonesia was forced to let East Timor pull out. The secession was forced upon Jakarta despite the vow by the then US President Bill Clinton that the era of changing geography by force has already gone by. Yet the geography of Indonesia was changed! And some suggest that the energy riches of the region were one of the major factors that influenced the equation, prompting Australia to take a lead role in the East Timor affairs.

The issue of maritime boundaries and the distribution of royalties from the gas fields of the Timor Sea -- separating Australia and the East Timor -- has been a bone of contention between the two countries for some time. In question was the Greater Sunrise field, some 150 km from East Timor, estimated to contain 8.35 tcf of gas.

There have been speculations that one of the reasons behind the Australian "goodwill and humanitarian" decision to deploy their forces in East Timor was to get the deal signed on the terms which they were unable to get from Jakarta. Indeed the curse of oil and gas played its due role in this episode as well.

Indeed a number of tragedies that have occurred to a diverse range of people in various parts of the world was because of the oil and energy riches they have, one has to concede -- though reluctantly. Oil definitely attracts a lot of undue attention and interference from unwanted quarters and who else can bear witness to this better than Arab people.

Curtesy: Arab News, 19.08.2004

Unempolyment : Definition, Types, Reason and Solution

By R P Saraf

I

The question of the definition of unemployment does not exist in one standard concept/definition in social sciences. the international conference of labour (ILO) statisticians in 1954 had defined it as follows:

i. Persons in unemployment consist of all persons above a specified age who, on the specified day or for a specified week, were in the following categories :

   a)workers available for employment whose contract of employment had been terminated or temporarily suspended and who were without a job and seeking work for pay or profit;

   b)persons who were available for work (except for minor illness) during the specified period and were seeking work for pay or profit, who were never previously employed or whose most recent status was other than that of employee i.e. former employers, etc. or who had been in retirement;

   c)persons without a job and currently available for work who had made arrangements to start a new job at a date subsequent to the specified period;

   d)persons on temporary or indefinite lay-off without pay;

ii. The following categories of persons are not considered to be unemployed:

   a)persons intending to establish their own business or farm, but who had not yet arranged to do so, who were not seeking work for payor profit;

   b)former unpaid family workers not at work and not seeking work. But, according to economists, this definition - which stresses 2 main charactristics of the unemployed, viz, (a) 'not working' and (b) 'seeking work' - does not help in the less developed countries where the under-employed are partially employed.

iii. Taking into account the above definition, we can say that, in simple language, unemployment denotes total absence of work for those who are not working at any job, but who are actively seeking work and lack of work for those who are marginally working but searching for a full-time job. Thus, an unemployed is the one who is not working and actively seeking work or who is partially working, but searching for a full-time job.

iv. When applied to society, unemployment signifies unused human labour or wastage of human resources which could not be employed in any productive work.

v. Thus, unemployment is harmful not only to the unemployed individuals but also to society.

II

As regards the specific types of unemployment, it exists in the developed countries, according to different varieties of economists in the following forms- high wage-rate, cyclical, frictional, structural and technological (or pertaining to rationalisation), while, in the less developed countries, it is found, apart from the abovestated forms, in such forms as disguised, seasonal and adverse movements in the terms of trade.

III

Coming to the reason behind its rise and treatment, each type of unemployment has its specific cause and solution, according to the propounder of each form.

High wage-rate unemployment, according to classical and neo-classical economists, is caused by the rise in wages which raise the cost of production and thus result in the slackening of effective demand. They believe that unemployment is not a feature of industrial capitalism, but its deviation which is only a passing phenomenon that can be quickly set right by lowering the wage-rate.

Cyclical unemployment, according to Keynes, emerges when there is lack of effective demand to absorb the entire stock of goods produced in an economy. The deficiency in demand itself originates from man's inherent tendency of saving more and spending less. This leads to decrease in investment and consequently to reduction in employment. It is called cyclical, because business depressions occur at more or less regular intervals (e.g., the recent recessions of 1969-70, 1974-75 and 1980-82). This type of unemployment can be removed by raising the rate of investment mainly through deficit financing - thus placing more money in the hands of the people and creating more demand.

Frictional unemployment, according to the concerned economists, occurs when, in a growing and dynamic economy in which the demand for

labour and its supply are more or less in correspondence, the closure of old declining industries gives rise to unemployed workers who either shift to places of newly rising industries or learn new trades in order to get employment in the latter. The factors responsible for frictional unemployment are: breakdowns in machinery and equipment, shortage of materials, immovability of labour, lack of workers' technical level, etc. (e.g. the shifting of workers from the closing industries of the 2nd world war to peace-time industries). Frictional unemployment can be minimised by providing quick retraining facilities to the unemployed workers, opening labour exchanges, arranging adequate social measures to help the unemployed during the transition and regulating in an orderly manner the pace of technological change.

Structural unemployment, according to the related economists, is caused when the growth of manpower resources is faster than the growth of physical capital resources - leading to long-term unemployment. This type of unemployment mainly pertains to the less developed countries where labour outstrips the physical capital. The current long-term unemployment trends even in the developed countries show that the growth of physical capital is not matching the growth of the working force. The shortage of physical capital can be met by an efficient use of its available resources, eliminating wasteful expenditure, increasing the rate of savings and investment, raising loans at home and abroad, rationalising taxation, etc.

Technological unemployment (or unemployment pertaining to rationalisation), according to its authors, appears when (a) a new technology displaces an old technology or (b) a new technique of management replaces an old technique of management, while the production technology remains the same. Technological unemployment is more painful when the gap between the new and old technology is so great as to render valueless the old technique of labour - thus forcing the workers to seek employment in unskilled occupations or to remain unemployed if they can not find alternate employment. The unemployment caused by the change in management technique creates similar problems if new employment opportunities are not created to absorb the unemployed. Rapid economic growth is at one time the cause and at other time the cure for technological unemployment.

Disguised unemployment, according to its composers, is concerned with the less developed countries, particularly their rural sector. Rural unemployment has 2 aspects - seasonal and perennial. The seasonal unemployment occurs when population engaged in agriculture remains idle for at least 5 to 7 months during the slack agricultural season. The perennial unemployment is a chronic phenomenon in an under-developed agriculture. In 1945, Mandelbaum estimated that nearly 27% of active rural workers in Greece, Yugoslavia, Poland, Rumania and Bulgaria were redundant. In 1951, a UN study noted that for many regions of India and Pakistan and for certain parts of Philippines and Indonesia, the surplus rural population can not be less than 20-25%. The said estimate about India is related to the period when 100 million people were engaged in Indian agriculture (Indian Census 1951). Now, when their number has risen to 171 million (Indian Census 1981), it means that over 40% population in Indian agriculture (i.e. 2 persons in a 5 member rural family) is redundant. Apparently everyone seems to be employed, but, infact all are under-employed. This type of unemployment is a consequence of the shortage of physical capital or other complementary resources (i.e., low rate of capital growth, high capital-output ratio, etc.) It can be cured by expanding the stock of physical capital or units of production so that additional jobs are created to absorb the surplus population.

Seasonal unemployment, according to its creators) is found in both the developed and less developed countries. It is caused due to the seasonal character of certain occupations. For instance, ice-cream factories and boatmen's services in Britain have an effective demand during summer. Other examples of seasonal industry are the rice mills and sugar factories, etc. Agriculture in the less developed countries is 100% a seasonal profession.

Unemployment due to adverse movements in trade, according to the economists, often arises in the less developed countries when, due to decline in the prices of their primary commodities, there occurs a fall in their employment level. This type of unemployment can be rectified by diversifying the production and export of commodities of the less developed countries.

(Paper presented at the conference on unemployment held in Jodhpur from 29 to 31 October, 2004)

Food Sovereignty: A New Farm Economy to Challenge Economic Globalization

By Anuradha Mittal

For thousands of years, small farmers have grown food for their local communities – planting diverse crops in healthy soil, recycling organic matter, following nature's rainfall patterns, and maintaining our rich biodiversity. This agricultural system was built on the farmers' accumulated knowledge of the local environment, passed on from one generation to another. Today, it is confronted by both an environmental and a moral crisis.

What's called 'modern industrial agriculture,' driven by the engine of economic globalization, is replacing family farms with corporate farms, farmers with machines, mixed crops with monocultures, and has traded local food security for global commerce. This phenomenon is best described by Wendell Berry in Fatal Harvest: "One of the primary results – and one of the primary needs- of industrialism is the separation of people, places and products from their histories. To the extent that we participate in the industrial economy, we do not know the histories of our families or habitats or of our meals. This is an economy, and in fact a culture, of the one-night stand. 'I had a good time,' says the industrial lover, 'but don't ask me my last name.' The industrial eater says to the svelte industrial hog, 'We'll be together at breakfast. I don't want to see you before then, and I won't care to remember you afterwards.' "

The agricultural system in the United States is no different. The family farm system and farmers have been sold out to corporate agribusiness with ever-increasing numbers of farm bankruptcies and foreclosures reaping a grim harvest of suicides, alcoholism, and a loss of community. In the 1930s, 25 percent of the U.S. population lived on the nation's 6 million farms. Today America's 2 million farms are home to less than 2 percent of the population. There are more people behind bars than behind the wheel of a tractor! Small family farms have been replaced by large commercial farms, with 8 percent of U.S. farms accounting for 72 percent of sales. Between 1994-1996, about 25 percent of all US hog farmers, 10 percent of all grain farmers, and 10 percent of dairy farmers went out of business. The U.S. Dept of Labour projects that the largest job loss among all occupations between 1998-2008 will be in agriculture. This is not surprising given an average farm-operator household earns only 14 percent of its income from the farm and rest from off-farm employment. However, these figures pale in comparison to one fact. The number one cause of death for farmers in the U.S. is suicide!

Federal policies have contributed greatly to the decline of the American countryside. The farm bills crop subsidies don't go to farmers who resemble John Steinbeck's Joad family, but to wealthy American corporations and wealthy individuals. Most family farms get nothing but a tax bill. Subsidizing well-heeled agribusiness interests has ensured the continued exodus of independent family farmers from the land. Taxpayer money helps bankroll the nation's largest farmers, helping them to buy up struggling neighboring family farms and creating a "plantation effect" that turns independent farmers into sharecroppers.

Farmers are losing control of the food as it's going through the chain. The share of four largest pork packer corporations went up from 44 to 62 percent between 1992 and 2001. In 2001 four poultry firms controlled 53 percent of the market, the top four firms in beef controlled 81 percent of the market, the top 10 agrochemical corporations controlled over 84 percent of the $30 billion agrochemical market. Grain distribution was even more concentrated. Two companies, Cargill and Continental, controlled about two-thirds of the grain in the world.

This agricultural system robs not just the U.S. family farmers, but the world's poor. Wielding the World Bank, the I.M.F., and international trade agreements like the WTO, the U.S. is opening up foreign markets for its agribusiness corporations, by forcing poor countries to remove subsidies and lower tariffs. Today one out of every four acres in America is grown for export. And it has accomplished this by dumping cheap subsidized surpluses into the Third World countries. It exports corn at prices 20 percent below the cost of production, and wheat at 46 percent below cost. The result is a reverse Robin Hood effect – robbing the world's poor to enrich American agribusiness.

In 1997, over 2,000 farmers committed suicide in the Anantpur district of Andhra Pradesh in India.

Another 600 farmers committed suicide in Punjab, known as the granary of India, during the same period. An Indian journalist, P. Sainath, who visited all the police stations in Ananthpur reported that 1600 of the 2000 suicides were committed by drinking pesticides and that most of the farmers had defaulted on their loan payments to the bank. The New York Times (June 6, 2004) reported that debts had driven 50 to 100 farmers to take their own lives in Andhra Pradesh since a new –state government took office in mid-May, 2004. It is estimated that between 1997-2003, over 20,000 farmers have taken their lives in India. When faced with a dead end, they have opted for death.

But any system built upon structural inequities is ultimately unsustainable. It fuels conflict and struggle along the lines of class, gender, and ethnicity, till it consumes itself. Today's corporate-controlled food system is just such a system.

Mexico was once self-sufficient in basic grains but now, largely as result of North American Free Trade Agreement (NAFTA), it imports 95% of soy, 58% of rice, 49% of wheat, and 40% of its meat. NAFTA is killing the Mexican countryside, with an estimated 600 peasant farmers forced off their land each day. In January 2003 Mexican farm leaders, under a united front "Countryside Can't Take it Any More," started a hunger strike to protest the agriculture chapters of NAFTA. The hunger strike was accompanied by demonstrations along the U.S. Mexican border, on highways, at airports, and at the offices of transnational agri-business corporations. Farmers in Mexico saw an outpouring of support for their struggle, both nationally and internationally. And this cross border organizing is the response that is challenging the liberalization of rural livelihoods.

It was present in Cancun in September 2004 at the Fifth Ministerial of the World Trade Organization. On September 10, Lee Kyung Hae, leader of the Korean Federation of Advanced Farmers Association, climbed the barricades that were built to keep away over 15,000 protesting farmers, indigenous people, and youth in Cancun, from the trade talks aimed at bringing trade barriers down. Wearing a sandwich board that read "The WTO Kills Farmers," Lee Kyung Hae took his life with a knife to the heart. Lee had watched over the years, hundreds of his comrades displaced from their lands. His own farm foreclosed four years ago. He dedicated his life to not only the Korean countryside, but to rural struggles around the world.

Don't let this resistance seem without hope. The farmers around the world, the stewards of our land and keepers of nature's inheritance to humanity, have been walking this path, without thinking about hopelessness. They have not quit. Even in Cancun, the barricades and the creation of the police state could not save the talks. Trade negotiators representing the Third World countries walked out of the talks saying that "no deal is better then what is being offered."

I personally have made the decision to fight this fight by looking for reasons to keep on. And I am glad to share my reasons with you with the hope that they will inspire you to continue this struggle. I cannot over emphasize that: Today the rural communities are responding to corporate take over of our food system with their anti-corporate farming laws. **In Pennsylvania inspired by the anti-corporate farming law in South Dakota, community activists have worked to get local governments adopt this law, preventing factory farms from being sited in their rural communities.**

In an open challenge to the corporate takeover of our food system, a vibrant food system is growing all over America. Hundreds of family farm groups, farm workers, community gardeners, and environmentalists are working to ensure community food security: where everyone has a safe, culturally acceptable, nutritional diet through a sustainable food system that ensures community self-reliance and social justice. Farmers' markets have doubled in the past decade while the burgeoning Community Supported Agriculture (CSAs) is helping communities form a direct relationship with local farms.

On March 4, 2004, Mendocino county in California set the standard for the rest of the U.S. by becoming the first county to ban the cultivation of GM crops and animals. Biotechnology is another tool to convert our food into commodities. Soon after, three other counties, Butte, Marin and Humboldt, submitted enough signatures to put similar measures on the November ballot. Several other counties including Alameda, Napa, Sonoma have started similar citizen-led campaigns while the GE Free Boulder County Campaign has been launched in Colorado. Vermont has become the first state to require manufacturers of genetically modified seeds to label and register their products. In the meanwhile, Angola has joined other nations like Zambia and India in rejecting GM food aid.

International protests against the GM foods have

become a regular feature. In May, the main entrance leading to Parliament in Cape Town, South Africa, was turned into a cereal when protesters campaigning against genetically modified organisms (GMOs) emptied bags of yellow maize and substitute milk to highlight their concerns. The protest was organized in support of Biowatch, an NGO, which is currently involved in litigation in the Pretoria High Court on the lack of information from the government on the licensing and production of GMOs in South Africa. In another highly visual event, campaigners delivered a petition telling the WTO not to undermine the sovereign right of any country to protect its citizens and the environment from Genetically Modified (GM) foods and crops in May 2004. The delivery of the 'citizen's objection' to the WTO was a part of a global 'bite-back' campaign against a complaint filed at the WTO by the US, Argentina and Canada of blocking trade in GM crops and foods.

And while the Canadian Supreme court placed corporate rights over farmers rights, Percy Schmeiser and his wife Louise in their courageous 7–year battle against Monsanto have ignited an international resistance to the corporate intellectual property regimes. Just this month, about 1,500 activists, lead by Jose Bove, tore out rows of GM maize in Southern France.

In June thousands marched saying "No to Free Trade and to the Exploitation of Transnational Companies" in Sao Paulo, Brazil on the eve of UNCTAD meetings. And thousands representing trade unions, peasants, small farmers, women, consumers, students, migrant workers, urban poor, anti-war and anti-neoliberal globalization activists gathered in Seoul, Korea in June to demonstrate against the World Economic Forum, globalization and the war. Thousands of students, activists and farmers took to the streets in downtown Panama City in July to protest U.S.-Panama free trade talks taking place in another part of the city, demanding that the talks be halted given trade openings would devastate Panama's farm sector.

Each of these examples - anti-corporate farming laws, farmers' markets, international protests against free trade, county level measures - are not isolated examples of an alternative or dissent. These are about change that is taking place on the ground - slowly, organically, and steadily. Its best crop is a new consciousness where it recognizes these struggles as the new civil rights movement of the day, which will transform the industrial food-system to a more sustainable and life-affirming system. The rallying cry of this movement is: Food Sovereignty is a fundamental human right.

So what is Food Sovereignty?

Food Sovereignty requires that governments:

- Prioritize local, regional, and national needs, based on agriculture that consists of small farmers, indigenous peoples, fisherfolk, and other local communities;
- Protect local and national markets of basic food stuffs to give priority to the products of local farmers;
- Promote and enforce farmer's rights including access to land, water and seed;
- Promote sustainable peasant agriculture which is more productive and protects our biodiversity;
- Promote a direct, shared and decentralized relationship between food producers and the rest of the community;
- Enforce genuine land reform to ensure redistribution of land.
- And lastly design a new farm economy which should be the centerpiece of the country's economic development model.

It is true that whenever Third World governments have balked at U.S. and EU dictated trade proposals, they have been shown into a darkened room where they are bludgeoned with threats to cut off preferential market access, suspend aid, or otherwise have their arms twisted. However, I believe that the movement to create and sustain a just and healthy farm economy will prevail. This movement might be barricaded miles away by riot cops and military from the convention centers where trade negotiators meet. Despite this repression, right now capitals are buzzing with action as the civil society, citizens and others lobby against an unfair proposal that is being forced upon the developing countries in Geneva. Despite police harassment, groups and individuals continue to hold press conferences and take action in Geneva itself. After all, as the Sufi poet Hafez said:

"The small man builds cages for everyone
He knows.
While the sage,
Who has to duck her head
When the moon is low
Keeps dropping keys all night long
For the
Beautiful
Rowdy
Prisoners."

United States

Strikers jailed in Ohio picket line confrontation

Striking aluminum workers, their families and supporters protested outside the Monroe County Sheriff's Office November 27 after 10 workers were arrested in front of the strikebound Ormet Corporation in Hanibal, Ohio, the previous day. Workers were outraged at the decision by a Monroe County judge who threw the strikers in jail for violating a newly applied restraining order, imposed $250 fines, refused to allow a bond hearing for three days and declared the incarcerated workers might not get out of jail for 30 days. In contrast, on November 22 when the strike began, the driver of a truck crossing the picket line was arrested and quickly released after running down a striker on the picket line.

The strike by 1,300 members of United Steelworkers Locals 5724 and 5760 at two Ormet plants in Hanibal began after the company refused to delay its bankruptcy court hearing where it is seeking to save $23 million by voiding labor agreements, freezing pensions, raising workers' health care contributions and tearing up work rules. The USW bureaucracy objected to the company's plan to transfer ownership to creditors and preferred the company be put up for bid. The union also agreed to the wiping out of 220 jobs at the Hannibal plants providing the company agreed to cut 80 salaried positions.

The arrest of the strikers came shortly after a new restraining order was put in place that limited picketing to 10 and ordered other strikers to stay at least 2,000 feet away from the plant entrance. Strikers had formed lines to stop six vans entering the plant when Monroe County Sheriff's Department deputies, backed up by police from other areas, moved in. In addition to violating a restraining order, the 10 strikers will face additional charges of resisting arrest and assaulting law enforcement officers.

Farm implement company locks out workers

CNH Global locked the doors of its plants in four states after the United Auto Workers ended its three-week strike and attempted to return to work. About 650 workers who manufacture agricultural implements at CNH plants in Wisconsin, Iowa, Minnesota and Illinois went on strike November 3 against a wage freeze, increased health care costs and a cap on retiree health insurance coverage.

CNH has reopened its Racine, Wisconsin, and Burlington, Iowa, plants where the bulk of its operations reside using salaried employees and temporary replacement workers. On November 22, the company declared an impasse in negotiations, which will permit it to hire permanent replacement workers, something the company denies.

Workers at San Francisco elder care center hold one-day strike

Three hundred workers at the Jewish Home in San Francisco walked out on strike November 22 to protest the unilateral implementation by management of a contract that was rejected by workers on three separate occasions. The move allows management to hike workers' portion of health care costs. Service Employees International Union Local 250 says it will hold a meeting with workers to determine the union's next step.

Canada

Union staff vote to strike

One hundred seventy-two employees of Public Service Alliance of Canada (PSAC) rejected the employer's final offer and voted by a 73 percent margin to go on strike November 29 unless the employer returns to the bargaining table and an agreement is reached by midnight November 28. The workers employed by PSAC are members of Alliance Employees' Union (AEU).

According to AEU vice-president Loren Crawford, PSAC is trying to force its staff to work between 6 a.m. and 8 p.m. and refusing to apply to the staff the same principles they are defending in public. One key issue is the lack of health-care protection after the age of 65.

Brampton hospital workers picket

More than 100 employees of William Osler Health Centre (WOHC) in Brampton, Ontario, near Toronto, who are members of Services Employees International Union and the Canadian Union of Public Employees, held a picket November 26 to protest looming job cuts and pay reductions. Workers are concerned that the government of Ontario is planning to replace 307 full-time jobs with contracted-out positions over the next two years out and possibly cut wages to less than $10 an hour. WOHC's management team has already been reduced by 45 percent in the last 12 months.

Members from the Brampton Health Coalition joined clerical and service employees protesting the public private partnership (P3), a euphemism for privatized health care, that is being used to finance Brampton's new hospital.

Asia

Philippines public servants rally for pay increase

On November 24, thousands of public service employees held torchlight marches in cities across the Philippines. The national protest, coordinated by the Confederation of Unity Recognition and Advancement of Government Employees (CURAGE), included teachers, health workers and employees from various government departments.

The workers are demanding a 3,000 peso ($US56.60) across-the-board wage increase and are opposing planned job cuts throughout the public sector. CURAGE spokesman Danilo Alcoriza said the pay hike "is long overdue" as the public sector employees' last increase of just 5 percent in basic salary was in 2001. He questioned why the government had difficulty finding the 54 billion pesos to meet the pay increase for 1.5 million employees while it had no difficulty allocating 30 billion pesos to finance mass redundancies.

Workers in China fight for severance pay

Hundreds of workers producing goods for home appliance manufacturer Durable in the free trade zone city of Shenzhen walked off the job on November 23 over the refusal of management to pay compensation for impending layoffs. Workers forced open the plant gates and blocked the entrance after clashing with security guards.

More than 100 police and local militia were called to break up the blockade and one worker was arrested. The workers eventually dispersed in the afternoon.

The factory, previously owned by a Hong Kong company, was sold in September to a Chinese firm, which plans to relocate production to Zhuhai and lay off the 3,000 workers in Shenzhen before the end of the year. Despite having signed an agreement, the new owners are refusing to pay workers the stipulated severance, equivalent to one months' salary, and pay the employees' social and medical insurance. The workers, mainly immigrants from other provinces, are paid only 574 yuan ($US70) a month. One female worker said: "Our salary is only enough for basic living. We have nothing left to send back to our family." Many of her colleagues had already left Shenzhen because of the harsh working conditions.

Indian public sector workers strike over pay

Workers at government offices, educational institutions and health centres in Kashmir went on strike for two days from November 24. They are seeking a 5 percent increase in their basic wage and a 50 percent increase in their cost-of-living allowance. They are also demanding the government increase the retirement age to 60 years.

During the strike, workers demonstrated in the state's capital Srinagar. The workers are members of the Employees Joint Action Committee (EJAC) and Trade Union Centre (TUC).

Secretariat employees protest against outsourcing

Employees at the government secretariat in the Indian state of Kerala formed a human chain around the main office on November 23 over the outsourcing of work normally performed by in-house personnel. Workers claim that increasing amounts of work are being handed over to the private sector agencies, paving the way for inevitable layoffs.

According to the protest organisers, the human chain was symbolic of the workers' determination to protect the secretariat from privatisation.

Sri Lankan railway workers strike

Workers employed at the Maligawatte yard of the Sri Lanka Railway Department went on strike on November 22 against the disciplinary action taken against four workers by the Railway Inspection Unit. Officials of the unit did a surprise visit to the yard and alleged the four workers were absent from the premises. Three trains to various parts of the country had to be cancelled due to the strike.

In a separate dispute, sub-stationmasters picketed in front of the busy railway station in Maradana, a suburb of Colombo, on November 22. They are demanding job security and confirmation in their positions.

Australia and the Pacific

Company fails to head off Australia-wide strike

More than 600 workers at Visy Industries packaging sites in four Australian states went on indefinite strike on November 23. While the company had offered a 14.25 percent pay increase over three years, prolonged negotiations broke down over another key issue. The workers are seeking automatic continuance of salary payment, without further medical assessment, when injuries cause employees to be off work for more than 104 days.

Electricians strike for pay and working conditions

About 80 electricians employed at Energex depots in the towns of Caboolture and Stapylton in south-east Queensland went on strike for 24 hours on November 23. They are demanding pay rates on par with those paid to their colleagues in other states as part of a new enterprise work agreement. Electricians in New South Wales earn an extra $3 an hour. The current enterprise work agreement at Energex expires in May 2005 but workers want the new pay rates to commence from December.

Power workers employed by Enron Energy, which covers regional Queensland, went on strike last week over the same issue. Besides pay increases, the workers at both companies are demanding agreed staffing levels and a ceiling on the hiring of casuals and part-time workers. They are also seeking the retention of a ban on forced redundancies.

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