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EDITORIAL

Hong Kong Ministerial
Will It Deliver?

By: Piyush Pant

A decade after its inception World Trade Organisation (WTO) is in turmoil. As the 6th Ministerial Conference approaches in Hong Kong (December 13 -18, 2005), the common refrain is 'will it clinch the Doha Round of negotiations or mar it?' The voices of concern are being raised from both the North as well as the South for the stakes are equally high for both. But as the D-day is fast approaching, the hopes are increasingly getting dimmed and expectations belied as the discontentment among the various blocks is intensifying and the rich and the poor nations remain as far apart as ever. The indications are clear that Hong Kong may finally go the Cancun way.

During a series of pre-negotiation meetings to thrash out a draft ministerial text, the clashes and accusations among different blocks of WTO members became the order of the day. Be it London or Geneva, accusations flew thick and high in these meetings. Not only did the developed and the developing worlds lock horns, dissent and accusations were seen labelled against each other even within the developed world, particualry between the EU and the US on the issue of reduction of agricultural subsidies. Particularly controversial has been the EU's insistence, under French pressure, that no deal goes beyond the changes in the European farm programme that were made in anticipation of a deal in Cancun which did not materialise. Apart from insisting that the details of the offer are not subject to negotiations, the EU has also been insisting that the deal is only valid on the condition that other countries agree to a list of additional trade rules, including a limit on the US practice of shipping large quantities of food to poor countries as aid. Thus on November 8, Ministers broke off talks being highly critical of what they called an inflexible European Union stance on lowering tariffs on imported farm products. US trade representative Robert Portman was especially outspoken against the EU's position when he said -"The EU has not gone far enough. That's the general consensus. Unless Brussels can promise more tariff cuts, other countries will find it hard to offer bold concessions". But a defiant Peter Mandelson replied -"European Union won't flex any further than it has on agricultural tariffs and subsidies. Later during November 10 meeting in Geneva, talks failed again with EU and Brazil accusing each other of negotiating in bad faith and jeopardizing the chances of reaching an accord. In the face of these failures, it is being argued that it would be too much to expect Ministers to arrive at a consensus in the limited time available at Hong Kong.

Though the optimists point out towards a similar ups and downs taking place before the Uruguay Round but they fail to recognise that Doha is not Uruguay. Whereas Uruguay Round was dominated and dictated by US, EU and Japan through the Blair House accord, the Doha Round has already been rocked by Cancun Ministerial and has seen the emergence of negotiating force within the developing world in the form of G-20 with the core group comprising Brazil, India, China and South Africa, and also G-4 countries, who met on Novermber 8 in London to discuss pending WTO issues but failed to make headway on the core issue of agricultural subsidy.. Thus the failure of successive pre-negotiation meetings clearly indicate that the agricultural subsidy will be the culprit if Hong Kong Ministeral fails to reach consensus. Of course, there are other contentious issues like NAMA and services as well but the

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issue which, in all likelihood, appears to rock the boat of Doha Round is the core issue of agricultural subsidy, since no block is ready to budge even an inch. Even though the so-called Singapore issues were held responsible for the failure of talks at Cancun, the central issue was and continues to remain Agriculture.

What adds fuel to the fire of apprehension regarding the failure of Hong Kong meet is the distinct tendency being seen among the nations to increasingly go for bilateral and regional trade deals. And the lead has been taken by the US itself. Immediately after the failure at Cancun, the US expressed its keenness to enter into bilateral trade deals with its allies. Similarly in comparision to the days of Uruguay Round, this time a number of developing countries, particularly India, have gained some econommic clout which makes bilateral deals easier and fairer, though somewhat costlier, to negotaite.

This issue of **Lok Samvad** focuses on Hong Kong Ministerial.

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90% of World Bank Poverty Programmes Still Demand Privatisation: Report

Privatisation measures form part of nearly all the World Bank (WB) and International Monetary Fund's (IMF) poverty reduction strategies (PRSPs), which are conditions of debt relief, loans and aid to the poorest countries, says the new report. The study, published by UK-based anti-poverty campaigner World Development Movement (WDM), which reveals that 90% of PRSPs contain privatisation measures, also reports that 96% include strict fiscal policy and over 70% include trade liberalisation.

WDM's report analyses the 50 countries for which PRSPs have been signed. PRSPs supposedly replaced the structural adjustment programmes that characterised WB and IMF policy prescriptions for loans and aid in the 1980s and 1990s. Structural adjustment conditions, commonly referred to as the Washington Consensus, were widely criticised for both undermining national political processes and causing widespread economic and social damage.

PRSPs evolved under the new rhetoric of country ownership as a response to this criticism, and the World Bank declared, "the Washington Consensus is dead".

However, WDM's report finds that PRSPs contain on average six of nine classic Washington Consensus policy prescriptions, that there are no PRSPs that are free of these policies, and in Kenya, Sri Lanka and Nepal all nine are present. The report highlights that this should come as no surprise given that the boards at the World Bank and the IMF have the final sign-off on PRSPs.

Key findings of the WDM report:

- An incredible 96% of PRSPs include fiscal stringency; normally, that the government should not borrow from the domestic economy. This is in stark contrast to developed countries such as the United Kingdom and the United States of America that consistently maintain fiscal deficits.
- Despite evidence that it hurts the poor, further trade liberalisation is evident in 72% of PRSPs.
- 90% of PRSPs include privatisation, and nearly two-thirds specifically include water privatisation/greater private sector involvement in water supply services. None include a review of any privatisation policies or a specific goal to keep water and sanitation under public management.
- Two-thirds include investment de-regulation, and none mention the possible need to regulate investors to ensure re-investment of profits in the country, joint ventures with local companies, technology transfer or employment of local people.

An even more revealing aspect of the report is the virtual lack of any alternative policies being included -- of the policies analysed, 297 were typical of the Washington Consensus; only 11 can be said to diverge from this in any way. For example, Mongolia is allowed to pursue a flexible fiscal policy and Laos's PRSP recognises the need to protect domestic industrial sectors. No 'unorthodox' policies could be found for the areas of privatisation, water privatisation, investment deregulation or financial liberalisation.

Peter Hardstaff, head of Policy at WDM says: "How can PRSPs be country-owned when they are so startlingly similar to each other, across such a diverse range of countries? From Bolivia to Senegal to Cambodia to Sri Lanka to Zambia to Pakistan the prescriptions are the same. In fact, one thing all these countries do have in common has been the public opposition to exactly these policies, which have resulted in price hikes and major job losses, strangled economies and undermined development."

"PRSPs cannot be passed without a rubber stamp from the international finance institutions, so how can they possibly be considered country-owned?…At their heart, PRSPs contain a deeply uncomfortable contradiction; if they involve active civil participation and are viewed by citizens as the outcome of a democratic process, and are therefore owned by the country -- why are they conditions of loans, aid and debt relief?"

Source: www.wdm.org.uk, September 19, 2005

WTO negotiations are rapidly gaining speed. Members meet left, right and centre, scrambling to lay out the blueprint for the Ministerial Conference in Hong Kong. Still, the level of ambition for further trade liberalization and the outline of a text for the Ministerial remain unclear.

Agriculture remains the key to the Doha Round. In this political dynamic, the U.S. talks to everyone, pushing to see how much it can get while careful not to put its cards on the table. Other members expect the U.S. will not indicate how they want to deal with their most sensitive issues (the new blue box and food aid) until the very end. And they know they don't have to. The U.S. are most likely to play a "take it or leave it" game, by tabling a very modest proposal for agriculture shortly before or perhaps even in Hong Kong. Other WTO members will have to decide whether to play the game by accepting or choose to leave it, and risk being blamed for blocking the round. Countries will be under enormous pressure to accept such a fait accompli. WTO members are rightly worried that the increasing domestic political tensions within the U.S. may result in very limited offers, in particular in agriculture.

The domestic debate on trade in the U.S. is focused on its growing trade deficit with China, the recent WTO ruling against U.S. cotton payments and the close vote that saw Congress only just pass the U.S.-Central American Free Trade Agreement (CAFTA) this summer. Furthermore, strong opposition within Congress to any U.S. offer on Mode 4 in Services (related to visas for the movement of labour across borders) limits the possibilities for U.S. offers in the services negotiations. These debates have made the U.S. Congress much warier of trade deals. There is broad speculation, arising from this mood, that the President will find it hard to renew Trade Promotion Authority (TPA) when it expires in mid-2007. Without TPA, the U.S. Trade Representative will have a much harder job convincing trade partners that Congress will ratify the deals it negotiates without changes. **If a final conclusion to the Doha Round is not reached by December 2006, the immanent expiry of TPA will distract the U.S. to domestic concerns for some months, and the window of opportunity for closure on Doha negotiations will close.**

The EC is also facing a series of internal crises that could affect their position at the WTO. Farmers groups are increasingly unsatisfied with both the internal reform of the Common Agricultural Policy and the position of the E.C. Trade Commissioner, Peter Mandelson, who is offering to be flexible in the agriculture negotiations to get market access for European transnational companies in services and industrial products. Mandelson has made it quite clear to the services and manufacturing industries that his priority in this round is to fight for substantial market access for both sectors. The aggressive proposals by the EC in both areas, services and non-agricultural market access (NAMA), reflect this priority. To some extent the aggressive demands of the EC in these sectors might also be linked to the fact that, in contrast to the U.S., the EC has played many of its cards in agriculture, where it has mostly defensive interests. First, the EC has agreed to end agricultural export subsidies (although there is no firm date as yet). Second, they have said they can accept substantial reductions in domestic support (65 percent for the programmes included in the Aggregate Measure of Support, or amber box). This is possible because most of the EU's spending on domestic support to agriculture has been moved to the green box of the Agreement on Agriculture, where no cuts have been proposed. On market access, the EC is slowly exposing what it can and cannot do in terms of tariff reductions and expanding market access quotas. Tabling aggressive demands for services and NAMA allows the EC to be explicit about what it wants from other countries before it modifies its agriculture proposals. Developing countries are thus faced with a relatively clear choice from the EC - ambition in agriculture will demand developing countries make significant concessions to foreign service providers and manufacturers.

The Group of 20 (G20), headed by Brazil and India, has become a major player alongside the U.S. and the EC in agriculture talks. In fact it is Brazil, India, the EC and the U.S. - the so-called new Quad - who are leading the push for a deal on agriculture (the group had included Australia, but has now only four members). The G20 has played its card on agriculture with a proposed compromise position on market access, which is the most contentious and divisive issue within the group. The U.S. and the EC are now both trying to use Brazil and India to help advance their respective agenda against each other. The EC is looking for common ground with Brazil and India to push the U.S. on the issue of domestic support. The U.S. is looking to Brazil and India to attack the EC's modest proposal on the market access side. The big question now

is how the G20, and in particular Brazil and India, react to the U.S. proposal on domestic support and food aid when it comes. Of course, the EC response to such a proposal will also be critical.

The Group of 33 developing countries seems content with progress on the negotiations on Special Products (SPs) and a new Special Safeguard Mechanism (SSM). They are developing criteria for the selection of SPs and elaborating the technical details of the SSM. These mechanisms alone will not guarantee food and livelihood security and rural development, but they do offer the possibility of some protection against imports that could undermine national productive capacity.

For the rest of the membership, essentially the Group of 90 countries, including the Africa Group, Least Developed Countries (LDC) and African, Caribbean and Pacific (ACP) countries, they have nothing to gain from this round. The round is being sold to them in other ways. The EC continues to say publicly that the G90 countries are getting a round for free, despite the fact that those countries never asked for that. Rather they want meaningful reforms of trade agreements that would make trade rules more just and conducive to development. Over the last few months, the "aid for trade" agenda has come to the fore, together with a proposed mechanism at the IMF to deal with preference erosion and promises from the Group of 8 rich nations to provide debt relief and increased aid. These proposals are not without some merit, but sidestep the real issue: the need for meaningful reforms to trade rules to address the profound inequities in the existing global trade system.

Process: the WTO underground movement

WTO members have also broken their promise to fix the negotiating process to ensure the smallest delegations can participate. While bilateral and plurilateral negotiations are inevitable at this stage of the talks, trade negotiators from smaller countries continue to complain that they have no way to follow all the developments. This problem is still more serious given the established power dynamic that allows the largest trading economies to dominate the agenda in their own interests.

ACP countries and LDCs are glaringly absent from the negotiating groups.

It is unacceptable. Not only does it confirm the exclusive and untransparent nature of WTO negotiations, but it exposes the reality: the poorest countries have nothing to gain from this round and in fact have a lot to lose by further opening their markets and losing preference margins.

Agriculture: back to the bad old days

The new chairman of the agriculture negotiations, Ambassador Falconer, has abandoned the negotiating process set up by his predecessor, Tim Groser, which, although not perfect, went some way to establish a more inclusive process. Ambassador Falconer prefers to let the major players battle out the details behind closed doors and out of sight of most members. The excluded majority is then invited to a weekly clinic to hear an update on progress. Ambassador Falconer held his first clinic 30th September.

The clinics are designed for information sharing rather than negotiation. This means the majority of the WTO membership is excluded from participating in the actual negotiations of an agreement they will ultimately have to consent to. Good agreements from bad process are nearly impossible. If WTO members are expected to consent to proposals on the table, the process must improve.

The key discussions in agriculture among the major players are the structure of the tariff reduction formula, how and by how much to cut domestic support, possible limits on the new blue box, and new disciplines on food aid. The G20 proposal remains the basis for ongoing market access negotiations (see Geneva Update, 19th August 2005). The EC built on the G20 proposal adding a "pivot" which would allow limited flexibility to make smaller tariff reductions within each tier. In exchange, the EC would agree to lower the number of sensitive products they are asking for. The U.S. proposes four tiers for tariff reductions, with a progressive formula, similar to the Canadian income tax formula, to be applied within each tier.

The U.S. continues to stall discussions on creating additional disciplines for the blue box now they have in principle secured the right to include their counter-cyclical payments in an expanded box.

Countercyclical payments compensate producers of some major commodities when their market price is lower than a target price set by government.

The U.S. remains resistant to proposals on reforming the food aid system. Congress, U.S. NGOs involved in food aid delivery and the USTR continue to resist any move to increase the percentage of food aid delivered as cash rather than as in-kind commodities, despite the many advantages of a cash rather than commodity-based system. The EU had championed a proposal to insist all food aid be given in cash form.

Ultimately, however, the EU looks unlikely to insist on this proposal, perhaps conscious that its cash can take longer to deliver food to emergency sites than the notoriously slow in-kind aid. Nonetheless, the worst forms of food aid from a humanitarian and food security perspective are also the most trade-distorting, and the U.S. should continue to face significant pressure to end the use of food aid programs that

distort markets in developing countries and waste resources desperately needed in food emergencies.

NAMA: number crunching time

NAMA negotiations are moving fast. Informal negotiations are regularly taking place. It is often harder for developing countries to follow the NAMA negotiations than it is to follow agriculture. In agriculture, at least some developing countries are members of groups where they can rely on the head of the group to provide regular briefings. In NAMA, there are no developing country groupings and therefore no briefings.

The stalemate continues on the structure of the tariff reduction formula: whether to accept the simple Swiss formula as proposed by several developed and developing countries, or a variation of the Swiss formula as proposed by Argentina, Brazil and India and the Caribbean countries. Despite the lack of convergence, however, WTO members are moving forward with the negotiations. Members are discussing actual figures for the coefficients. Pakistan submitted a proposal for coefficients of 6 for developing countries and 30 for developed countries. The U.S. and EC have proposed to cap their industrial tariffs at 10% at a Senior Officials Meeting in Geneva. The U.S. has offered developing countries a 15% cap in the past. Some developing countries have proposed a 50% cap.

Capping industrial tariffs at very low levels removes the flexibility to structure and set tariffs as the domestic situation warrants.

Negotiations on sectors have also intensified as a way to bypass the stalemate on the formula. Some WTO Members including the U.S., Australia, New Zealand, Korea, Hong Kong, Singapore and Thailand, are hedging their bets. If they don't get an ambitious overall formula then they want to be sure the sectors that interest them most will be included in a sectoral initiative, to guarantee market access. Nine sectors including electronics, bicycles and sporting goods, chemicals, fish, footwear, forest products, gems and jewellery, pharmaceuticals and medical devices, and raw materials are currently under negotiation. It is up to members to select the sectors and to organize informal negotiations on the areas that interest them.

The private sector is heavily involved in both the sectoral and non-tariff barriers (NTBs) negotiations. On NTBs, it is almost exclusively industry-as opposed to public interest-groups that are sorting through the various notifications tabled by WTO members.

Finally, there is ongoing discussion about how to deal with unbound tariffs (tariffs that don't have a ceiling on the level of the tariff).

There are two groups of countries in consideration: (1) countries that have bound less than 35% of their tariffs. The proposal is that they bind all their tariffs at a specified level (still to be determined); and (2) countries that have bound more than 35% of their tariffs. It is proposed that these countries bind their tariffs at a specified level to be determined and then apply the tariff reduction formula from that level.

When countries bind tariffs at a specified level they lose flexibility to shape economic policy. Binding tariffs can be useful because it provides a degree of transparency and reliability for exporters.

However, export interests are thereby given priority over others who are affected by trade policy. **In the case of NAMA, it is workers' interests that are often compromised by the pressure to lower tariffs. It would be a major concession by developing countries to bind ALL tariffs in one round of negotiations, giving up important policy space needed to implement industrial policies to create employment. Requesting tariffs to be bound at a specified level is a further concession. Asking some countries to apply a tariff reduction formula on top of this is going too far. These are major reforms with potentially disastrous consequences and a severe loss of national policy space. Such a radical reform is unprecedented in GATT/WTO history and ignores the empirical evidence that a one-size-fits-all approach to development does not work.**

If developed countries are successful in getting most of the proposed tariff bindings and reductions in the area of NAMA, developing countries will be deprived of an important tool to implement industrial policies and a source of revenue they badly need for public investment. It will be workers in the South and in the North who will be the losers if deep liberalization of manufacturing goes through: job losses and worsening working conditions are the likely outcomes. Trade unions in the South and the North should be concerned about what their respective countries are pursuing or ready to accept in the NAMA talks.

Services: getting to the core

Ideas and proposals to change the method of negotiation in services (GATS) first emerged a year ago, when a number of developed countries, together with some developing countries such as India, Chile and Mexico, determined that the offers put forward thus far were too few and too limited. Right after the General Council meeting held this July, EC Commissioner for Trade, Peter Mandelson made it clear, that services would be a core issue of the EC's agenda preparing for Hong Kong. With three

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

Services negotiations started again after the summer recess at the end of September with a bang on the "Benchmark" debate and a new chair Mexico's Ambassador, Fernando de Matteo. Many developed countries (including the EC, Japan, Switzerland, Canada, Australia, New Zealand, and Korea) made first proposals as regards the establishment of quantitative and qualitative benchmarks in informal meetings. These benchmarks are a departure from the original intention of GATS, to keep services on a request-offer approach, and effectively would establish a minimum degree of services liberalization on all signatories to the final Doha agreements. The proposals were initially "non-papers" but were converted into formal proposals during the recent services negotiations. Many developing countries, including Brazil, Argentina, Indonesia and South Africa, and groups of developing countries, such as the LDCs, Caribbean Countries, African group have contested the idea of introducing benchmarks, rejecting the imposition of a minimum level of services deregulation for all members and the consequent loss of flexibility.

During the Mini-Ministerial Conference held in Paris in September, a so-called "core group" in GATS was established on the initiative of the U.S. and India. Besides the key demandeurs in services negotiations (the EC, Canada, Japan, the U.S., India, Chile and Mexico), key opponents to the benchmark approach have joined this group, including Brazil, Egypt, Malaysia and the Philippines. The scope of work of this group is not yet defined. Civil society needs to monitor the group's work closely.

Knowing that for most developing countries, their "flexibility" to make offers in services liberalization is linked to what offers are made in other areas of the negotiations, in particular agriculture, the existing opposition could easily be persuaded to accept some sort of the benchmark proposal for a gain in other negotiations. Besides the benchmark issue, the demandeurs in services liberalization want to push for rules on domestic regulation in Hong Kong. Effectively, there is a push to limit countries' right to introduce new rules and regulations that a foreign company views as likely to hurt its trade interests. This kind of provision is a central and alarming feature of the North American Free Trade Agreement (NAFTA). The question of how far countries can use government procurement for investment in the domestic economy as opposed to having to establish open international bidding systems will also be discussed for Hong Kong.

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

Completing the Round: at what cost?

The negotiating dynamics and perspectives for the Hong Kong Ministerial Conference can only be understood by a consideration of the inter-relationship of agriculture, services and NAMA. As Hong Kong approaches, it has become clear that the negotiations are first and foremost about market access in all three areas of negotiations. The development dimension is severely lacking in all three areas. Yet, developing countries continue to engage, despite the abundant analysis available showing that aggressive market opening in NAMA will lead to de-industrialisation in the South, that services liberalization in many cases has failed to deliver better services for people and that low tariffs in agriculture are anything but helpful to get small-scale farmers out of poverty. The agenda continues to be about the export interests of developed countries.

The failure to fundamentally challenge the direction of this round raises the question of whether developing countries themselves are convinced by what is on offer, despite some speeches to the contrary. It is also a reflection of the logic of a global economic model that puts competition and comparative advantage to the fore, at the expense of distributive justice, and a multilateral organization that focuses on trade without reference to the wider net of international obligations that encompass human

rights, development, peace-building, environmental cooperation and more.

How hard developing countries are willing to push for a development round will be apparent in Hong Kong, when in all likelihood WTO members will be deciding to accept or reject a deal. In contrast to the Uruguay Round, this time, not all developing countries have been excluded and therefore cannot claim they do not know what the fine print says. Nor are developing countries alone: civil society in large part, both in the South and the North, has been highly critical of the proposals on the table and have supported developing countries with alternative ideas and analysis on which to base the rejection of a bad deal.

Developed countries promised the Doha Round would address the need for trade rules that address existing imbalances and establish a fair and equitable multilateral trading system. These promises have all but vanished. The widely shared expectation today is for a modest round of tariff cuts and increased market opening in several sectors, together with some changes to domestic support and an eventual elimination of export subsidies for agriculture. There is very little on offer for over half the WTO membership. The world is desperately in need of fairer and more equitable trade rules. It is time to reject the status quo, to craft policies that redress the imbalances and to measure success against the imperative of meeting agreed international development benchmarks.

(Courtesy: Our World is not for Sale)

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WTO: The Countdown to Hong Kong

Ranabir Ray Choudhury

The developing countries — which have a strong stake in the continued healthy functioning of the WTO — are placed in a tight corner in that they will have to make major compromises if they want the Hong Kong ministerial to succeed and, in the process, ensure the future of the Geneva-based organisation itself.

IT IS widely acknowledged that unless the Hong Kong World Trade Organisation ministerial is a success of sorts, the chances of the Doha Round of multilateral trade negotiations, which is slated to end in December next year, will fail. And if that happens, there is little doubt that it would deal a grievous blow to the effort to liberalise international trade, the milestones of which over the past quarter century have been the various rounds of similar negotiations such as the Tokyo and Uruguay Rounds under the General Agreement on Trade and Tariffs.

Three-four years back, such a failure would have been described unanimously as being disastrous for the future prospects for the world economy.

But, today, it appears things are a bit different. There is, in fact, a strong suspicion that there are sovereign economic powerhouses which would rather do without the WTO, and instead concentrate on bilateral and regional trade pacts. The advantage of this would be that while all the benefits of lower trade barriers would be there to be enjoyed, the irritating business of abiding by the WTO rules and guidelines (often culminating in an adverse ruling by the body's dispute settlement mechanism) would be avoided.

Clearly, this perception of the WTO in certain world capitals is far too important to be pushed under the carpet in view of its impact on the future course of world trade — with which the economic well being of the poor countries is inextricably woven. At this juncture, in fact, nothing much can be done about this apart from being fully aware of the dangers of such a move and also being fully alert so as to be in a position to nip in the bud any effort made in this direction.

Indeed, perhaps the best way in which this larger `conspiracy' against the WTO itself can be fought is to make every effort to make the Doha Round a success.

But this would mean making the Hong Kong ministerial meeting a success, the effort on the other side being to do exactly the opposite.

So what is happening on the Hong Kong front? More specifically, is there any hope of a breakthrough in the ongoing negotiations which, for the moment at least, seems to be the only way in which the December meeting can be salvaged — and with it the Doha Round?

To begin with, how does the new WTO Director-General, Mr Pascal Lamy, view the current situation?

The important point that emerges from his most recent statement, is that there is very little time left between now and the Hong Kong meeting, the inference being that within this short span a lot will have to be got through to keep the end-2006 date with the Doha Round's completion intact.

To quote Mr Lamy: "I believe we should stand by our target of circulating a comprehensive draft text in mid-November, which is essential for governments to prepare themselves properly. That is about 30 days from

now, counting every day as a working day. The amount of ground to be covered in this very short time is very large. But I am convinced it is not impossible. It can be done, and I believe that a number of issues are ripe for rapid movement once other sectors unblock." What are these `other sectors' on the `unblocking' of which the WTO chief is laying so much emphasis for Hong Kong's success?

This brings us to the real negotiating table as it is now, and allows us to draw our own conclusions on whether the players involved are actually keen on getting through with the Doha Round or whether they are playing a surreptitious game of appearing to be malleable and compromising when in fact they are playing for much higher stakes — stalling the current round and the ultimate withering away of the WTO itself?

The most important sector on which there has to be progress to the liking of all the parties concerned for Hong Kong to have a fair chance of success is agriculture. As Mr Lamy, among others, has said: "(Agriculture) is the engine that has to lift the bulk of our plane. If that engine is log-jammed, as it has been, the plane gets stuck on the tarmac."

In recent days, there has been some movement in this sector with the US and Europe making offers on domestic farm support and export subsidies which — though concessionary in character since they have conceded ground which they have been tenaciously holding on to over the past year and more — have not really met the stated requirements of the developing world.

Thus, Brazil's Foreign Minister, Mr Celso Amorim, has said bluntly: "It is not what we want but... it can get things moving." Oxfam, which has been a consistent critic of the developed world's negotiating stand at the WTO, has described the US offer as just "smoke... aimed at getting 'painful concessions' from developing nations".

This apart, there is a problem among the developed-economy farm subsidisers themselves, with Japan strongly arguing against the US position that it was prepared to reduce the bulk of its trade-distorting domestic support by 60 per cent over the five-year period so long as the EU and Japan reduced theirs by 83 per cent.

The Japanese have said that Washington's demands on them and Europe were "out of balance with the level of reduction the US itself is ready to make". While Tokyo feels that the cuts offered by the Americans are too ambitious, the G-20 countries have said on the other hand that the US offer did not go far enough, the Brazilians and Indians specifically saying that the offer "did not do enough to cut actual payments, as opposed to merely lowering ceiling levels".

Brazil has also rejected the suggestion that those members lowering subsidies should be protected by a renewed `peace clause' that would bar countries from taking each other's farm subsidies to the WTO dispute settlement body.

On the other hand, as a transparent bargaining ploy, on non-agricultural market access (NAMA), the EU has called for industrial tariffs to be capped at 10 per cent for developed countries and at 15 per cent for `certain' developing countries. Brussels has also backed the use of a `simple Swiss formula' for computing the cuts, which means there would be steeper cuts for higher tariffs and smaller reductions for lower tariffs.

The implications of this are clear when it is known that the average industrial tariff for developed countries is close to six per cent while the corresponding figure for developing member countries is closer to 30 per cent.

This apart, Brussels has introduced the concept of differentiating among non-LDC economies in that it has suggested it would not mind allowing `some developing countries' to make tariff cuts lower than others.

Not much imagination is required to suggest that this is nothing if not a ploy to divide the ranks of the developing economies.

To cap it all, the EU Trade Commissioner, Mr Peter Mandelson, has said that if the EU is not satisfied with the level of industrial tariff reductions, "there will be no outcome on agriculture or other parts of our negotiations".

There is no doubt at all that the developing countries — which have a strong stake in the continued healthy functioning of the WTO — are placed in a tight corner in that they will have to make major compromises if they want the Hong Kong ministerial to succeed and, in the process, ensure the future of the Geneva-based organisation itself.

Those economies which are fed up with the entire multilateral trade-policing process (specially after Seattle and more so Cancun) are aware of this dilemma facing the poor world and are of course using it to their fullest advantage.

What this means is that countries such as India must make sure that the Hong Kong ministerial is successful and also, at the same time, protect their own trading interests as far as is possible in the circumstances.

This requires first-rate strategic and tactical negotiating skill. To be sure, New Delhi (and the other G-20 countries) has this capability; it remains to be seen whether it will be put to good use in this particular instance.

(Courtesy: The Hindu Business Line)

The Road to Hong Kong is Bumpy

By: Nagesh Kumar

The WTO General Council meeting concluded on July 29 without issuing the Approximations of a possible draft text for the next Ministerial. It is to be held in Hong Kong in December, before the organisation goes on annual vacation. This indicates all is not well with the ongoing Doha Round of trade negotiations, launched in 2001. This Round has shown lacklustre progress, with most of the key deadlines missed and a failed Cancun Ministerial.

The Doha Round was launched to address some of the development concerns raised by the Uruguay Round (UR). UR had left developing countries considerably disenchanted. They were forced to undertake major commitments of trade liberalisation and tariff bindings, besides substantial obligations involving their intellectual property rights, investments, and trade in services. The lure: promise of additional market access by developed countries through liberalisation of agricultural trade, textiles and clothing and movement of natural persons.

The gains from the UR proposals in these areas were estimated at $213 to $510 billion annual growth in world income, with developing countries benefiting to the tune of $86 to $122 billion. However, it has been empirically shown that much deeper commitments were undertaken by developing countries in the UR and the mercantilist balance resulting from trade liberalisation has been in favour of developed countries. The promised market access to developing countries has failed to materialise. Peak tariffs continue to impede exports of labour-intensive goods. UR agreements, such as Trips and Trims, are resulting in significant income transfers from developing countries, besides reducing the policy space for development. Hardly any liberalisation has taken place in movement of natural persons under Mode 4 of GATs. S&DT provisions have been considerably diluted.

Therefore, there was considerable resistance among developing countries to launch yet another trade Round. The Doha Declaration, launching the so called 'Development Round,' called for positive efforts to ensure developing countries benefit from enhanced market access and balanced rules. The highlights included a commitment in the area of agriculture to substantially improve market access, progress towards phasing out all forms of export subsidies and substantial reduction of trade-distorting domestic support. It also accepted the primacy of public health concerns and offered to provide flexibility to poorer countries from the Trips agreement's provisions to import cheaper generic medicines.

In the area of market access for industrial products, commitments were made to eliminate or reduce peak tariffs, high tariffs, tariff escalation and NTBs, particularly on products of export interest to developing countries. The modalities for tariff reduction were supposed to be on less-than-full-reciprocity basis, implying developing countries would be required to reduce less than developed countries. Commitments were also made to review the S&DT provisions for developing countries to make these more precise, effective and operational.

However, the progress since the Doha Ministerial has been far from satisfactory. Almost all deadlines, important from the point of view of developing countries, were missed. On the other hand, developing countries were being pushed to agree to give the negotiating mandate on the 'Singapore Issues' at the Cancun Ministerial, despite the lack of explicit consensus. Hence, the Fifth WTO Ministerial Conference held in Cancun in September 2003 collapsed.

- The Uruguay Round tilted the balance clearly in favour of developed countries.
- The Doha Declaration called for positive efforts for developing countries' benefit.
- With progress poor, we need extra effort for the Hong Kong ministerial's success.

Subsequently, the process was revived with the July Package of 2004, that dropped three of the four Singapore Issues from the Doha Agenda and made renewed commitment to eliminate export subsidies. However, over the past year, progress has been very poor. In the key areas of agriculture, developed countries continue to adopt a rather evasive attitude towards eliminating export subsidies and reducing domestic support, while having a very high level of ambition with respect to market access. Keeping in mind the livelihood security of millions of poor farmers and their inability to subsidise these, developing countries would obviously like to move cautiously on the market access agenda in agriculture.

In non-agricultural market access (NAMA), the modalities suggested by the developed countries are based on the Swiss formula, which means developing countries with higher average tariffs would reduce these much more steeply. Hence, it goes against the spirit of less-than-full-reciprocity enshrined in the Doha Agenda. Virtually no progress has been made on S&DT to make them 'precise, effective and operational.'

Considering this, prospects do not appear very bright for the Hong Kong Ministerial. Developed countries need to show leadership and restore the spirit of Doha and make the Round a truly 'Development Round.' That would require going the extra mile. The concept of non-reciprocity is very much enshrined in the Gatt. The only thing missing is leadership and vision on the part of the leading trading nations. Let us hope that Hong Kong will not go the Cancun way!

Can You Feel the Hong Kong Buzz?

By: Daniel W. Drezner; October 18, 2005

Last week WTO Director-General Pascal Lamy said that, "the engines [of WTO negotiations] are buzzing" -- mostly because of a U.S. proposal to reform its domestic price supports for agricultural goods.

Lamy has an ambitious timetable in the run-up to the December Hong Kong Ministerial conference:

- I believe we should stand by our target of circulating a comprehensive draft text in mid-November, which is essential for governments to prepare themselves properly. That is about 30 days from now, counting every day as a working day. The amount of ground to be covered in this very short time is very large. But I am convinced it is not impossible. It can be done, and I believe that a number of issues are ripe for rapid movement once other sectors unblock.

Well.... the problem is that the U.S. isn't the only country that needs to make concessions.

There's the European Union, for example. Deutsche Welle is not optimistic:

- First came the proposal to reduce agricultural subsidies; then came the backlash.
- Peter Mandelson, the EU trade commissioner, called for reducing subsidies under the bloc's common agricultural policy by 70 percent and farm import duties by 60 percent after 2013.
- Then France, along with a dozen other members, called an emergency meeting Tuesday to tie his hands. They accused him of exceeding his mandate, offering too many concessions in negotiations, and want him restricted before he goes to Hong Kong in December.

And then there's the rest of the world -- particularly the developing countries. In the Financial Times, Alan Beattie is not optimistic:

- India would like to see rich countries' subsidies cut but wants to keep the tariffs that protect its millions of small, low-productivity farmers.
- Moreover, other countries that are even more defensive of their farmers than India and the EU complain that their views are squeezed out of a Doha round focused on liberalising agriculture.
- The Group of 33 poor countries, for example, of which India is a member, recently complained that "it is unfortunate that the G33 are not invited in representative proportion to uphold their interests in the negotiations".
- Japan has repeatedly complained its interests in agriculture (it maintains some of the highest farm tariffs in the rich world) are ignored....
- The influential Group of 20 developing countries, for example, to which both Brazil and India belong, has proposed heavy cuts in subsidies for rich nations' farmers but modest tariff reductions for poorer countries, a combination the US says it cannot accept.
- Some observers close to the talks suspect the G20 tariff offer is already close to a red line for India....
- The G20 at some point must decide whether it wants a deal, says William Cline, senior fellow at the Center for Global Development in Washington. "If there is an insistence on keeping self-injuriously high tariffs as an option, then the thing is not going to fly."

Lamy is correct -- his timetable for negotiations is not impossible.

But with this constellation of interests, it's pretty damned improbable.

Are the WTO Talks in Trouble? Don't Bet on It

By: Walden Bello

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

Indeed, most observers, including the media, have largely characterized the inability to produce the "July Approximations" as a significant setback to securing a successful ministerial in Hong Kong in December. The statements of key WTO players appear to lend weight to this.

Former Director General Supachai Panitchpakdi's remark that the state of the talks was "disappointing but not disastrous" was taken by some to be, in fact, a rather euphemistic assessment to mask a really gloomy state of affairs. So was the statement of General Council Chairperson Ambassador Amina Mohamad of Kenya that "there is not a 'crisis' in the negotiations-we need not press the panic button."

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

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

Certainly, in the areas of interest to developing countries, such as special and differential treatment (SDT) and implementation, there has been hardly any movement.

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

Mode 4: A Dealmaker?

But there is worrisome movement in the other areas, those in which developed countries have a lot of interest. Take services. Much has been made recently about developing country resistance to the European Union's proposal of "benchmarking"- that is, to create quantitative and qualitative criteria of genuine and significant market opening that services requests would have to meet to be valid offers.

Yet the numbers seemed telling a different story about developing country positions. There were some 70 initial offers representing 95 member countries and around 30 revised offers on the table-certainly a big leap from the 47 countries that had made offers at the beginning of this year.

Developed country governments have been dismissive, saying that a substantial number of these offers were not significant in terms of significant market openings, but that is largely a negotiating ploy. What is more likely is that some of the developing countries making offers are saying they want to deal, but they won't really show their cards until the developed countries make serious gestures, such as on the so-called Mode 4 of the General Agreement on Trade in Services (GATS), which pertains to the movement of natural persons.

For instance, India, a significant exporter of labour to northern countries, apparently sees Mode 4 as the centerpiece of its overall negotiating strategy, and Mode 4 concessions by the EU and the United States in the form of more liberal entry and stay of skilled labour are likely to make the government more pliable in the negotiations in agriculture and industrial tariffs.

As Focus on the Global South analyst Benny Kuruvilla notes, "India's demands on Mode 4 are actually quite tame - it's happy if the US binds its existing commitments in the H-1 B working visa category. There is a real danger that the US might hold on for a while, then give in, at which point India will only be happy to compromise on other issues."

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

The US official line at this point is that it does not have much flexibility when it comes to Mode 4, a statement that is partly meant for domestic consumption owing to strong anti-immigrant sentiment in the country.

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

No Movement in NAMA?

Is there really no movement in the area of Non-

Agricultural Market Access (NAMA)? Again, as in services, on the surface the negotiations appear to have been marked by loud disagreements over formulas for tariff cuts, the issue of binding tariffs, and the application of the principles of less than full reciprocity and special and differential treatment. However, if we look more closely, there are disturbing signs of a convergence occurring:

- despite much initial grumbling after the 2004 July Framework deal, the developing countries have accepted the "Derbez text", which they rejected in Cancun, as the basis of negotiations, as proposed by the Framework;
- there is now consensus on a non-linear Swiss or Swiss-like formula for tariff reduction, which would apply to all products and subject higher tariffs to greater proportional cuts than lower tariffs, thus disadvantaging many developing countries, which maintain relatively higher tariffs on many key industrial goods than developed countries.

A Uruguay Round formula, which would stipulate an average tariff cut across industry but leave it upto national authorities to determine the rate for particular products, is not even in discussion, although developing countries, confronted with a choice, would see it as less objectionable than the Swiss formula.

The developed countries have been notably unsympathetic to developing country positions that would preserve a significant degree of industrial protection by appealing to the principles of "less than full reciprocity" and "special and differential treatment" owing to different stages of economic development.

Thus the developing countries have been forced to increasingly narrow their defensive tactics mainly to proposing the best non-linear formula that would reduce, rather than substantially avoid, the impact of a comprehensive liberalization of industry.

The latest formula to emerge is the so-called Pakistani "compromise" which would factor into the formula the average bound tariff rate, then run a coefficient of six for developed countries and 30 for developing countries. This would, according to the Pakistani proponents, significantly bring down product tariffs for everybody (a developed country concern), harmonize tariffs within each grouping (a WTO objective), and still preserve at least some of the difference in average tariff levels between the developed and developing country groupings (a developing country concern).

Some developing countries, of course, continue to hold that, aside from the tariff cutting formula, the less than full reciprocity and SDT principles should also determine the rate of tariff liberalization for developing countries, but it seems that the momentum now is towards coming to a consensus on the coefficients of a formula.

Nobody rejected Pakistani proposa outright, though some industrialized countries like the US complained that the gap between the coefficients for developed and developing countries were too wide.

As an analyst who has followed the NAMA negotiations closely reports, "According to some people in Geneva, the Pakistani proposal has made it more likely that the negotiations will now be only about different coefficients within a simple Swiss formula, not other types of formula or broader alternatives.

This would bring everyone closer to an agreement, but still there would be much to negotiate, since developing countries would be calling for much greater difference between coefficients than the US and EU would like to allow."

In any event, it was more than just spin when US Deputy Trade Representative Peter Allgeier issued the following upbeat statement on July 28: "The path ahead on NAMA is much clearer, given the work that has been done in the past several weeks...Several constructive ideas are on the table.

There have been signals of flexibility from all sides about finding the right formula and the use of coefficients to realize real market access opportunities. We need quickly in September to turn these signals of convergence into compromises that work for all."

Agriculture: Disquieting Developments

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

On domestic subsidies -- one of the Agreement of Agriculture's three "pillars," along with export competition and market access - there is hardly any movement. Efforts to reform the "Blue Box" "and "Green Box," which refer to categories of production subsidies exempted from cuts under the AoA, have failed owing to opposition from the EU and US.

The US is, in fact, seeking to expand the "Blue Box" to accommodate a considerable portion of the $190 billion in subsidies legislated under the US Farm Bill of 2002.

This has given EU Trade Commissioner Peter Mandelson an opportunity to seize the high ground with his position that the US should take the initiative in cutting subsidies since although the level of farm support is currently higher in the EU, it is falling while that of the US is "unreformed" and "rising as a result of President Bush's farm bill and of course unreformed." But this is case of the pot calling the kettle black since the EU has no intention of reducing its own subsidies channeled though either the Blue Box or the Green Box.

Other troublesome issues remain unresolved, among them the Group of 33's demand for a positive list of "Special Products" (SPs) or commodities that would be exempted from significant tariff reduction and its

proposal for "Special Safeguard Mechanisms" (SSMs) that would allow developing countries to raise tariffs to protect themselves from dumping.

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

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

Moreover, at the WTO "mini-ministerial" meeting in Dalian, China, on July 12-13, the Group of 20 developing countries tabled a proposal that has struck some as providing the basis for a breakthrough in the market access area of agricultural liberalization. The G20 proposal would divide the countries of the world into five bands, with each band assigned different rates of tariff liberalization.

All products in every band would be subjected to uniform rates of reduction, but products in the higher bands, meaning products with higher initial tariffs, would be subjected to higher rates than those in the lower bands. In addition, tariffs would be capped at 150 per cent for developing countries and at 100 per cent for developed countries.

Coming out of the Dalian meeting, the new US Trade Representative Robert Portman said, "We have a framework." This was echoed by EU Agriculture Commissioner Mariann Fischer Boll who called the proposal a "good basis for further work," though she added that the EU would favor only three bands.

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

The "Lamy Factor"

What could make the difference in accelerating the negotiations is the "Lamy factor." The new Director General is known as a consummate negotiator. He is also a very skilled politician who, on his way to the WTO's top post, forged a North-South alliance that split the Southern camp and left his three rivals, all from the developing world, in the dust.

Indeed, the sense is widespread in Geneva, even among developing country delegations, that Lamy, formerly the EU's Trade Commissioner, is the rightful heir to the throne. His backers extend from Brussels to Washington to the Least Developed Countries (LDCs). He has good rapport with influential NGOs, with Oxfam GB's Barbara Stocking praising him as the key person in the EU's "Everything but Arms" (EBA) initiative, which accorded duty free entry to agricultural products from the LDCs.

For others, Lamy is really a skilled manipulator ultimately responding to the interests of the EU and the developed North while projecting sympathy for developing countries. The EBA illustrates this: it has a long phase-in period, up till 2009, for key exports such as rice, bananas, and sugar; it is subject to permanent review; it applies only to agricultural products, thereby limiting incentives and capacity for diversification/ industrialisation.

It is testimony to Lamy's negotiating and public relations skills that he has been able to sell a dodgy deal to many LDC governments as a substantive victory and to get some northern NGO's to blame the European farm lobbies instead of him for its restrictive elements.

In any case, Lamy knows the fissures among the developing country bloc, for instance among the G20, G33, and the LDCs, and he will not hesitate to exploit these to push through a comprehensive agreement.

And he also knows the NGO world, and how to split what the WTO Secretariat has marked off as the "reformists" from those it regards as the "radicals." What's more, he's a man with a mission: Cancun for him was a failure and a humiliation: he will be seeking to reverse the outcome in HK.

Nightmare Scenario

What could be the scenario leading up to a successful ministerial?

How about this: In the lead up to the October General Council meeting, EU Trade Commissioner Mandelson announces one day a schedule for the phase out of the EU's export subsidies.

The announcement is not unrelated to a notice by USTR Portman's statement at a press conference that it is "open" to placing still unspecified disciplines on its food aid and export credits, two channels of export subsidization of great concern to the EU. This "October Surprise" is not at all farfetched in the view of some analysts.

According to Geneva-based activist Jacques Chai Chomthongdi of Focus on the Global South, "I think they [the Europeans] already have a date, and it's only a question of choosing the time when the statement has the biggest effect."

Indeed, the announcement--though it is a date far into the future like 2015 that is accompanied by some fine print conditions--has a dramatic impact, creating tremendous pressure on the developing countries to come to a compromise in the market access negotiations.

It makes Brazil happy since its bottom line in the talks is the elimination of the EU's export subsidies. Moreover, mired in a corruption scandal at home, the Lula government clutches at this development to

trumpet what is really a concession to Brazilian agribusiness as a triumph for the people of Brazil. In any case, the impact of the announcement is to discourage Brazil from aggressively bargaining in other negotiating areas.

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

Deprived of aggressive activity-though not rhetorical posturing--on the part of their two key leaders, developing countries retreat to a more acquiescent attitude in the negotiations.

A critical mass of countries come up with "better quality" offers in the services negotiations, the NAMA negotiations speed up, based on the Pakistani proposal, and the agriculture market access discussions near completion.

The US-EU wrangle on Blue Box and Green Box subsidies continues for some time, but the two sides are reminded by Lamy that they would not want a repeat of Seattle, where the EU-US divide on the same issue was one of the factors that unraveled the third ministerial in 1999.

The two sides agree on a face-saving formula consisting of placing weak caps on some minor subsidy payments channeled through the Blue Box and Amber Box. In other words, there is no change in the status quo in the domestic subsidy pillar. This means massive dumping on developing country markets continues.

At the General Council meeting on 19-20 October, Lamy announces that substantial agreement has been reached in agriculture, NAMA, and services. The General Council comes up with a consensus statement affirming the key points of agreement in these areas that would serve as the draft of the Ministerial Declaration for Hong Kong.

Lamy says it's only mopping up operations that remain--that is, sewing up agreements on the less controversial items, such as sensitive products, special products, special safeguard mechanism, state trading enterprises, food aid, special and differential treatment, and implementation.

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

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

The Challenge to Civil Society

This scenario or something similar to it is not far-fetched, in our view, since the pressures on everyone to come to deal are enormous and no one wants to be blamed for another Seattle or Cancun-type collapse. As the representative of a key Geneva-based NGO puts it: "My overall sense is...we are probably not so far away from a deal, but not necessarily because all is solved yet, but because key countries want to make a deal, end the round as quickly as possible, knowing it will be very "low ambition"...No member, no group seems ready to go for a total opposition, a halting-the-round type of approach."

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

Citizen pressure is decisive at this point.

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

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

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

Governments must be convinced that, at a minimum,

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

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

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

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

We are entering the most dangerous period of the negotiations, when a deal will either be struck or killed.

(August 18, 2005)

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48.6% of Farmer Households in India in Debt: NSSO Survey

Nearly half of India's farmers are in debt according to a first-ever situation assessment survey of farmers in the country.

Of the 89.35 million rural households engaged in farming in India, nearly 43.42 million or 48.6% are in debt, reveals 'Indebtedness of farmer households', a survey conducted by the National Sample Survey Organisation (NSSO). The degree of indebtedness is fairly high in the relatively better off states of Punjab and Tamil Nadu.

The first-ever situation assessment survey of farmers, carried out by the NSSO as part of its 59th round survey that started in January 2003 covered 51,770 households in 6,638 villages throughout the country. Andhra Pradesh tops the list with 82% of all farmer households in debt, followed by Tamil Nadu with 74.5% and Punjab with 65.4%.

At the bottom end of the scale is Meghalaya where only 4% of farmer households are in debt, while in Arunachal Pradesh the figure is 6%. Uttaranchal has 7% indebtedness.

The survey report further discloses that at an all-India level the average outstanding loan per farmer household is Rs 12,585. At the state level, the average outstanding loan per farmer household is the highest in Punjab (Rs 41,576), followed by Kerala (Rs 33,907), Haryana (Rs 26,007), Andhra Pradesh (Rs 23,965) and Tamil Nadu (Rs 23,963). The survey defines indebtedness as having a liability in cash or kind with a value more than Rs 300 at the time of transaction.

The report highlights the fact that more than half of indebted farmer households took loans for capital or current expenditure on farm businesses. Marriages and ceremonies are the next major cause of indebtedness, accounting for about 11% of outstanding loans.

The most important source of loans, in terms of percentage of outstanding amounts, is banks, with a 36% share of the total, followed by moneylenders who have a 26% share. The incidence of borrowing from moneylenders is highest in Andhra Pradesh (57 out of 100 indebted households), followed by Tamil Nadu (52 out of 100 indebted households).

Social group-wise, the average debt burden per farmer household is Rs 5,500 among scheduled tribes, Rs 7,200 among scheduled castes, Rs 13,500 among other backward castes and Rs 18,100 for other castes. The report found that degree of indebtedness is relatively high among other backward castes, while farmers belonging to scheduled castes and scheduled tribes are relatively better off than those in other categories.

Source: The Pioneer, May 4, 2005

Talk Aplenty, But WTO is Mired

By: Tom Wright International Herald Tribune ; Wednesday, July 27, 2005

Geneva: one year ago, the World Trade Organization gave itself until July 2005 to draw up a blueprint for a new round of trade liberalization meant to help lift the globe's least developed countries out of poverty.

But negotiators say rich and poor nations remain as far apart as ever. Expectations of meeting the deadline this week are low after a ministerial meeting in mid-July made only limited progress.

"I urge you all to hear the alarm and act upon it," the WTO's director-general, Supachai Panitchpakdi, urged negotiators in Geneva last week.

At stake is crucial momentum for completing the current WTO trade talks by December - already a year behind the original schedule.

Among the most contentious is setting a timetable for the phasing out of the huge farm export subsidies that the European Union and the United States give their farmers.

Brussels and Washington have declined to do this, however, until leading developing countries, like China, Brazil and India, also make concessions.

"There has to be mutual and balanced political pain, for mutual and ambitious economic gain," Peter Mandelson, the EU's trade commissioner, said last week during a speech in London.

The United States has said it is willing to cut farm subsidies but notes that they amount to only a third of the more than 50 billion the EU spends each year.

"The biggest sticking point remains market access in agriculture," Peter Allgeier, U.S. deputy trade representative, said in an interview.

The EU and other protective markets, like Japan, are the least flexible on this issue, he added.

Fabien Delcros, a spokesman for the EU in Geneva, said, "We are willing to negotiate, but the others need to show flexibility as well."

World Trade Talks Hit Another Snag

SABC News; October 18, 2005

The World Trade Organisation trade negotiations have hit another snag, with only nine weeks left before the Doha Round deadline for a global deal on free trade in December. This after South Africa and the G20 nations opposed a United State proposal to phase out the subsidies over a five-year period.

Rob Davies, South Africa's Trade and Industry deputy minister, says America is trying to jump-start the multi-lateral trade negotiations.

"They then proposed that there should be a 60% cut in a range of other trade distorting measures. This, they said was a major shift and would require them to re-write their farm legislation and it would mean a significant change in which subsidies operate."

Overall cuts inadqeuate

However, Davies is adamant that the changes are not adequate. "We in the G20 analysed these proposals in some detail and have basically concluded that the fundemental issue is not the cuts which are proposed in various categories, but the overall cuts in domestic support. For countries which have over $60 billion of domestic support, we are proposing that there should be a cut of 80%," he said.

Hong Kong

Fears now abound that the forthcoming critical Hong Kong Summit will also collapse. "We don't think it would be in the interests of South Africa if Hong Kong failed. If it failed there would be the entrenchment of agricultural protectionism in the developed world.

Furthermore, it would fuel a round of bilateral trade negotiations in which the all ambitions of the developed world would be put directly on the developing countries, with the full inequitable power relations at play," Davies predicted. However, he remained optimistic that countries will reach a deal before Hong Kong.

Officials Bear Down on Breaking Trade Impasse

By Keith Bradsher The New York Times; Sunday, November 6, 2005

Hong Kong Trade ministers from around the world have agreed to hold a series of meetings in London and Geneva through the coming week in an effort to rescue plans for a new global trade pact from an impasse over agriculture.

The talks in Europe coincide with concerns that differences over farm policy could derail a World Trade Organization gathering for trade ministers from 148 countries and customs territories to be held in mid-December in Hong Kong. The ministerial conference is intended to complete most of the work for a global deal to reduce tariffs, quotas, subsidies and trade barriers.

Critics have warned that the conference could produce little progress on negotiations while triggering street violence as protesters arrive from many countries, as occurred during WTO ministerial conferences in 1999 in Seattle and in 2003 in Cancún, Mexico.

"Next week will be telling" in terms of signaling the likelihood that the Hong Kong conference can produce a broad deal on agricultural trade, Rockwell said in Hong Kong on Friday.

India's and Brazil's trade ministers are expected to attend the London meeting as representatives of the Group of 20, a grouping of developing countries that includes China.

It has argued that industrialized countries should do more than poorer countries to reduce trade barriers. Australia will represent the Cairns Group of 17, which is composed of food-exporting countries.

The United States and European Union have each made fresh offers in the past three weeks to reduce agricultural subsidies and lower tariffs. Both sides have criticized each other's offers as inadequate, but the WTO's director general, Pascal Lamy, has said that each deserves serious consideration.

Particularly controversial is the European Union's insistence, under pressure from the French government, that no deal go beyond changes in the European farm program that were made in anticipation of a deal in Cancún that never materialized. In addition to insisting that the details of the offer are not subject to negotiation, the European Union has also insisted that the deal is only valid on the condition that other countries agree to a list of additional trade rules, including a limit on the United States' practice of shipping large quantities of food to poor countries as aid.

West Fights for Access to Markets

By James Kanter International Herald Tribune; Tuesday, November 8, 2005

London: With just weeks to go before a summit meeting on global trade, European and U.S. officials on Monday called for improved access to developing markets while countries like India and Brazil renewed pleas for deeper cuts in farm subsidies by rich nations.

In the wood-paneled rooms of India House in Central London, representatives from five trading partners - Brazil, the EU, India, Japan and the United States - sought during a working session, and then over an elaborate Indian buffet dinner, to rescue negotiations for a new global agreement before the Dec. 13-18 meeting of all 148 World Trade Organization members in Hong Kong.

"Unless we take action and do so decisively in the next couple of days," Rob Portman, the U.S. trade representative, said, "we will have lost an opportunity to really make progress in Hong Kong."

The mood in London was subdued, with developing countries continuing to accuse rich nations of using subsidies and tariffs to skew the market. Meanwhile the EU and the United States said they would continue to push developing countries to open up their markets to goods and services from computer chips to telecommunications to banking.

The European trade commissioner, Peter Mandelson, called for "balanced progress" and sought to move the focus away from controversy over agriculture subsidies. "Where we haven't made progress is in the other areas of these talks, in industrial goods, services," he said.

Mandelson said that if agriculture "continues to keep everything else blocked at the gate, we cannot get to Hong Kong in the shape we need."

Portman said Washington "will be standing with the EU tonight" on the issue of opening up access to developing world markets in exchange for easing support for U.S. farmers.

The commerce and industry minister of India, Kamal Nath, poured cold water on further market-opening measures without more cuts in the way rich countries use "artificial prices" to support their agricultural industries.

"What's being sought are subsidy flows and not trade flows," Nath said.

Brazilian officials also fiercely resisted richer countries' market-opening measures and were instead seeking far greater concessions on farm supports, one person familiar with the talks said.

The Brazilian foreign minister, Celso Amorim, said he had told Prime Minister Tony Blair of Britain that opening up Brazilian markets to foreign goods and services "will be proportionate to what we get here in

agricultural market access," The Associated Press reported.

Quagmire of Farm Aid Hinders U.S. Trade Deal

By: Elizabeth Becker International Herald Tribune; Tuesday, November 8, 2005

Washington: As trade negotiators meet this week in London and Geneva to try to break an impasse over global trade talks, the question for the United States is whether it can strike a compromise with other countries before it has agreed on a new way to help its own farmers.

In the past week, the U.S. trade agenda has been blocked by concerns among trading partners who want to see America change its system of farm subsidies. During his visit to Latin America last weekend, leaders complained to President George W. Bush that the $20 billion in annual subsidies paid to U.S. farmers gave its agribusinesses an unfair trade advantage. Earlier, Europeans seeking a deal on agricultural subsidies before World Trade Organization talks in December said they wanted Washington to stick to an offer to cut farm subsidies, even though U.S. laws providing for these payments last through 2007.

Bush said in a speech to the United Nations in September that he was willing to eliminate farm subsidies if other countries pledged similar cuts. But that pledge has not produced the momentum in Congress needed for a breakthrough at the negotiating table.

Instead, U.S. politicians have signaled that they are unwilling to allow trade talks to dictate U.S. farm policy. Both Republicans and Democrats expressed concerns that Bush was willing to forsake the country's farmers to push ahead in another round of trade talks. Last week, the Senate took the first step toward extending the farm subsidies by four years.

More than one Latin American leader has noted that the only time developing countries have been able to get the United States or the European Union to reduce farm subsidies was when Brazil brought cases against them at the WTO.

That may be a sobering thought as top trade negotiators sit down again this week to try to work out a compromise over farm subsidies.

Without a deal on agriculture, the chances are slim that a meeting of the WTO in December will lead to new agreements on reducing trade barriers.

But Bush's pledge at the UN raises difficulties for U.S. negotiators, by leaving little room for either side to undertake "unilateral disarmament" of their subsidies. The situation has contributed to a belief among American farmers that their trade problems stem from policy makers in Brussels. Farmers across the United States have said that their European counterparts receive three to four times as much in subsidies as they do and that European officials block the import of U.S. products, like hormone-treated beef, based solely on spurious health concerns. Yet the mistrust on both sides has allowed the two trading giants to keep their subsidies largely in place, if only to maintain equity.

Meanwhile, developing countries are singling out the combined $300 billion worth of farm support that rich countries parcel out. Their No. 1 priority in the current round of trade talks is to eliminate these, citing studies showing that rich-country farm supports undermine their ability to help the rural poor and raise standards of living.

Last week, over the objections of the White House, the Senate voted to extend U.S. farm subsidies until 2011, with some politicians saying they did not want trade officials to determine American farm policy.

Without some agreement on a future direction for U.S. farm policy, it could prove difficult for U.S. trade negotiators to keep the farm community behind them in talks at the WTO. And without some agreement to cut subsidies at the WTO, leaders of developing countries like Brazil said at the weekend, it will be hard to forge a regional trade deal.

With no compromises in sight, developing countries are already talking about bringing new cases against the United States and Europe at the WTO. The top candidates for action against the United States appear to be its subsidies of rice and soybeans.

For politicians who worry that trade ministers will dictate American farm policy, having more disputes at the WTO could be the worst outcome.

Acrimony at Trade Talks

Worldwide trade talk break off amid complaints about European stance. *November 8, 2005*

Ministers broke off talks shortly before midnight in this Swiss city highly critical of what they called an inflexible European Union stance on lowering tariffs on imported farm products.

Very clear was that ministers aren't even remotely close to the consensus they'd need for a landmark accord

at a World Trade Organization meeting in Hong Kong next month.

Ministers in the negotiating room said a majority of countries view the E.U.'s stance as the key sticking point to achieving any progress on a global trade deal.

U.S. Trade Representative Robert Portman was especially outspoken against the E.U.'s position earlier Tuesday night.

"The E.U. hasn't gone far enough. That's the general consensus," said Portman. Unless Brussels can promise more tariff cuts, other countries will find it hard to offer bold concessions, he added.

Speaking shortly after the meeting of 27 trade representatives, the E.U. Trade Commissioner, Peter Mandelson said he will offer no new concessions to open Europe's farm markets.

France, which receives around 21% of the annual subsidies the E.U. pays out to guarantee farmers' income, placed further shackles on the trade representative entering Tuesday's talks at the World Trade Organization's Geneva headquarters.

In Washington earlier Tuesday, French Trade Minister Christine Lagarde warned Mandelson not to exceed his mandate in negotiations over agriculture subsidies in the Geneva round and repeated a threat to use a veto if France finds the outcome of the talks unacceptable.

With social unrest and riots having spread to over 300 cities and towns across France in the past 13 days, Paris is even less likely than usual to be seen as somehow abandoning its farmers.

Jousting is not only going on between the E.U. and other countries. There are numerous other disputes, highlighting a need for more bilateral talks and dimming prospects for a global trade deal anytime soon.

G4 Nations Meet on WTO Issues Fail on Agricultural Subsidy

Webindia.com; London, November 08, 2005

Trade Ministers from G-4 countries, who met at the Indian High Commission here to disscuss pending World Trade Organisation (WTO) issues, failed to make headway on the core issue of agicultural subsidy.

However, the meeting succeeded in narrowing down differences in areas of services, special products and special safeguards mechanism in agriculture.

The meeting was hosted by Minister for Commerce and Industry Kamal Nath.

After the six-hour meeting, where Japan was also invited, Mr Nath said the WTO might be able to achieve the full blueprint for a global free trade deal as planned.

"Expectations of Hong Kong will not be, with the availability of time, what they were two months ago," he said, adding this had been acknowledged by the ministers, who will meet again in Geneva tomorrow.

After four years of negotiations, the gap between developed and developing nations, particularly over agriculture, remains wide.

Before the talks, Mr Nath described the meeting as being "crucial" because, if "within the next 10 days no conversion is reached then the Doha Round will have no success".

Mr Nath said, "The success of Hong Kong will be determined by the development aspects of this round." Welcoming the recent EU offer, Mr Nath said, "It is a step forward, but you can't give an inch and ask for a mile. We are looking for more flexibility from them." If the structural flaw in agriculture has to be corrected then artificiality of prices has to go, he added.

Trade Talks Face a Delay in Mid-December Deadline

International Herald Tribune; Tuesday, November 8, 2005

Geneva: Top world trade ministers admitted Tuesday that they may have to delay a mid-December deadline for a global deal, although the European Union warned that such a move was risky and said there was still time to overcome deep divisions.

Officials from influential members of the World Trade Organization said it might not be possible to achieve a full blueprint for a treaty before a December meeting in Hong Kong.

"We may need a Hong Kong II," the Brazilian foreign minister, Celso Amorim, said Tuesday ahead of a meeting of trade negotiators.

Amorim and officials from the EU, United States, India and Japan met in London on Monday, but failed to break new ground, although they all described the discussions as positive.

The Indian commerce and industry minister, Kamal Nath, said, "Expectations for Hong Kong at the given time would have to be tempered with the realities that exist."

The EU trade commissioner, Peter Mandelson, said he was still pressing for a wide-ranging agreement when all the WTO's 148 members meet in Hong Kong Dec. 13 to 18.

"The moment you start reducing expectations, you risk introducing complacency," Mandelson said, heading for the Geneva meeting, which was scheduled to stretch into Wednesday. "My view is that we should keep up the pressure to narrow the differences."

After four years of talks, the gap between rich and poor nations, chiefly over farm subsidies, remains wide. All sides have warned the negotiations risk collapse if the deadlock remained.

Some ministers and senior trade officials feel the time has come to lower the target for Hong Kong to avoid a damaging failure like the conference in Cancún, Mexico, in 2003.

But they added that any delay should not lead to a weakening of the overall goals of the talks - sharply reducing rich-nation farm subsidies and opening markets across the global economy.

"I think that we may have to be content with a little less," Amorim said about Hong Kong. "But if that happens, it does not mean lowering the ambition of the round."

The EU has so far borne most of the criticism from other major trading nations for the impasse in the negotiations.

Fears for World Trade Deal Grow

Times of London; Gary Duncan, November 9, 2005

Fears that world trade negotiations could end in failure mounted yesterday after key negotiating countries admitted that it may be impossible to secure a blueprint for a deal in time for next month's critical World Trade Organisation talks in Hong Kong.

Ministers from some of the WTO's key member states conceded for the first time that increasingly frantic attempts to put together a framework for a global deal to reduce trade barriers in time for December's conference could flounder.

Negotiators raised the prospect that the agenda for the ministerial gathering in Hong Kong might have to be watered down and an extended timetable lead to a second meeting next year.

"We may need a Hong Kong II," said Celso Amorim, the Brazilian Trade Minister, although he insisted that "if that happens, it doesn't mean lowering the ambition."

The admissions came as negotiators representing the WTO's 148 member countries talked late into the night in Geneva as they battled to bridge deep divisions between the world's big trading blocs.

Pressure Builds on WTO Nations to Downgrade Hong Kong Target

Geneva(AFP) - Trading nations still deeply divided on key issues faced the prospect of a watered-down WTO ministerial conference next month in Hong Kong, where they are hoping to put together a framework deal to lower global trade barriers.

A former World Trade Organisation insider warned the 148 member states they would be wise to prepare a "Plan B" for the meeting but the WTO chief said no such thing was in the pipeline.

As trade negotiators met late into the night on Tuesday at the WTO's Geneva headquarters, key ministers cautioned that the goals for the December 13-18 ministerial conference may not be met.

The WTO members were discussing the outcome of a meeting in London Monday between Brazil, the European Union, India, Japan and the United States aimed at narrowing differences on trade in farm goods, industrial products and services, such as banking.

Brazil's Foreign Minister Celso Amorim said WTO ministers might need to hold a "Hong Kong 2" in the early months of next year to make up lost ground.

"But if that happens, it doesn't mean lowering the ambition" of the overall WTO talks, he told journalists Tuesday.

India's Commerce and Industry Minister Kamal Nath had also hinted earlier that the goals for Hong Kong may have to be changed, leaving even more to be done next year.

In Monday's London meeting, the European Union appeared to have overcome resistance from India and Brazil to tackling these issues until the farm controversy is largely settled.

Trade Deal Derailed in WTO Talks

By: James Kanter, International Herald Tribune; Thursday, November 10, 2005

Geneva - Talks aimed at rapid progress toward a global trade deal have ended in failure, with top representatives

from the European Union and Brazil accusing each other of negotiating in bad faith and jeopardizing the chances of reaching an accord.

The European Union trade representative, Peter Mandelson, said afterward on Wednesday that developing countries, including Brazil, had undermined efforts in two days of talks at the World Trade Organization to lay the groundwork for a blueprint agreement before a mid-December ministerial conference in Hong Kong.

"I want proper negotiation to start - that's all I'm asking for," he said, adding that a refusal by developing countries to put forward proposals on accepting more goods and services from the rich world "does not add up to deal making."

Minutes later, Brazil's foreign minister, Celso Amorim, accused Mandelson of being disingenuous, saying that developing countries had offered concrete proposals.

Amorim warned Mandelson to come up with far deeper cuts in EU agricultural subsidies or take most of the blame for the failure of the trade round that began in Doha, Qatar, in 2001. If the current EU offer was "not improved upon," Amorim said, "then it's not two months, three months, one year or two years" that it will take to negotiate a new treaty.

Negotiators from the United States, the EU, Brazil and India all have scaled back expectations for reaching a blueprint for a deal at that meeting, emphasizing instead the need for forward momentum to reach a deal before 2007, when the authority of the U.S. government to negotiate a new accord expires.

But without a completed blueprint for the Hong Kong meeting, developing countries are likely to continue attacking rich trading blocs, in particular the European Union, for selfishness and protectionism during a trade round that had been expected to increase prosperity for the poorest countries.

By: Lok Samvad Bureau

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`Real Issues` at WTO Not Addressed Yet, Says India

Business Standard; November 8, 2005

With barely a month to go for the next ministerial meeting of the World Trade Organisation in Hong Kong, India today said real issues relating to the negotiations continue to remain clouded or are being pushed to the background. In a letter addressed to trade ministers of the 148 member countries of the WTO, Commerce and Industry Minister Kamal Nath reminded them that the negotiations launched at Doha were called the "development round" and not a "market access round". "Our endeavour should be to ensure success at Hong Kong without glossing over the critical aspects ... which form the very basis of a development round or else there will be no success,'' he said, stressing that WTO was not about free trade alone. He cautioned against "divisive" attempts to disrupt the basic structure of the GATT/WTO by creating a new category of WTO members called "advanced developing countries'', which could derail the negotiations. "Deadlines are important — but more important than anything else is to have a deadline to achieve development." Criticising the demand of some members for "real'' market access in agriculture, Nath said it undermined the policy space for developing countries and the agreement to provide special and differential treatment to them. They would also obscure the need to ensure a level-playing field for developing countries. ``Tariff reduction is not the only pre-condition for market access. For real market access to accrue, it is also necessary that export subsidies, domestic support and non-tariff barriers are eliminated,'' he said. India remained committed to the G-20 offer which called for proportionately lower commitments from developing countries as compared to the developed ones. On non-agricultural market access (NAMA), he expressed concern over recent proposals suggesting norms for tariff reduction from applied rates, saying these were totally extraneous to the mandate and rejecting any single co-efficient formula for developed and developing countries as a complete non-starter. Commenting on the slow progress of the services negotiations, he noted that the framework of GATS (General Agreement on Trade In Services) provided flexibility to developing countries to undertake commitments in services according to their capability and needs and added that proposals based on quantitative targets on a one-size-fits-all basis were not acceptable. He urged members to agree on a special and differential (S&D) package for the least developed countries (LDCs), especially duty-free and quota-free access to LDC exports in markets of developed countries.

WTO Members Still Far Apart on NAMA

By: Martin Khor

A two-day meeting of the WTO's Negotiating Group on Market Access ended on 22nd September after discussions focusing mainly on three issues -- the tariff reduction formula, treatment of unbound tariffs and flexibilities for developing countries.

According to trade diplomats, the meeting on non-agricultural market access (NAMA) did not seem to make progress towards convergence. Instead, the differences among members on these issues were as wide as before the WTO's summer break, with the countries reiterating their known positions.

Members are still far apart on an agreement on the formula and its elements, in particular how to establish the coefficient, or coefficients, and also how to apply the flexibilities for the developing countries.

Members were also divided on how to treat the three issues of formula, unbound tariffs and flexibilities. Many developing countries insisted that flexibilities were a right of developing countries and should be treated separately from the issue of the formula.

However, developed countries were equally adamant that the issues were linked, and that a formula with a coefficient that allows lower reduction rates for developing countries would mean that the latter would have to forfeit the flexibilities, or live with less flexibilities. The code term for this approach is the "integrated approach".

At the meeting, Mexico introduced a new proposal through a power-point presentation. Pakistan explained its proposal for two coefficients. Jamaica explained in greater detail the proposal by several Caribbean countries for multiple coefficients based on "development factors", while Barbados introduced the position of small economies.

Mexico explained that its proposal is based on built-in flexibilities in the formula by incorporating the provisions of paragraph 8 of the NAMA July framework (which deals with flexibilities for developing countries), as well as a "rational formula" to mark up unbound tariffs (with built-in flexibilities). There would be a different coefficient for developed countries.

It explained its principle behind the flexibilities as follows: Assume that after applying the Swiss formula, the tariff rate of products 1 to 5 results in 30% for each of them. Thus the average tariff rate is 30%.

Assuming a member chooses not to apply the formula to product 3, leaving its tariff at the base rate of 50%. To maintain the overall level of ambition while applying flexibility, the member would proportionately lower the tariffs of products 1, 2, 4 and 5. To keep the average tariff at 30%, the tariff for these four products would be 25% (while the tariff of product 3 is maintained at 50%).

For unbound tariffs, Mexico proposed the use of its "rational formula" to increase the applied rates by a mark-up, which is higher for the lowest applied rates. The base rates are then subject to the formula. Flexibilities may be built in for up to 5% of total unbound tariff lines (not exceeding 5% of imports of such tariff lines); and for such products the corresponding mark up cannot exceed 50% of their applied rate.

Pakistan explained its proposal, which mainly involves a simple Swiss formula with two coefficients, with values of 6% for developed countries and 30% for developing countries (these being around the present levels of the average bound tariffs for the countries respectively).

Ambassador Ransford Smith of Jamaica introduced a paper on behalf of Antigua and Barbuda, Barbados, St. Kitts and Nevis and Trinidad and Tobago and Jamaica, giving details of the rationale for their joint July paper on a "Development-oriented approach to tariff reduction" (JOB(05)/150.

The paper said the countries' political message is that for small open economies that are already contributing disproportionately and given their vulnerabilities, "we find the high level of ambition, and the low level of flexibility, that some proposals on the table suggest, inimical to our interests and thus extremely difficult to accept."

The countries "do not believe that equity and a balanced outcome could now require that they undertake further drastic reduction in their bound tariff rates." They have a preference for an overall average tariff-reduction approach along the lines used in the Uruguay Round.

"This would provide the flexibility required to enable developing country members to make choices appropriate to their circumstances, whilst at the same time ensuring multilateral commitment to tariff reduction. We would like to stress that one size does not fit all, especially since members find themselves in different circumstances and therefore require a mechanism that allows for those circumstances to be taken into account in the outcome."

They said the simple Swiss formula is inadequate to meet their development needs. Even if there are two coefficients, one for developed and one for developing

countries, this would not be able to take care of the variations required because of the wide range of circumstances involved.

The solution is to have multiple coefficients that take into account the circumstances and needs of developing countries. Their proposal and formula are aimed at avoiding the one-size-fits-all approach, and enabling development factors to be taken into account. It allows for multiple coefficients, through a system of credits to be given to each country depending on its situation in relation to the development factors.

The value of credits would be added on (as an extra C coefficient) to the B coefficient. The formula also takes into account the present level of bound tariffs of each country.

The paper explained that the coefficient 'C' will vary from developing member to developing member and will represent the sum of 'credit' accumulated for the various factors. It elaborated on the "development factors" to be taken into account for credits to be summed up in the coefficient C.

First, developing country Members which have bound a substantial percentage of their tariff lines. These countries have already to a significant extent autonomously liberalised and contributed to the predictability of the trading system. This contribution should be taken account of.

Second, developing country Members that have undertaken autonomous liberalization. By having previously already undergone liberalisation, these countries have made contributions while at the same time it should be recognised that their ability to contribute further may now be constrained.

Third, members dependent on customs and other border taxes which constitute an important portion of government revenue. For many countries, customs and border taxes represent a large part of government revenue. Tariff reduction will correspondingly reduce government revenue. This will affect the ability of government to maintain its budget, including for infrastructure and social development. Time is required for adjustment for example to other sources of revenue. The greater the revenue dependence on customs related taxes, the greater the adjustment required.

Fourth, developing countries with incipient industries will require the continued use of tariffs to ensure the continued and increased viability of local industrial enterprises and to significantly increase or at least maintain industrial jobs and employment.

In developing countries, the local industries and enterprises are smaller and weaker (technologically and financially). The application of steep tariff reduction would adversely affect these industries. Therefore, the vulnerability of domestic industrial enterprises have to be taken into account when assigning a coefficient.

Fifth, developing countries need to maintain or expand their national policy space so as to be able to adopt measures that lead to successful industrial development. There should thus be flexibility in the use of tariffs to enable potential industries to develop.

This factor is to take account of the need for nascent or potential industries to develop in developing countries. For example, a country in the first phases of industrialization may be producing a finished consumer product and importing inputs and machinery. To lower costs, the imported parts may have low or no tariff.

In a more advanced phase of industrialization, the country may want to locally produce the inputs and machinery. Thus, it would not be prudent or farsighted to presently bind the tariffs of products that are not locally produced today at low levels or at zero. This requirement for policy space for potential industries should be taken into account.

Sixth, developing countries also need to have the flexibility and policy space to vary their tariff levels in line with developments and needs such as changes in economic priorities or circumstances.

Seventh, developing countries facing the challenge of preference erosion should also be accorded additional policy space to help address the adjustment costs resulting from this new trading environment.

"Preference-receiving countries are finding difficulty in coping with erosion or loss of preference margins," said the paper. "This problem is expected to become more serious with the multilateral commitments to liberalise under the Doha programme.

"Such countries are facing adjustment problems which are expected to worsen. An important part of adjustment is for countries to expand production in existing or new areas to make up for the shortfall caused to certain sectors resulting from preference erosion. Thus, they require more space to develop their industries."

Eighth, the degree of openness of the economy of the developing country Member to trade. Relative openness to trade is one reflection of autonomous liberalisation, and this should be taken account of. It carries with it vulnerability to external developments and shocks, and is an indicator as well as of a high level of existing market openness.

Ninth, the economic vulnerabilities of developing countries. "Besides vulnerability to trade shocks, some

developing countries are also vulnerable to other factors, which increase economic vulnerability, and require flexibility in approaching tariff reduction."

The Caribbean countries said that the flexibilities in Paragraph 8 of Annex B of the General Council Decision of 1st August 2004 are not affected by the application of the proposed formula.

"We are of the view that the flexibilities in para 8 are to be treated as stand-alone SDT rights of developing countries, and are not to be used for 'trading off' in relation to the formula or other factors. We would also stress that the flexibilities in para 8 are to be further negotiated. We find them inadequate and too restrictive."

Barbados, speaking on behalf of small economies, said that the small economies cannot overemphasize the high importance of flexibility in the NAMA negotiations for countries with an insignificant share of world trade, a small production and export base and little or no comparative or competitive advantage.

"Tariffs are a primary means of ensuring the viability of our vulnerable domestic industries, achieving sustainable levels of development and maintaining revenues. We urge that the tariff reduction approach used in negotiations be development-oriented and suited to developing countries' trade profiles and their ability to offer and sustain concessions.

"We regard paragraph 8 as the 'ground floor' on which additional measures to provide flexibilities should be built. In other words, the S&D flexibilities in the final modalities should be augmented from the current paragraph 8. To make S&D conditional is contrary to the spirit of both paragraph 16 and the DDA."

The statement added that small economies would like the following outcome: a minimum level of tariff reduction by small economies, which in no way impacts on our current applied rates; no tariff reduction commitments by small economies on products which have strategic value for our economic development; longer implementation periods for small economies; tangible recognition for those small economies which have a substantial percentage of tariff binding coverage; the elimination of NTBs on products of export interest to small economies.

In the discussions, several developed countries stuck to positions stressing the need for an approach that results in developing countries having to cut their present applied tariffs.

Trade diplomats said that the developed countries wanted to link the issue of the formula with the issue of flexibilities. For them, flexibilities (such as exemptions for a number of products from binding, or from the full formula cut) would be provided only if developing countries are subjected to steep tariff cuts represented by a low coefficient in the proposed Swiss formula.

Should developing countries be allowed a lower rate of tariff reduction (from a higher coefficient in the formula), then they should not be allowed to enjoy the flexibilities, according to this line of thinking.

At the meeting, the US said it could not agree to the 30 coefficient for developing countries (proposed by Pakistan) as this would not sufficiently affect the tariffs of important developing country markets that have high bound rates. It said that the flexibilities in para 8 are not a "given" but had been proposed in the context of a single coefficient. It suggested that if there were two coefficients, there should not be para 8 flexibilities.

Canada agreed with the US that a coefficient of 30 for developing countries would not produce results. Meanwhile, the EU retained its position that there should be a single coefficient, with flexibilities in paragraph 8.

However, several developing countries, including India, Malaysia, Philippines, Argentina, Thailand, Indonesia and several Caribbean countries, insisted that the flexibilities in paragraph 8 were independent from consideration of the formula or its coefficients, and some said it was "not negotiable."

Indonesia said that the issue of formula in relation to flexibility has been discussed at length but there had been no agreement. Seven proposals have been on the table, but most of them do not seem to satisfy the interests of all members. Indonesia proposed differentiated coefficients as part of the principle of "less than full reciprocity."

Stating that the flexibilities are "non negotiable", Indonesia added that flexibilities are essential for developing countries as they provide some policy space to respond to industrial development needs in future. Thus, developing countries should get substantially higher coefficients than developed countries to enable them to maintain adequate policy space.

On treatment of unbound tariffs, Indonesia said for many developing countries the currently unbound tariffs are sensitive for their industrial development needs. The flexibilities in paragraph 8 should not be set aside. Special treatment should be granted, especially for low unbound tariffs (which should be treated more favourably than high unbound tariffs).

According to trade officials, Brazil and Argentina emphasized that the concessions that they are ready to make in NAMA will depend on what they get in

other areas of the negotiations, especially in agriculture.

Meanwhile, several informal meetings were taking place on a "sectoral approach," with groups discussing accelerated tariff elimination on a sectoral basis.

The Group discussed 4 new proposals on tariff elimination - Japan, Singapore, and Chinese Taipei on sports equipment; Japan Singapore, Chinese Taipei and Thailand on bicycles and its parts; Hong Kong, Japan, Chinese Taipei, Singapore, Thailand, and the US on gems and jewellery sector; by APEC countries on three new IT products (multi-chip integrated circuits, modems and digital multi-function machines) not covered in the IT Agreement.

The Chair of the NAMA negotiations also provided details on his consultations on the conversion of non-ad valorem duties to ad valorem equivalents. He said that members can put this matter behind them since the group has accepted the methodology that has been developed in the agriculture talks. Some members have already started the conversions and could complete them by end of September.

Discussions on non-tariff barriers have also been taking place. The EC said that it was in favour of complete elimination of export taxes. Argentina defended the use of export taxes as a legitimate policy instrument for developing countries. Argentina said that it was against the debate on export taxes, as such a sensitive issue would require a negotiating mandate and this group does not have a mandate to discuss this issue.

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Pascal's Postulate

By: Pradeep S Mehta & Pranav Kumar

By the time this piece is published, G-20's Bhurban ministerial meeting will be over. The meeting was held in the backdrop of two major developments -- one negative and the other positive. First, the General Council (GC) meeting in July 2004 ended without World Trade Organization members agreeing to the 'July Approximations' that would have prepared them for the Hong Kong Ministerial Conference. Secondly, a new director-general, Pascal Lamy, assumed office at WTO on September 1, 2005. Unlike in the past, people had eagerly awaited Lamy's arrival as new DG. This is due to the fact Lamy in his capacity as the European Union's trade commissioner was deeply involved in WTO negotiations ever since the launch of the Doha round of international trade talks in November 2001. In fact, he was one of the main campaigners for the launch of a new round of trade negotiations at Doha.

It would be interesting to see how G-20 goes along with the new WTO chief. Lamy, in his earlier incarnation as the EU Trade Commissioner, had to face some tough time because of G-20 and its member countries. At Doha, though at that time G-20 had not come into being, he had to fight a tough battle with India (one of the leaders of G-20) over the launch of a new round. The end result went in his favour. Two years later at the Cancun Ministerial Conference in 2003, it was again Lamy versus G-20. This time, however, Lamy couldn't sustain the G-20 pressure, which resulted in the failure of the ministerial meeting. Lastly, two of his three contenders for the post of WTO's director general came from G-20 member nations -- Brazil and Uruguay.

Lamy on his part left no stone unturned to break this formidable alliance of developing member nations. At Cancun, he never missed an opportunity to make India and Brazil realise their diverse interests on agriculture. Unlike India, Brazil being a member of the Cairns group wants ambitious trade liberalisation in agriculture. In addition, both the US and the EU tried to bully Argentina out of G-20. Argentina was facing serious economic crisis at that time and as a result relying heavily on IMF support. The EU even tried to divide G-20 ranks by taking up the route of a bilateral free trade agreement with Mercosur -- a Latin American group which combines Brazil, Argentina, Paraguay and Uruguay. It's no coincidence that all the members of Mercosur are also the members of G-20.

Now, the situation has changed. It is significantly different from what it was at Cancun. Lamy is no more the chief trade negotiator of the EU. Rather his main role as the WTO chief is to broker a deal through consultations. This is exactly what he said in his statement to the media upon taking office. "Members have the decision-making power. We can catalyze, we can broker. Sometimes, we can lead, but at the end of the day they take the decision, and that's why I have to start this series of contacts," Lamy said.

G-20 has also gained strength in the meanwhile. The group has got stronger by the day and is fast taking the shape of an institution instead of merely being an alliance.

The G-20 ministerial meeting at Bhurban, followed

by similar sessions on other WTO-related agreements, is likely to prepare the groundwork for next month's General Council meeting. After the failure of the July General Council meeting to produce 'July Approximations' WTO members as well as the secretariat of the organisation are under immense pressure to release a draft ministerial declaration at the next GC meeting in October.

Tim Groser, the outgoing chair of committee on agriculture special session, in his last status report on agriculture negotiations did not hesitate from admitting that the agriculture negotiations were stalled and this was a reality. Given this fact, the Burbhan G-20 meeting and agriculture negotiations special session taking place thereafter are of extreme importance not only for agriculture but for other issues as well.

Agriculture negotiations are facing problems in all their three pillars, but more so on market access and domestic support. On market access pillar, the chairman of the session used a G-20 proposal for a tariff reduction formula, submitted at the mini-ministerial in Dalian, China, as a starting point for the most recent consultations. The ministers too agreed to consider the G-20 proposal as a basis for future negotiations. But later G-10 (led by Switzerland, Norway and Japan) rejected the G-20 proposal and the EU proposed a substantially different structure. The end result on market access by July end was that the negotiations were back to the square one.

The G-20 proposal is really being seen as the middle ground between the two polarised camps in the market access negotiations. The EU and G-10 favour a more flexible Uruguay Round formula while the US, Australia and New Zealand favour the more difficult Swiss formula. The G-20 proposes to use a linear formula, which would involve cutting each tariff line, on each product, by an agreed percentage within each given band. The G-20 proposes five bands for developed countries and four bands for developing countries. Tariffs will be grouped according to their levels and put into the bands, accordingly (for instance, one band may consist of tariffs less than 20 per cent and another of those between 20 per cent and 40 per cent, etc).

Domestic support is another issue on which there has been no progress since the July agreement last year. The US and the EU rotate between stalling and playing a game of tit-for-tat. The EU sometime ago categorically said that since it had agreed to phase-out export subsidies, the world should not expect much from it on domestic support.

Chairman Groser in his status report released last month underlined the need for two decisions. First, in the amber box, where most trade-distorting support is classified, the questions remain where to place the three largest contributors -- the US, the EU and Japan -- in relation to each other before agreeing to the percentage cut to their subsidies. Secondly, decisions need to be taken on the disciplines to apply on Blue Box payments that will reinforce the reform objective. However, the US has resisted negotiating additional disciplines which will determine just how broad the new blue box will be.

In the green box, it is unlikely that any tighter disciplines will be put on developed country spending, although a number of programmes eligible for green box status have been shown to encourage production (and thereby distort trade). The chairman in his report only urged the countries already using heavy green box payments to examine some proposals sympathetically for clarifying the criteria that will not undermine their reforms. This is like asking them to make their best endeavour, which has not yielded results in the past.

Unlike the other two pillars, the picture is relatively clear on export competition. The commitment by the EU to agree to a credible end date for the elimination of export subsidies remains an important step. However, the EU rejected the G-20 call for elimination of direct export subsidies within a five year time period. Parallel commitments in area of export credits are likely to follow but outstanding issues remain in relation to State Trading Enterprises (STEs) and food aid. On food aid, the US is proving the major stumbling block to reform and in particular to discipline the commercial displacement that results from some food aid imports. The US is joined in this position by some of the recipients of US food aid, such as Mongolia, which fear that without food aid they will lack access to food on concessional terms, something on which they are now dependent to meet their food security needs.

Agriculture negotiations are really in a mess. With time these negotiations are getting further complex as more formulas and proposals are popping up every time. This was one reason why people were so eagerly waiting for the arrival of Lamy as the WTO head. Other than him, who else would know the intricacies of agriculture trade negotiations? Now, it remains a challenge for Lamy as to how he unties the Gordian knot of agriculture trade negotiations. He can use his influence to win over the US the EU and G-10 countries so that the imperiled Doha round is brought back on track. At the same time he will have to team up with the G-20 to win over other developing countries.

G-20 Should Stick to Its Guns, Stand United

By: Samar Verma

The Doha development round is seriously off track. At the center of the negotiations is agriculture. With seven out of ten people in the world's poorest countries employed in agriculture, there is a lot at stake for them.

Progress in the agriculture talks has been glacial. For every concession the rich countries are giving to developing countries, they are demanding something in return. This is dangerous and unreasonable. Poor countries are under pressure to open their markets to competition too fast and assurances that they will get 'special treatment' to protect vital foods and crops are evaporating.

One important development last week has been that countries have started to fill the blanks in their respective proposals. For instance, the G-20, in its latest submission has given concrete numbers in its tariff reduction formulae.

The G-20 has proposed that all tariff lines in developed countries that have tariffs in excess of 75% be subjected to a 75% linear cut. The EU proposal states that the tariff lines in the highest category should be subject to a linear cut of 60%, while the US has proposed a linear reduction ranging from 85% to 90%. Further, both the EU and the US have agreed to the tariff cap proposal made by the G-20.

Overall, the US market access proposal is too aggressive and does not recognise the principle of 'less than full reciprocity'. Their proposal of big cuts in tariffs of developing members will destroy the vulnerable farm sectors in these countries.

The EU offer on market access is less demanding. However, the EU is insisting on designating so called 'sensitive products' as immune from dramatic tariffs cuts which would significantly dilute the benefits of market opening forpoor countries.

They are also seeking too many concessions in the areas of non-agricultural market access and services, which is a damaging trade-off for developing countries.

There are divergences between the EU and the US on the issue of tariff reduction. This was evident in the recent meeting of the Five Interested Parties (FIPs), comprising the US, the EU, India, Brazil and Australia in Zurich.

The EU is not comfortable with high tariff reduction rates that the US has proposed. The US, on the other hand, has said that it will reduce domestic support only if it gets meaningful market access in agriculture, which is possible only through steep reduction in tariffs.

Both the US and Australia challenged the position taken by the EU and blamed it for not coming out with an ambitious proposal on market access. The EU, in response, passed the buck on to India and Brazil. Indian commerce minister Kamal Nath's comment that developing countries couldn't give cash in lieu of post-dated cheques on subsidy by the EU and the US, was quite apt.

The offer to cut trade -distorting agricultural subsidies by 60% by the EU and 70% by the US should not be a reason to celebrate either. While these numbers are significant, it is important to note that these cuts are proposed on ceiling—allowed limit—and not on actual spending. Because of considerable gap between the two in both the US and the EU, it remains to be seen how much such cuts would amount to.

Moreover, thanks to the flexibility in terms of how countries classify and report their subsidies under the different boxes, there would be room for them to shift subsidies about and not cut overall spending substantially.

Chances of the talks achievinga pro-development outcome at Hong Kong appear slim. What was supposed to be a round to help poor countries capture their fair share of global trade has degenerated into horse-trading, unfair demands for reciprocation and brinkmanship.

Unless things change dramatically in the next two months, poor countries will lose out once again. It is, therefore, important for the

G-20, particularly India and Brazil, to maintain their position, as well as ensure that the group remains united in the face of strong divisive pressures.

The WTO General Council was scheduled to have an important meeting on 19-20 October, where it was hoped that important progress could be made on the Doha talks.

However, the meeting turned out to be an anti-climax, as the Trade Negotiations Committee had already been held the previous week and it had also not produced results.

The meeting ended by 1pm on 19th October, and there was no meeting either on 20th October.

- Third World Network

WTO: How Vital is India's Stake?

Business Standard, November 08, 2005

The Hong Kong ministerial meeting of the World Trade Organisation is a little over a month away. Recent indications are that Hong Kong may go the Cancun way. There are pre-negotiation meetings going on in London and, subsequently, there will be meetings in Geneva, all designed to thrash out a draft ministerial text, which should be ready by mid-November.

The question is - how much of the text will be in brackets, signifying areas where there is no agreement? If too much is bracketed, it is unreasonable to expect ministers to arrive at a consensus in the limited time available in Hong Kong.

If there is no breakthrough, the Doha Round cannot be concluded before the US President's fast track authority disappears in mid-2007. At the moment, failure of the Doha Round is a clear possibility.

Optimists will argue that the Uruguay Round went through a similar process of hiccups and all eventually ended well. However, there has been a perceptible shift in power structures since then and the G-20, with a core of Brazil, India, China, and South Africa, has become a negotiating force.

What the US, the EU, and Japan thrust down other countries' throats through the Blair House accord during the Uruguay Round, is no longer possible. Even though Cancun ostensibly failed because of the so-called Singapore issues, the central issue always was and continues to be agriculture. Here, the European Union's proposal, thanks to French resistance, is not good enough and the French president has declared that he will make no more concessions. So it is time countries began considering what would happen if Doha failed.

Without question, failure would be a negative development because it would mean a halt to the beneficial process of trade reform and globalisation. And on the argument that things never stand still, and if you're not moving forward then you're likely to fall backward, there is the fear of trade wars breaking out. Some of the scarier scenarios are fanciful, and a sober assessment is in order.

Without giving up the overall goal of multilateral liberalisation, which would clearly be in India's interest, the question must therefore be posed: how vital is India's stake in a successful Hong Kong Ministerial?

WTO agreements have two conceptual components - market access and rules, with trade facilitation and intellectual property also part of the latter. Multilateral rules are already in place and the Doha Development Agenda doesn't contemplate a significant change in the rules, with the possible exception of anti-dumping.

On market access, there is a give and a take. The debate on the formulae used for non-agricultural market access may be important for the commerce ministry. But on the take, enhanced market access through duty reductions isn't terribly important for India's exports.

Not only are industrial tariffs low, but duty reductions will apply to bound rates, which are considerably above the applied ones. And India's give will be overtaken by unilateral reductions and RTAs (regional trade agreements).

Even in agriculture, in the absence of domestic reforms that will make Indian exports both competitive and feasible, India's take is little, although it is important to tango with Brazil in pushing for liberalisation by the developed countries. India's negotiating interests are primarily in reducing the give in sensitive products.

It is also well to remember that special and differential treatment (for which India has fought long and hard) does not mean all that much, except for the least developed countries. That leaves services, where India has rightly altered its stance in resisting corporate presence in India, although there are attempts to obtain a quid pro quo through cross-border movements of labour.

However, this has been pushed through RTAs, such as the ones with Singapore and Sri Lanka, not to speak of a possible one with the US when the US trade representative comes calling in the next few days.

The short point is that multilateral agreements have been propagated because they involve lower costs in negotiation, compared to bilateral and regional deals, and easier implementation/enforcement.

With 148 WTO members, each of whom has right of veto, it is by no means obvious that this continues to be a compelling argument. India's slightly increased economic clout has also made bilateral deals easier, and fairer, to negotiate.

Thus, India's interest in a successful Hong Kong Ministerial is less than was the case during the Uruguay Round. Indeed, India's external trade stands to gain more from achieving domestic economic reform, including in the unreformed agricultural sector, than from any deal that will be negotiated at Hong Kong.

Aware that the sixth ministerial meeting of the WTO, which is scheduled from December 13-18,2005 in Hong Kong will have massive consequences for the developing countries as well as the LDCS;

Aware that trade liberalization in the name of 'free trade' during the last decade under the WTO regime has been fundamentally flawed with disastrous results to the poor countries;

Aware that during the last decade, poor nations have been forced to submit to market fundamentalism and have been coerced through various agencies into opening their markets to foreign corporations and foreign produce, privatizing their services and abandoning the measures which helped small domestic companies to compete with overseas competitors;

Aware, that while weaker trading nations have been repeatedly promised that every concession that they make to free trade will be matched by similar concessions by the powerful nations, every time the rich world has responded by breaking almost every promise it has made;

Aware that poverty for many of the world's people, means death by starvation and disease and that the immediate cause of such starvation and disease is the lack of purchasing power;

Aware that the world's purchasing power resides in the hands of the people who need is least, while who need it most, for such necessities as food, clean water, housing, health and education, have almost none;

Aware that a one percent increases in the share of world exports for each developing region would reduce the number of people in extreme poverty by hundreds of millions;

Aware that the working population in farming is barely 3% in the rich countries in contrast to the majority in the poor countries, fair trade in the products of farming would cost the rich world very little in terms of the loss of welfare to its inhabitants, while delivering major potential benefits to poorer nations;

Aware that the rich nations now give their farmers nearly $ 1 billion a day as subsidy which is six and half times of what they give poor nations in the form of aid;

Aware that the rich nations impose much higher tariffs on goods from poor nations than on goods from other rich nations;

Aware that intellectual property rights granted by the WTO over the years have enabled corporations to assert exclusive control over genetic material and plant and animal varieties forcing the poor people of the developing countries and the LDCs to pay them a license free which forms a discriminatory commercial practice and a tariff barrier

Aware that foreign direct investment can some times cost a poor nation more money than it makes;

Noting that since the adoption of the Doha work program there is little evidence of progress on the development of the developing countries as well as the LDCs while on the other hand the rich countries still continue to pressurize poor countries for deeper commitment towards further liberalization in crucial sectors such as agriculture, services and bound tariff rates;

Realizing that due to the lack of progress on the special and differential treatment (STD) and implementation issues the economies of the developing countries and the LDCs will face grave consequences;

Recognizing that we need to devise a system governing the flow of goods around the world which offers a perfect equality of opportunity permitting a significant transfer of wealth from rich to the poor all allowing poorer nations to compete on roughly equal terms, addressing the balance of trade between nations and ensuring that temporary deficits did not turn into permanent debt;

We, the parliamentarians of the South Asian countries, considering the urgency to discuss WTO related issues and to play our vital role as peoples' representatives in the ongoing negotiations of the World Trade Organization (WTO);

Call upon the developed countries to stop dumping of their agricultural and industrial products and eliminate all subsidies and export credits, forthwith, from agricultural products;

Urge the developed countries to provide wider market access to exports from developing countries as well as the LDCs and supplement more rapid debt relief with an increased level of new unconditional financial support for the heavily indebted countries;

Call upon various developing countries as well as LDCs to build defensive as well as offensive strategies that promote the interests of the peoples of the developing countries and the LDCs and their economies and to further strengthen the unity and solidarity among the poor nations;

We urge the governments of the South Asian countries to make coordinated efforts and remain firm and committed in articulating and sustaining priorities which promote the interests of their people and their

economies.

We assert that the WTO and rich countries must end the undemocratic pratices such as mini-ministerial meetings, green room processes, Five Interested Parties (FIPs) etc, and the process should be made transparent and inclusive;

We emphasize that the targets of Millennium Development Goals can not be met unless the trade distorting subsidies and protection in rich countries are eliminated;

We urge that the rich countries should accept the free flow of semi-skilled and less skilled persons from poor countries;

We urge that rich countries must accept the right of poor countries to protect the food security, livelihood of small farmers, labor rights and local industries;

We also urge that basic needs like education, health and water must not be privatized.

And in order to play an effective role in the WTO negotiations, we hereby, declare the formation of South Asian Parliamentarians Forum on WTO (SAPFOW) with immediate effect. While more parliamentarians from South Asia will be invited to join, the SAPFOW, at this point in time, will be comprised of the following members of the South Asian Parliaments:

Srilanka

1. Honorable Hr Mithrapla, Deputy Minister for Trade, Commerce and Consumer Affairs, United People's Freedom Alliance
2. Chamal Rajapakse, Deputy Minister of Plantation Industries, United People's Freedom Alliance
3. Chandra Secharen, Member Parliament, United People's Freedom Alliance

India

4. Deba Brata Biswas, Member Parliament, All India Forward Block
5. Ramdas Athawale, Member Parliament, Republican Party of India

Bangladesh

6. Mr. Redwan Ahmed, Chair, Parliamentary Standing Committee, Ministry of Commerce
7. Mr. Abu Hena, Member Parliament, Bangladesh National Party
8. Prof. Qazi Golam Morshed, Member Parliament, Bangladesh National Party
9. Mr. Farid Uddin Chowdhury, Member Parliament, Bangladesh National Party
10. Golam Habib Dulal, Member Parliament, Jatiya Party
11. Col Faruk Khan, Member Parliament, Awami League
12. Professor Sirajul Akbar, Member Parliament, Awami League

Nepal

13. Mrs. Bidya Devi Bhandari, Former Member Parliament
14. Mr. Pari Thapa, Former Member Parliament
15. Mr. Akkal Bahadur Bista, Former Member Parliament
16. Mrs. Ambika Pant Chapagain, Former Member Parliament

Pakistan

17. Mr. Shah Mehmood Qureshi, Member Parliament, Pakistan People's Party Parliamentarians (PPPP)
18. Mr. Syed Naveed Qamar, Member Parliament, PPPP
19. Mr. Farooq Sattar, Member Parliament, MQM
20. Mrs. Mehnaz Rafi, Member Parliament, PPPP
21. Mr. Ahmad Alam Anwar, Member Parliament, Independent
22. Mrs. Shagufta Jumani, PPPP
23. Mr. Muhammad Hussain Mehndi, MMA
24. Mr. Ch. Manzoor Ahmad, PPPP
25. Mr. Qamar Zaman Kaira, PPPP
26. Mrs. Nafisa Munawar Raja, PPPP
27. Mrs. Kashmala Tariq, PML (Q)

India Rejects EU Proposals on Farm Tariff

Geneva, October 12, 2005

Articulating developing countries' stand, India has rejected the latest US and EU proposals on farm tariff reduction, forcing them to give up their proposals recently made to break the impasse at the WTO talks.

The US-Australia proposal of "progressivity within a band" and the EU formula of a "pivot within each band" for tariff reduction in agriculture would have been detrimental to the interests of developing countries, Commerce Minister Kamal Nath said.

The proposals were made on Monday at a meeting of the five interested parties (FIPs) in Zurich, convened especially to boost the stalled trade talks ahead of the WTO ministerial conference in Hong Kong in December this year. Opposing the US proposal, Mr Nath said: "We (the G-20) had already agreed to the banded formula in the July framework. Progressivity is nothing but the Swiss formula which we have already rejected," he said. — PTI

Civil society organisations are astonished and appalled by the underhand co-ordinated attempt from the EC, Japan, Australia, Switzerland, Korea and Taiwan to change, mid-way in the negotiations, the negotiating format all WTO members had agreed to prior to the commencement of the GATS negotiations. These changes suggested by EC et al in their proposals of 13 September on "complementary approaches" will subvert the more flexible request-offer negotiating approach WTO members had agreed upon.

The GATS currently allows countries to open up only those sectors governments deem ready for liberalisation. EC et al are suggesting that countries take on mandatory liberalisation in a certain percentage of services sectors, for which they have tabled requests. Therefore, even if their economies are not ready, all developing countries, including LDCs, will be forced to commit a significant number of commercially-important sectors to liberalisation and to deepen that liberalisation by removing restrictions on market access and national treatment.

TNCs based in the developed world currently control 80% of services trade, and more than 90% of infrastructural services such as financial, construction, computer and telecommunication services. Liberalisation of this trade therefore benefits the transnationals in the EU, US, Switzerland, Australia, Japan etc disproportionately. More worrying, even in their own domestic markets, most local service providers in the developing world will not be able to compete with the giant multinationals of the developed countries. Forced liberalisation and the removal of domestic regulation so that foreign providers are given the same treatment will decimate local service companies in the South, and cause further unemployment and decrease access to essential services such as health, education, water, energy.

In addition, the EC's proposal is patently one-sided – it recommends much more aggressive liberalisation in Mode 3 (commercial presence) where the developed countries' corporations have an interest, asking for a minimum of 51% in foreign ownership. This effectively makes null and void any performance requirements countries may want foreign companies to abide by. Yet in Mode 4 (movement of natural persons) where the developing world has an interest, it specifically allows the maintenance of economic needs tests, one of the major barriers currently facing developing countries. There will therefore not be any significant gains to developing countries in Mode 4.

Making an Irony of the "Development" Round

This latest move underlines, once again, that this Round, contrary to its stated objectives, will undermine rather than promote development.

According to the General Secretary of the International Union of Food Workers (IUF), Ron Oswald, "These latest proposals demonstrate the extent to which the GATS/WTO rules and processes - already heavily stacked in favor of the corporations - are about deregulation and corporate appetites dressed up as a "development round." No negotiations on further liberalization should take place until a full, transparent public assessment has been made of the social, environmental and development impact of past and ongoing services deregulation in all the countries concerned. We should also be aware that the further opening up of water provision, agricultural support and environmental services threatens to undermine even further democratic control over food resources and therefore directly menaces global food security."

Aileen Kwa of Focus on the Global South comments, "This only confirms that the WTO negotiations are driven by corporate interests and not development. It exposes the total hypocrisy of the EC's lip-service to development concerns. The EC does not care about building up the economies of the poor countries, only about squeezing more blood out of the poor".

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Civil Society Groups Voice Concerns Over GATS Talks at WTO

By: Kanaga Raja

More than 160 civil society organizations from around the world sent a letter in the month of June to WTO ambassadors in Geneva expressing their deep concerns regarding the current round of negotiations on the General Agreement on Trade in Services (GATS), which is part of the 'single undertaking' under the July 2004 Framework.

The letter (sent to Heads of Delegations, the Chair of the GATS talks, the General Council Chair and the WTO Director-General) called on negotiators to stop

pressuring developing countries to open up their services sector to the corporations based in industrialized countries.

Among the 160-plus groups that signed the letter are ActionAid International, ATTAC, Corporate Europe Observatory, Friends of the Earth, Greenpeace International, IATP, Institute for Global Justice, IBASE of Brazil, International Forum on Globalization, Oxfam Solidarity of Belgium, Public Citizen's Global Trade Watch, Public Services International, the Sierra Club of Canada and the US, SEATINI, the Berne Declaration, the Council of Canadians, Third World Network and the World Development Movement.

The letter by the civil society groups comes just as the services negotiations are set to resume on 27 June for a week-long session.

At the last meeting of the Special Session of the Council for Trade in Services in March, where negotiations on market access in services are taking place, the Chair of the Special Session had painted a rather sobering picture over the low quantity and quality of offers on services received from members so far.

The civil society letter said that enormous pressure is being put on developing countries to open up their service markets to powerful foreign-based, for-profit

corporations from the industrialized countries.

With only 50 countries making offers so far (counting the 25 EU member states as one), developed countries continue to demand that 40 developing countries and 32 less developed countries make offers to open up their service markets.

"This makes a mockery of claims that the GATS is a flexible agreement, in which countries could elect to put specific services on the negotiations table or not," the groups said.

Key sectors in which developed countries are seeking further commitments from developing countries are, among others, finance, energy, environment, water, tourism, distribution and transportation services.

On the one hand, these are among the service sectors where the EU and US are the home base of for-profit corporations seeking to expand their global market reach. On the other hand, these sectors represent crucial and necessary bases for the fulfilment of human rights and they provide the fundamental support services required for agricultural and industrial production, the letter said.

The letter noted that the GATS is essentially an investment treaty. It is designed, first and foremost, to protect investor rights and extend 'lock-in' liberalization in the service sectors of other countries for foreign-based service corporations.

This is why big business lobby machines like the US Coalition of Service Industries and the European Services Forum, which represent the major for-profit corporations in key service sectors, are openly pushing hard for developing countries to make commitments now.

And, once these commitments are made, they are "effectively irreversible". At the same time, the capacity of developing countries to have their own service industries operating 'competitively' in global markets is very small or non-existent, making these negotiations very one-sided.

The civil society groups said that the US and the EU are advocating for the establishment of "benchmarks" which would restrict the flexibility of countries to decide which service sectors to put on the negotiating table.

The letter to WTO ambassadors said that to accelerate the pressure and ensure an outcome in services negotiations, developed countries, such as the European Commission and the United States have advocated the establishment of 'benchmarks' for the GATS negotiations and are coordinating these demands through informal 'friends' groups in key sectors.

Imposing benchmarks would imply that WTO members would not have flexibility anymore to decide whether to table offers and engage in commitments or not.

"We especially condemn moves to reclassify telecommunications to include value-added content as a back-door route to secure commitments that governments are unwilling to make. Commitments made under the proposed new classification would deprive governments of the chance to assess the implications of these technologies and decide the appropriate form of regulation."

"This erosion of the so-called flexibility in the GATS negotiations - alongside the failure of industrialized countries to propose and support significant development-oriented proposals in the simultaneous

agricultural negotiations and in the so-called Non Agricultural Market Access (NAMA) negotiations - exposes the gulf between the rhetoric and reality of the so-called 'Doha Development Round'."

The groups warned that liberalization commitments in services will have severe impacts upon national development policy options and their implementation.

Contrary to the claims being made about services liberalization, the civil society groups said:

- The "locking-in" of deregulation and market access for foreign-based service corporations through the GATS will not enhance development goals and priorities in developing countries and truly address the needs and concerns of citizens;
- Foreign direct investment in many services sectors mostly happens through multinational enterprises taking over privatized public services and existing local companies, rather than building up new enterprises;
- There is little evidence of the creation of new employment opportunities but rather retrenchments and job losses accompanying privatization;
- There is evidence that any extension of services remains limited and essentially restricted to the elite;
- When public services such as water, education and health are exposed to liberalization, the people suffer the consequences. "Consider what happened when
- Argentina allowed an essential service like water/waste water to be taken over by the global water giant, Suez. Argentinean's experienced rising rates, broken promises for expanded services, and the construction of a new treatment plant that dumped raw sewage into the Rio de la Plata"; and
- Furthermore, in addition to all the above, there is the track record of these same service providers demanding compensation for their own failures and using trade language to justify their self-serving business interests.

The NGO letter also noted that the WTO has ignored the repeated requests of developing countries for a comprehensive assessment of the developmental, environmental, social and gender impacts of service liberalization before continuing with the GATS negotiations.

In this respect, it cited a recent study paper by the UNCTAD secretariat that questions the promised benefits of privatization and liberalization in the service sector and shows how developing countries will lose flexibility in public policy-making under the GATS.

The UNCTAD secretariat paper cited by the groups was on 'Trade in services and development implications' that was prepared for the Commission on Trade in Goods and Services and Commodities.

The paper said that the services negotiations in the WTO have so far not attained an overall balance of rights and obligations and that the initial offers by the major trading partners have been disappointing for developing countries.

The paper added that the benefits of privatization and liberalization are not automatic and that there is a need for policy flexibility and proper sequencing of liberalization.

The civil society groups also pointed to recent WTO rulings on services such as the Telmex case and the US gambling case, which highlight the dangers of making commitments to open up service sectors without knowing the full implications, even for countries experienced in trade matters.

"The GATS regime contains other equally pernicious measures that can be used to undercut or reduce the space of governments for public policy making," the groups cautioned, noting that the Domestic Regulation Article VI.4 of the GATS, for example, makes provisions for governments to challenge unwanted laws and regulations of another country, which may be perceived as a disguised barrier to trade.

Yet, the groups said, as the UNCTAD secretariat study points out, such challenges can also reduce the policymaking and regulatory flexibility/security of developing countries.

The right to regulate and maintain policy flexibility is essential for developing countries to ensure that their own development priorities and strategies are advanced, especially since most of them do not have optimal policy-making and institutional frameworks in place.

At the same time, the letter said, developing countries are hopeful of enormous gains under Mode 4, which refers to the movement of 'natural persons' into other countries to supply services. Yet it is clear that most developed countries such as the US will not make substantial offers, particularly in relation to low and unskilled workers, due to internal political pressures.

On the other hand, the potential impacts on developing countries of the loss of skilled workers in health, education or professional services have not been assessed. Nor have rich countries recognized any obligation to compensate those countries for the cost of training these professionals, the groups stressed.

In addition, the manner in which the GATS negotiations have been proceeding and the established experiences of services liberalisation and privatization give reason for working people to be concerned about job losses, job insecurity, curtailment of workers' rights, decline in real wages and increased demands in labour flexibility, since the protection of labour rights and promotion of core labour standards are increasingly being viewed as

'protectionist measures or barriers to free trade.'

The civil society organizations called upon the WTO members "to stop the current push for a deeply questionable agreement that serves the expansionary interests of service corporations and will be a profound disservice to citizens around the world."

The letter to the WTO ambassadors set forth a range of civil society demands including:

- a comprehensive independent assessment be made of the developmental, environmental, employment, social and gender impacts of the liberalization of services, in all countries, but especially in developing country economies, before proceeding any further with the current round of GATS negotiations;
- any continuation of service negotiations must be preceded by comprehensive national policymaking processes involving all affected constituencies domestically and the public at large, and all requests and offers must be made fully public without delay;
- no selective 'benchmarks' or other changes in the negotiation process should be introduced that force developing countries to make precipitated commitments in specific sectors;
- no modalities in domestic regulation should be decided upon that limit the possibility of governments to introduce rules and regulations of their choice to protect their people and environment and that would put trade interests above all other interests;
- no government should submit any bilateral offers or respond to any requests while there are ongoing multilateral discussions on the framework of rules that will apply to services in areas such as Domestic Regulations, Subsidies, Government Procurement and Emergency Safeguards;
- certain services sectors must be explicitly excluded from multilateralised liberalization, especially health, education, cultural/audio-visual, social assistance, water, postal services and energy services, and in the classifications related to new technologies;
- all WTO members must be able to define service sectors that they wish to be fully excluded; and
- international financial institutions like the World Bank and the International Monetary Fund must respond immediately to global civil society demands and developing-country government requests for the immediate cancellation of all odious and illegitimate Third World debts, and an immediate end to the pressures on developing countries to liberalize and privatize their public services through regulatory or institutional impositions or by placing such economic policy conditions on their loans.

"If negotiations do not proceed on the above terms, we call upon developing countries to seriously consider how or whether the negotiations should continue. Simply put, access to essential services and the livelihoods of millions of people in the developing world are at stake," the civil society letter concluded.

WACC Calls for Action on WTO Meeting in Hong Kong

World Association for Christian Communication

We, Christian communicators from Africa, Asia, the Caribbean, Europe, Latin America, the Middle East, North America, and the Pacific, express our grave concern regarding the forthcoming Ministerial Meeting of the World Trade Organisation to be held in Hong Kong in December 2005.

Recent experience teaches us that the WTO is an instrument for consolidating a world political and economic order in which human knowledge and creativity have been reduced to commodities exchanged for profit. In this process, fewer and fewer corporations, including major communication conglomerates, are fencing off public access to humankind's common intellectual heritage.

To be a Christian communicator means taking sides for justice, peace and freedom and against falsehood, exclusion and oppression. The ideals of Christian communication foster a spirit of solidarity, and a shared commitment to build a just world and a common prosperity.

We call on all WACC members to actively oppose the new round of WTO accords. As we have seen in Seattle and Cancun, WTO agreements can be derailed; the train of history is not moving inexorably towards this particular world political and economic order. We can build better agreements more rooted in and more respectful of our common humanity.

At this moment in history our task is to share the untold stories of the human costs imposed by a political and economic system that puts profit above the value of life itself. Therefore we call on all our colleagues in the media to tell the stories of the farmers, peasants, workers, migrants, indigenous peoples, women and other marginalised groups whose lives and livelihoods are threatened by the policies that may be approved in Hong Kong.

Latin America

Cancún hotel workers protest layoffs

The Revolutionary Confederation of Workers and Peasants (CROC), the union that represents Cancún hotel workers, denounced the layoff of over 300 hotel employees from the Hilton and Handai hotels and from Xcaret, an ecological park. The layoffs came despite assurances from the government of the State of Quintana Roo, in the Yucatan Peninsula, that no sackings would take place as a result of Hurricane Wilma.

Local CROC official Arturo Escaip indicated that unemployment is on the rise in this popular tourist destination and called on the government to explain how retraining scholarships will be doled out to the unemployed, given that hundreds of small businesses may be forced to close. Escaip denounced a maneuver by the hotel companies to temporarily suspend labor legislation, making it possible to keep thousands of employees unemployed for months.

The state governor, Félix González, had offered 37,500 retraining scholarships of 2000 pesos (US$190) each to cover 45 days of training, a meager sum, even taking Mexico's lower cost of living into account. Escaip said that the mechanism for granting the payments has yet to be created. The denial by González and the Cancún hotel chains that there is no increase in unemployment in the region flies in the face of reality, according to the CROC. In addition to the 300 sackings already mentioned, the union has received over 500 grievances from hotel, restaurant, and travel agency employees.

Doctors strike continues in Uruguay

Uruguay's public health doctors went on strike demanding higher wages and the resignation of the nation's public health minister, María Julia Muñoz.

Public health officials said that their budget cannot accommodate raises for the doctors. Muñoz denounced the doctors for striking and declared that the Health Ministry prioritizes the public's health needs above the wage demands of 15,000 doctors.This is the sixth strike by public health doctors since current President Tavaré Vázquez took office on March 1.

Air traffic controllers strike in Perú

One hundred eighty air traffic controllers in Lima walked off their jobs November 3 to press their demand for back pay. Airport officials are attempting to run the system with management personnel.

United States

Another Machinist strike at Boeing

About 1,500 machinists for Boeing Corporation's Integrated Defense Unit in California, Alabama and Florida hit the picket lines on November 3 in opposition to the aerospace company's attempt to end retiree health benefits and increase workers' medical out-of-pocket costs and premiums.

The International Association of Machinists (IAM), which represents the striking workers, is looking for a similar agreement to its counterparts who work for Boeing's commercial jet division and concluded a four-week strike. While not accepting benefit cuts, the IAM did conclude a backroom deal that imposed a three-year wage freeze.

The strike delayed the launch of a Delta rocket at Vandenberg Air Force Base in California slated to carry NASA satellites. At Cape Canaveral in Florida, Boeing brought in replacement workers to finish the upper-stage booster of a rocket that will carry a spacecraft powered by 24 pounds of plutonium-238 that is scheduled to probe the planet Pluto.

Talks break off in Texas steel plant lockout

Negotiations between Gerdau Ameristeel and the United Steelworkers Local 8586 broke off November 11 after 11 months of negotiations. The 260 steelworkers at the company's Beaumont, Texas plant have been locked out since May of this year as the company is pressing hard for deep concessions.

The steelworkers union has already agreed to a two-tier wage system and a break with the past practice of two-year agreements by extending the length of the new contract to four years. The company continues to press for combined insurance increases that will require workers to pay $600 a month and changes in vacation and overtime pay provisions.

Gerdau Ameristeel is also in negotiations with representatives of the steelworkers union at plants in Wilton, Iowa and St. Paul, Minnesota.

Canada

Manitoba school staff set to strike

On November 2, support staff at Turtle River School Division in Manitoba rejected their employer's final contract offer, putting the union into a legal strike position. Negotiations have been ongoing since January, with the main issue being wage parity with workers in neighboring divisions. According to a union representative, the workers at the Turtle River division are paid $2 an hour less than those in other divisions. The approximately 100 workers are represented by Canadian Union of Public Employees (CUPE) Local 1897. They work as teaching assistants, secretaries, librarians, custodians, mechanics and bus drivers.

Asia

Korean bank workers strike for pay increase

About 2,000 KorAm Bank Union members at Citibank Korea went on strike for 24 hours on November 2. The action closed down services at a third of the bank's 253 branches. Citibank Korea was established last November in a merger between US financial giant Citigroup's South Korean unit and KorAm, then South Korea's seventh largest lender.

On November 3, bank workers placed bans on selling

investment and insurance. They have banned processing household loan applications since October 24. KorAm Bank Union vice chairman Lee Yong-ha warned the industrial action could be stepped up "unless the bank shows some attitude changes".

The union, which represents about half the Citibank workforce, is seeking a 9.4 percent increase in workers' monthly wages, performance-based incentives and a better retirement package. It claims that no progress has been made in wage negotiations since they began in mid-August.

The remainder of Citibank's staff, who are covered by a separate union and work agreement, did not join the strike.

Protest in Taiwan over beating of migrant workers

On October 27, migrant workers and human rights groups in Taiwan protested outside the Council of Labor Affairs (CLA) to demand that it make public its investigation into the beating of four Filipino workers as they were being deported in early August.

The men were previously employed at the Formosa Plastics Group plant in Maliao, Yunlin County. Civil rights groups allege that the four were assaulted because they led a strike on July 14 and 15 over the working conditions in Formosa Plastics' Maliao plant and illegal pay deductions. The CLA, however, is claiming that because the beatings occurred as the men were being taken to the airport for deportation to the Philippines, it is unable to determine who was responsible.

Indian construction workers demand improved conditions

Construction workers demonstrated on October 31 outside government offices in Salem, in the southern Indian state of Tamilnadu, to demand improvements in their conditions. Their demands included a 2,500-rupee bonus ($US50) to compensate for days when there is no work and the provision of rent-free housing. They also called for increased staffing in the State Construction Workers Welfare Board to ensure that registrations, renewals and payment of welfare entitlements are carried out efficiently.

Mini-taxi workers protest attack on union leader

Mini-taxi workers demonstrated outside the press club in the Hyderabad market area on October 25 to protest over the assault on the Mini-Taxi Workers Union president Waqar Hyder. The union claims that Hyder was shot at when he exchanged "hot words" with extortionists. Union general secretary Mohammad Naqi said extortionists often demanded money from taxi drivers. Even though a complaint over the assault was lodged at the local police station, the accused have not been arrested. Drivers are demanding the immediate arrest of the assailants.

Three die in factory explosion in Pakistan

Three workers, Mohammad Qasim, Arshad and Kashif, were killed in an explosion at a powder-milk manufacturing factory in Sheikhupura, Pakistan, on October 30. They were doing welding work when a gas cylinder exploded. Seven other workers were injured by the blast and some are reported to be in a critical condition. The explosion blew the factory roof off. Police are charging the factory owner.

Australia and the Pacific

Sydney confectionery workers to strike over wages

About 20 members of the Australian Workers Union (AWU) at the Ferrero confectionery plant in Lithgow, west of Sydney, took further industrial action. Employees had previously walked off the job for two days in October over a new wages and conditions agreement. The workers voted recently to reject a 3.5 percent annual rise for the next three years and gave 72 hours notice.

Air NZ engineers protest job losses

Air New Zealand aircraft engineers and their families turned out on October 29 to protest the impending closure of the national carrier's heavy engineering facility in Auckland. The closure of the facility, which services long haul aircraft, will cost 600 jobs. The protest at Auckland International Airport was timed to coincide with the arrival of the company's first new-generation Boeing B777 OKA aircraft.

Air NZ recently announced plans to send all heavy maintenance work overseas. It claims that the lower maintenance requirement on new planes in their first few years of service is one reason for the move. The company is also losing work from overseas airlines to larger and cheaper servicing centres in Europe and Asia.

While promoting the demonstration at the airport, the Engineering, Printing and Manufacturing Union has no plans to fight the sackings, which are due to start before Christmas. It has promised only to seek "consultation" with the company over the job losses.

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